

Purchase / Rate and Term Refinance				
Primary Residence				
Property Type	FICO	Max Loan	Maximum LTV/CLTV	Reserves
1-4 Units	720	\$3,000,000	80%	N/A
	680	\$3,000,000	75%	
		\$2,000,000	85%	
	660	\$2,000,000	80%	
		\$1,000,000	90%*	
	620	\$2,000,000	65%	
\$1,000,000		75%		

\* Rate and Term Max LTV 85%

Second Home				
Property Type	FICO	Max Loan	Maximum LTV/CLTV	Reserves
1-4 Units	720	\$3,000,000	75%	N/A
	680	\$3,000,000	70%	
		\$2,000,000	80%	
	660	\$2,000,000	70%	
		\$1,000,000	75%	
	620	\$2,000,000	60%	
\$1,000,000		65%		

Investment Property				
Property Type	FICO	Max Loan	Maximum LTV/CLTV	Reserves
1-4 Units	720	\$3,000,000	75%	N/A
	680	\$3,000,000	70%	
		\$2,000,000	80%	
	660	\$2,000,000	70%	
		\$1,000,000	75%	
	620	\$2,000,000	60%	
\$1,000,000		65%		



Cash Out Refinance					
Primary Residence					
Property Type	FICO	Max Loan	Maximum LTV/CLTV	Reserves	Maximum Cash Out
1-4 Units	720	\$2,500,000	70%	N/A	No limit to 65% LTV
		\$2,000,000	75%		
	680	\$2,500,000	65%		
		\$2,000,000	70%		
	660	\$2,000,000	65%		
		\$1,000,000	70%		
	620	\$2,000,000	60%		
		\$1,000,000	65%		

Second Home					
Property Type	FICO	Max Loan	Maximum LTV/CLTV	Reserves	Maximum Cash Out
1-4 Units	720	\$2,500,000	70%	N/A	No limit to 65% LTV
		\$2,000,000	75%		
	680	\$2,500,000	65%		
		\$2,000,000	70%		
	660	\$2,000,000	65%		
		\$1,000,000	70%		
	620	\$2,000,000	60%		
		\$1,000,000	65%		

Investment Property					
Property Type	FICO	Max Loan	Maximum LTV/CLTV	Reserves	Maximum Cash Out
1-4 Units	720	\$2,500,000	70%	12 Months	No limit to 65% LTV
		\$2,000,000	75%		
	680	\$2,500,000	65%		
		\$2,000,000	70%		
	660	\$2,000,000	65%		
		\$1,000,000	70%		
	620	\$2,000,000	60%		
		\$1,000,000	65%		



### Program Overview

Hometown Equity Mortgage offers loans to borrowers utilizing accumulated liquid assets as a basis for qualification rather than through traditional income documentation.

Loans in this program must meet ATR / QM requirement as defined in our guidelines. This program is designed for Applicants who are sound credit risks based on a commonsense approach to underwriting.

**Highlights include the following:**

- Loan amounts up to \$3MM
- Interest only available with 30 or 40 year term
- No income documentation necessary
- Credit scores down to 620
- Recent Credit Events Allowed
- All occupancy types allowed
- 7/6 and 10/6 ARM, 15, 30, and 40 FRM (40 year term IO only)
- Multiple financed properties allowed

