

Purchase / Rate and Term Refinance				
Primary Residence				
Property Type	FICO	Max Loan	Maximum LTV/CLTV	Reserves
1-4 Units	720	\$3,000,000	80%	6 mos to \$1M 9 mos to \$2M 12 mos to 3M
	680	\$3,000,000	75%	
		\$2,000,000	85%	
	660	\$1,000,000	90%*	
		\$2,000,000	80%	
	620	\$1,000,000	75%	
\$2,000,000		65%		

* 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%	6 mos to \$1M 9 mos to \$2M 12 mos to 3M
	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%	6 mos to \$1M 9 mos to \$2M 12 mos to 3M
	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%	6 mos to \$1M 9 mos to \$2M 12 mos to 3M	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%	6 mos to \$1M 9 mos to \$2M 12 mos to 3M	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%	6 mos to \$1M 9 mos to \$2M 12 mos to 3M	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%		



Product Types		
30 Year Fixed	15 Year Fixed	40 Year Fixed (I/O only)
7/6 SOFR ARM	10/6 SOFR ARM	

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 Borrowers 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
- DTI up to 55 allowed
- 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
Borrower Eligibility	<ul style="list-style-type: none"> • US Citizen • Permanent Resident Alien • Non-Permanent Resident Alien with the following visas: E, G, H, L, O, P, and TN • First time home buyer-see Housing Payment History guideline below • Non-Occupant Co-Borrowers-see Underwriting Guidelines
Occupancy	<ul style="list-style-type: none"> • Primary • Second Home • Investment Properties
Property Types	<ul style="list-style-type: none"> • 1-4 unit attached and detached properties • Warrantable Condos • PUDs • Mixed use properties that comply with FNMA's guidelines-see Underwriting Guidelines
Eligible Transactions	<p>Purchase, including non-arm's length transactions-</p> <ul style="list-style-type: none"> • See Underwriting Guidelines <p>Rate and Term Refinance</p> <ul style="list-style-type: none"> • No title seasoning required • Payoff of first and second, <ul style="list-style-type: none"> o The second must be seasoned >6 months with no draw or used to purchase the subject • Recoup of funds expended to improve the subject property. <ul style="list-style-type: none"> o Improvements must have been completed within the last 6 months preceding the application date, funds must have been Borrower's own. o Cash out amount not to exceed documented improvement costs • Buyout accompanied by an executed buyout agreement • Delayed Financing <ul style="list-style-type: none"> o When the subject property was purchased for cash within the 6 months preceding the application date, funds may be recouped up to the Borrower's documented contribution. o Gifted funds are not deemed to be Borrower's own funds <p>Cash-Out Refinance</p> <ul style="list-style-type: none"> • Refinances which do not fit into the rate and term guidelines are deemed to be cash out • 6 months seasoning required measured from deed transfer to application • Max cash out allowed: <ul style="list-style-type: none"> o No limit for LTVs up to 65, \$500k for LTVs above 65 • Value to be utilized must be supported-see Underwriting Guidelines



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



Asset & Income Requirements	
Topic	Guideline
DTI	<ul style="list-style-type: none"> • Maximum DTI is 50% • DTI above 43 must meet residual income guidelines <ul style="list-style-type: none"> ○ See Underwriting Guidelines • DTI may be increased to 55 with the following: <ul style="list-style-type: none"> ○ Min FICO: 680 ○ Max LTV: 70 ○ Purchase or Rate/Term Refinance only ○ Minimum Residual Income: <ul style="list-style-type: none"> • Greater of .5% of the loan amount or \$2k. • Increased requirement may be waived with an additional 6 months PITIA reserves
S/E Borrower Eligibility	<ul style="list-style-type: none"> • Applicants generally must have been self-employed for at least two years. <ul style="list-style-type: none"> ○ A CPA, EA, or licensed tax preparer letter or equivalent document verifying self-employment must be provided in all cases. ○ Applicants must provide an LOE on the nature of their business and how it was impacted by COVID. ○ At underwriter’s discretion, current business existence and operations may be re-verified prior to closing and updated bank statements may be required.
Income Documentation	<p>Personal Bank Statements</p> <ul style="list-style-type: none"> • Provide the most recent 12 or 24 months of personal bank statements. <ul style="list-style-type: none"> ○ Evaluate deposits to verify that they are part of Applicant’s income stream. ○ Any that are abnormal to Applicants typical deposits must be sourced/documentated to be considered as part of income. ○ Total all eligible deposits and divide by number of statements provided to determine monthly income. ○ Provide the most recent 3 months of business statements to verify that income is coming from Applicant’s business. ○ Transfers from only one account are allowed. ○ Transfers between personal accounts not considered income. ○ An applicant who provides personal statements but does not meet the above outlined criteria will have their statements treated as business statements. <p>Business Bank Statements</p> <ul style="list-style-type: none"> • Provide the most recent 12 or 24 months of business bank statements. • Multiple accounts may be used, however the same calculation method must be applied across all accounts provided. • The Applicant(s) combined must own 50% or more of the business to utilize business bank statements.