Eligibility Requirements	
Topic	Guideline
<b>Borrower Eligibility</b>	<ul style="list-style-type: none"> <li>• US Citizen</li> <li>• Permanent Resident Alien</li> <li>• Non-Permanent Resident Alien with the following visas: E, G, H, L, O, P, and TN</li> <li>• First time home buyer-see Housing Payment History guideline below</li> <li>• Non-Occupant Co-Applicants-see Underwriting Guidelines</li> </ul>
<b>Occupancy</b>	<ul style="list-style-type: none"> <li>• Primary</li> <li>• Second Home</li> <li>• Investment Properties</li> </ul>
<b>Property Types</b>	<ul style="list-style-type: none"> <li>• 1-4 unit attached and detached properties</li> <li>• Warrantable Condos</li> <li>• PUDs</li> <li>• Mixed use properties that comply with FNMA's guidelines-see Underwriting Guidelines</li> </ul>
<b>Eligible Transactions</b>	<p>Purchase, including non-arm's length transactions-</p> <ul style="list-style-type: none"> <li>• See Underwriting Guidelines</li> </ul> <p>Rate and Term Refinance</p> <ul style="list-style-type: none"> <li>• No title seasoning required</li> <li>• Payoff of first and second,               <ul style="list-style-type: none"> <li>o The second must be seasoned &gt;6 months with no draw or used to purchase the subject</li> </ul> </li> <li>• Recoup of funds expended to improve the subject property.               <ul style="list-style-type: none"> <li>o Improvements must have been completed within the last 6 months preceding the application date, funds must have been Applicant's own.</li> <li>o Cash out amount not to exceed documented improvement costs</li> </ul> </li> <li>• Buyout accompanied by an executed buyout agreement</li> <li>• Delayed Financing               <ul style="list-style-type: none"> <li>o When the subject property was purchased for cash within the 6 months preceding the application date, funds may be recouped up to the Applicant's documented contribution.</li> <li>o Gifted funds are not deemed to be Applicant's own funds</li> </ul> </li> </ul> <p>Cash-Out Refinance</p> <ul style="list-style-type: none"> <li>• Refinances which do not fit into the rate and term guidelines are deemed to be cash out</li> <li>• 6 months seasoning required measured from deed transfer to application</li> <li>• Max cash out allowed:               <ul style="list-style-type: none"> <li>o No limit for LTVs up to 65, \$500k for LTVs above 65</li> </ul> </li> <li>• Value to be utilized must be supported-see Underwriting Guidelines</li> </ul>



Credit Requirements	
Topic	Guideline
<b>Minimum Tradelines</b>	<ul style="list-style-type: none"> <li>• Minimum of 3 tradelines</li> <li>• Must have a 24 month credit history</li> <li>• One tradeline must have been active in the last 6 months                             <ul style="list-style-type: none"> <li>◦ May also be used for the 24 month history</li> </ul> </li> <li>• Tradeline do not have to be open</li> <li>• If the spouse is the only co-borrower, the primary borrower need only meet the tradeline requirement                             <ul style="list-style-type: none"> <li>◦ Only one borrower is required to meet this guideline</li> </ul> </li> <li>• See Underwriting Guidelines for more details and alternatives.</li> </ul>
<b>Credit Score</b>	<ul style="list-style-type: none"> <li>• 620 minimum FICO score</li> <li>• Use the lowest middle score for pricing and guideline purposes.</li> <li>• If there is a primary borrower, use their FICO score                             <ul style="list-style-type: none"> <li>◦ A borrower that provide <math>\geq 75\%</math> of the qualifying assets are considered the primary borrower</li> </ul> </li> </ul>
<b>Housing Payment History</b>	<ul style="list-style-type: none"> <li>• Housing payment History                             <ul style="list-style-type: none"> <li>◦ 0x30x12</li> <li>◦ 0x60x24</li> </ul> </li> <li>• First-time Homebuyer                             <ul style="list-style-type: none"> <li>◦ Must document a 12-month history during the last 36 months                                     <ul style="list-style-type: none"> <li>• Must be 0x30</li> </ul> </li> <li>◦ Living rent free or no history                                     <ul style="list-style-type: none"> <li>• 75% max LTV</li> <li>• 10% own funds contribution</li> <li>• Primary and second home only</li> </ul> </li> </ul> </li> </ul>
<b>Derogatory Credit Events</b>	<ul style="list-style-type: none"> <li>• Significant Events                             <ul style="list-style-type: none"> <li>◦ Bankruptcy</li> <li>◦ Foreclosure</li> <li>◦ Short sale &amp; Short Pay</li> <li>◦ Modification</li> <li>◦ Dee-in-lieu</li> <li>◦ Pre-foreclosure events (NOD &amp; Lis Pendens)</li> </ul> </li> <li>• Seasoning Requirements                             <ul style="list-style-type: none"> <li>◦ 0-2 years, not eligible</li> <li>◦ 2-4 years - 75% max LTV</li> <li>◦ &gt; 4 years, no restrictions</li> </ul> </li> <li>• Judgment/Tax Lien                             <ul style="list-style-type: none"> <li>◦ Must meet one of the following:                                     <ul style="list-style-type: none"> <li>• Paid off prior to or at closing, or</li> <li>• Show 6 month satisfactory payment history, include payment in debt service, subordinate if recorded</li> </ul> </li> </ul> </li> <li>• Collections/Charge-Offs                             <ul style="list-style-type: none"> <li>◦ May be excluded if individually less than \$250 or</li> <li>◦ in aggregate less than \$1,000.                                     <ul style="list-style-type: none"> <li>• If greater, must be paid off prior to or at closing.</li> <li>• Medical collections are excluded from this requirement regardless of amount.</li> </ul> </li> </ul> </li> </ul>