Asset & Income Requirements	
Topic	Guideline
Income Calculation Methods	<p>Method 1 Uniform Expense Ratio</p> <ul style="list-style-type: none"> • Multiply eligible deposits received by a 50% expense ratio. • Multiply result by Applicant's ownership percentage and divide by number of statements provided. <ul style="list-style-type: none"> o The expense ratio must be reasonable to Applicant's line of work and Applicant qualifies, no further information is required. • Any abnormal deposits will need to be sourced and documented. <p>Method 2 Profit and Loss Statement</p> <ul style="list-style-type: none"> • Provide a CPA, EA, or licensed tax preparer prepared profit and loss statement covering the period of bank statements provided. • As long as business statements support eligible deposits of at least 75% of the gross receipts listed on the P&L, use the net income on the P&L for qualifying based on the Applicant's pro-rata share of ownership. • Any abnormal deposits will need to be sourced and documented. Income utilized to qualify must be reasonable based on the Applicant's line of work. <p>Method 3 CPA Letter for Expense Ratio</p> <ul style="list-style-type: none"> • Provide a letter from Applicant's CPA, EA, or licensed tax preparer stating the business' expense ratio based on the most recent year's tax return. <ul style="list-style-type: none"> o The letter may not include any exculpatory language. • Multiply the expense ratio by the business' total deposits over the period shown on bank statements. • Deduct that figure from the total deposits. • Multiply net deposits by the Applicant's pro-rata ownership percentage and divide by the number of statements provided. • Income utilized to qualify must be reasonable based on the Applicant's line of work. <p>All Methods:</p> <ul style="list-style-type: none"> • Comingled accounts will be treated as business accounts for purposes of determining income. • NSF's: <ul style="list-style-type: none"> o NSF's are counted on an "instance" basis. o A max of 3 instances are allowed if 12 months of statements are provided o A max of 6 instances are allowed if 24 months of statements are provided. <p>See Underwriting Guidelines for additional detail.</p> <ul style="list-style-type: none"> • Income trend: <ul style="list-style-type: none"> o Bank statements should show a stable or increasing trend. o If the trend is declining and/or irregular, additional documentation may be required at underwriter's discretion.



Topic	Guideline
Co-Borrower	<ul style="list-style-type: none"> • Full documentation from a Co-Applicant who is not self-employed may be used to supplement bank statement. • See full documentation guidelines for additional information on acceptable sources. • Taxable income is counted on a “gross” amount regardless of the net deposit shown on bank statements.
Other Income	<p>Rental Income</p> <ul style="list-style-type: none"> • Utilize 75% of the current lease income less PITIA on a net basis. • Do not include rental deposits as part of the bank statement income stream. • Document receipt of rental income. • Rental income may not be used to qualify on a vacant unit, except on the subject property on a purchase transaction. <p>Other Income Sources</p> <ul style="list-style-type: none"> • Other Income Sources • Borrowers who have supplemental income sources may utilize them to qualify provided the history of receipt and continuance requirements under the full documentation guidelines are met. • The borrower utilizing 1099 income must still earn the majority of their income from activity calculated via 1099s and the applicable expense ratio. • The acceptable supplemental income sources are limited to: <ul style="list-style-type: none"> o Social security o Pension o Alimony o Child support o Asset distribution/utilization o Second job income
Asset Accounts	<ul style="list-style-type: none"> • Use 100% of cash and cash equivalents • Use 80% of face value for non-retirement asset accounts • Use 70% of retirement assets if Borrower is under 59.5, 80% if over • If the Borrower is liquidating funds from non-retirement sources, document liquidation and end balance • If the Borrower is liquidating from retirement accounts, document the liquidation and end balance • 1031 exchanges eligible for investment properties <ul style="list-style-type: none"> o see Underwriting Guidelines • Business funds may be used provided the Borrower(s) own(s) a minimum of 51% combined ownership of the business. <ul style="list-style-type: none"> o The amount of funds that may be utilized is based on the Borrower’s percentage of ownership. o Borrower(s) must provide either: <ul style="list-style-type: none"> • A letter from 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 • 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 <p>Cash out proceeds MAY be used to meet the reserve requirement at a maximum 75 LTV</p>



Topic	Guideline
Gift Funds	<ul style="list-style-type: none"> • Gift funds are allowed for funds to close only. <ul style="list-style-type: none"> ◦ A 5% contribution from the borrower's own funds is required • Gifts must be documented in compliance with Fannie Mae's requirements and be from immediate family members-see Underwriting Guidelines. • Gifts of equity are allowed <ul style="list-style-type: none"> ◦ Max 75 LTV ◦ No borrower contribution is required on a primary residence or a second home. ◦ A 5% borrower contribution is required for investment properties

Other Program Highlights / Requirements	
Topic	Guideline
Alimony & Child Support	<ul style="list-style-type: none"> • Must be included in the debt service.
Installment Debt	<ul style="list-style-type: none"> • Installment loans must be included in the DTI. • Installment debt with less than 10 months' worth of payments remaining may be excluded, provided there are assets to make the remaining payments. • Borrower may pay down the debt to less than the sum of 10 months' worth of payments. <ul style="list-style-type: none"> ◦ The assets used must be sourced. • 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.
Appraisals	<ul style="list-style-type: none"> • Loan amount up to \$2MM, one appraisal required • Loan amount over \$2MM, two appraisals required <p>In instances where one appraisal is required, said appraisal must have a CU score less than or equal to 2.5.</p> <ul style="list-style-type: none"> • If the CU score exceeds 2.5 or is unavailable, a CDA with a variance less than 10% is required. • Loan amounts above \$1.5MM and up to \$2MM may not utilize the CU score in lieu of obtaining a CDA. • Appraisals must have a SSR score of ≤ 2.5 <ul style="list-style-type: none"> ◦ If greater, a CDA will be required <p>Purchases</p> <ul style="list-style-type: none"> • Use the lesser of purchase price or appraised value <p>Refinances</p> <ul style="list-style-type: none"> • If owned less than 12 months <ul style="list-style-type: none"> ◦ Use the lesser of the purchase price or appraised value ◦ Exception <ul style="list-style-type: none"> • Current value must be supported by a CDA with a variance ≤ 10% • Properties in Geographical Restriction Area 2 are not eligible for the exception



Other Program Highlights / Requirements	
Topic	Guideline
Geographical Restrictions	<ul style="list-style-type: none"> • Area 1 - New Jersey, Connecticut <ul style="list-style-type: none"> o Max LTV 85% • Area 2 - Counties: Essex (NJ), San Francisco (CA) <ul style="list-style-type: none"> o 75% Max LTV for R/T refinances o 70% Max LTV on Cash-out refinances • Texas Cash Out <ul style="list-style-type: none"> o See Underwriting Guidelines
Reserves	<ul style="list-style-type: none"> • Loan amount up to \$1MM: <ul style="list-style-type: none"> o 6 months PITIA • Loan amount above \$1MM up to \$2M <ul style="list-style-type: none"> o 9 months PITIA • Loan amount above \$2MM up to \$3M <ul style="list-style-type: none"> o 12 months PITIA • LTV >85 additional 6 months PITIA • DTI >50 and increased residual income not met <ul style="list-style-type: none"> o additional 6 months PITIA • Other real estate owned <ul style="list-style-type: none"> o 2 months of each property's PITIA
Title & Vesting	<ul style="list-style-type: none"> • Individual names as joint tenants, community property, or tenants in common • Living trusts meeting FNMA's requirements • Blind Trusts-see Underwriting Guidelines for requirements • Limited Liability Corporations-see Underwriting Guidelines for requirements • Partnerships/Corporations-see Underwriting Guidelines
ARM Terms	<ul style="list-style-type: none"> • Margin = 4.25% • Index = 30 Day Average of SOFR • Caps = 2/1/5 • Floor Rate = Note Rate • Adjustment Period = 6 Months
Interest Only	<ul style="list-style-type: none"> • Interest Only features are allowed on ARMs and FRMs • The IO period is 10 years. • Standard guidelines apply. • 40 year term: max 80 LTV



Other Program Highlights / Requirements	
Topic	Guideline
Qualifying Payment	<p>To determine the P&I component of the Qualifying Payment, utilize the below (except as otherwise specified):</p> <ul style="list-style-type: none"> • Fixed Rate: <ul style="list-style-type: none"> o Utilize the start rate over the amortizing term • Amortizing ARM: <ul style="list-style-type: none"> o Utilize the greater of the start rate or the index plus margin, amortized over full term of the loan • FRM/ARM with IO Feature: <ul style="list-style-type: none"> o Utilize the greater of the start rate or the index plus margin, amortized over 20 years
Pre-payment Penalties	<ul style="list-style-type: none"> • 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"> o See