Asset & Income Requirements	
Topic	Guideline
<b>DTI</b>	<ul style="list-style-type: none"> <li>• No DTI is calculated                             <ul style="list-style-type: none"> <li>◦ Qualification is based on assets only</li> </ul> </li> <li>• Loan must meet residual income requirements                             <ul style="list-style-type: none"> <li>◦ Calculated at qualifying assets / 48 - monthly obligations</li> <li>◦ See the underwriting guidelines for minimum requirements</li> </ul> </li> </ul>
<b>Documentation Requirements</b>	<ul style="list-style-type: none"> <li>• Six months of statements for accounts which are being used towards funds to close and the post-closing reserve requirement.                             <ul style="list-style-type: none"> <li>◦ Balances must be verified within 60 days of the note date.</li> </ul> </li> <li>• Two months of statements for accounts which are being used solely for funds to close</li> </ul>
<b>Income Calculation Options</b>	<p>Qualification is determined solely based on the Applicant's liquid assets and assets that they can liquidate without restriction.</p> <p>Option 1   Mortgage Only</p> <ul style="list-style-type: none"> <li>• Total post-closing assets must meet 125% of the outstanding mortgage debt for which the Applicant has personal liability, including the proposed mortgage(s) on the subject property.</li> </ul> <p>Option 2   Simplified</p> <ul style="list-style-type: none"> <li>• Total post-closing assets must meet 120% of the proposed mortgage(s) on the subject property plus 30% of all other outstanding debt (mortgage and consumer).</li> </ul> <p>Option 3   Traditional</p> <ul style="list-style-type: none"> <li>• Total post-closing assets must meet the sum of the below:                             <ul style="list-style-type: none"> <li>◦ 100% of loan amount</li> <li>◦ 60 months of total debt service (do not include subject property's PITIA or PITIA on rented properties with documented rental income)</li> <li>◦ 60 months of net rental losses on rental properties (do not include subject property's PITIA)</li> </ul> </li> </ul> <p>Rental Calculation (Option 3 Only)</p> <ul style="list-style-type: none"> <li>• Rental properties are calculated based on 75% of lease less PITIA to determine impact on debt service.</li> <li>• Net rent can never exceed \$0 for determining impact.</li> <li>• For example, a property with a lease of \$1,600 and PITIA of \$1,500 would have a \$300 per month added to debt service (<math>\\$1,600 * 75\% - \\$1,500 = \\$300</math>).</li> <li>• Other owned properties require additional reserves.</li> </ul>



Asset & Income Requirements	
Topic	Guideline
<b>Income Calculation Options (continued)</b>	<p>Asset Calculations (All Options)</p> <ul style="list-style-type: none"> <li>• Assets are determined based on the below calculation:               <ul style="list-style-type: none"> <li>o Cash and cash equivalents: 100% of face value</li> <li>o Marketable securities (excludes unvested RSUs and Stock options): 80%</li> <li>o Retirement funds: 70% unless if Applicant is of retirement age, then use 80%.                   <ul style="list-style-type: none"> <li>• If utilizing retirement account, document Applicant's ability to access the funds.</li> </ul> </li> <li>o Cash surrender value of life insurance/annuity: 100%</li> <li>o Bitcoin: 50% (100% if liquidated)</li> </ul> </li> </ul> <p>The balance of any loans secured against financial assets being used for asset qualification will be netted against the asset's value before application of the discount.</p>
<b>Asset Accounts</b>	<p>See above requirements for utilizing cash, marketable securities, and retirement funds as funds to close, post-closing reserves, and asset qualification</p> <ul style="list-style-type: none"> <li>• If the borrower is liquidating funds from non-retirement sources, document liquidation and the ending balance</li> <li>• If the borrower is liquidating from retirement accounts, document the liquidation and end balance</li> <li>• 1031 exchanges are eligible for investment properties.               <ul style="list-style-type: none"> <li>o See Underwriting Guidelines for more detail.</li> </ul> </li> <li>• Business funds may be used for funds to close provided the Applicant(s)               <ul style="list-style-type: none"> <li>o Own(s) a minimum of 51% combined ownership of the business.</li> <li>o The amount funds that may be utilized is based on the Applicant's percent age of ownership.</li> <li>o Applicant(s) must provide either:                   <ul style="list-style-type: none"> <li>• A letter from the borrower's CPA, EA, or licensed tax preparer stating that the borrower (s) may access the business funds and that the withdrawal will have no adverse impact; or</li> <li>• A letter from the borrower(s) stating that they may access the business funds and Cash Flow Analysis to document that the withdrawal will have no adverse impact- see Underwriting Guidelines</li> </ul> </li> </ul> </li> <li>• Cash out proceeds may not be used to meet the reserve requirement</li> </ul>
<b>Gift Funds</b>	<ul style="list-style-type: none"> <li>• Gift funds are allowed for funds to close only.               <ul style="list-style-type: none"> <li>o A 5% contribution from the borrower's own funds is required</li> </ul> </li> <li>• Gifts must be documented in compliance with Fannie Mae's requirements and be from immediate family members-see Underwriting Guidelines.</li> <li>• Gifts of equity are allowed               <ul style="list-style-type: none"> <li>o Max 75 LTV</li> <li>o No borrower contribution is required on a primary residence or a second home.</li> <li>o A 5% borrower contribution is required for investment properties</li> </ul> </li> </ul>



Other Program Highlights / Requirements	
Topic	Guideline
<b>Alimony &amp; Child Support</b>	<ul style="list-style-type: none"> <li>Must be included in the debt service.</li> </ul>
<b>Installment Debt</b>	<ul style="list-style-type: none"> <li>Installment loans must be included in the debt service.</li> <li>Installment debt with less than 10 months' worth of payments remaining may be excluded, provided there are assets to make the remaining payments.</li> <li>Borrower may pay down the debt to less than the sum of 10 months' worth of payments.               <ul style="list-style-type: none"> <li>The assets used must be sourced.</li> </ul> </li> <li>Loans secured by financial assets (margin loan, 401(K) loan, etc.) do not need to be included in the debt service provided the asset balance exceeds the loan balance.</li> </ul>
<b>Appraisals</b>	<ul style="list-style-type: none"> <li>Loan amount up to \$2MM, one appraisal required</li> <li>Loan amount over \$2MM, two appraisals required</li> <li>In instances where one appraisal is required, said appraisal must have a CU score less than or equal to 2.5.</li> <li>If the CU score exceeds 2.5 or is unavailable, a CDA with a variance less than 10% is required.</li> <li>Loan amounts above \$1.5MM and up to \$2MM may not utilize the CU score in lieu of obtaining a CDA.</li> </ul> <p>Purchases</p> <ul style="list-style-type: none"> <li>Use the lesser of purchase price or appraised value</li> </ul> <p>Refinances</p> <ul style="list-style-type: none"> <li>If owned less than 12 months           <ul style="list-style-type: none"> <li>Use the lesser of the purchase price or appraised value</li> <li>Exception               <ul style="list-style-type: none"> <li>Current value must be supported by a CDA with a variance <math>\leq</math> 10%</li> <li>Properties in Geographical Restriction Area 2 are not eligible for the exception</li> </ul> </li> </ul> </li> </ul>
<b>Geographical Restrictions</b>	<ul style="list-style-type: none"> <li>Area 1 – New Jersey, Connecticut           <ul style="list-style-type: none"> <li>Max LTV 85%</li> </ul> </li> <li>Area 2 – Counties: Essex (NJ), San Francisco (CA)           <ul style="list-style-type: none"> <li>75% Max LTV for R/T refinances</li> <li>70% Max LTV on Cash-out refinances</li> </ul> </li> </ul>
<b>Reserves</b>	<ul style="list-style-type: none"> <li>No reserves required           <ul style="list-style-type: none"> <li>See calculation method for liquidity requirements</li> </ul> </li> </ul>
<b>Title &amp; Vesting</b>	<ul style="list-style-type: none"> <li>Individual names as joint tenants, community property, or tenants in common</li> <li>Living trusts meeting FNMA's requirements</li> <li>Blind Trusts-see Underwriting Guidelines for requirements</li> <li>Limited Liability Corporations-see Underwriting Guidelines for requirements</li> <li>Partnerships/Corporations-see Underwriting Guidelines</li> </ul>





<b>Other Program Highlights / Requirements</b>	
<b>Topic</b>	<b>Guideline</b>
<b>Pre-payment Penalties</b>	<ul style="list-style-type: none"> <li>• Prepayment penalties may be placed on investment properties for a period of at least one year in an amount equal to two percent of the original principal balance                             <ul style="list-style-type: none"> <li>o See Underwriting Guidelines for requirements.</li> </ul> </li> <li>• Price implications apply for prepayment penalty terms less than three years, including no prepayment penalty.</li> </ul>
<b>Minimum Loan Amount</b>	<ul style="list-style-type: none"> <li>• \$150,000</li> </ul>

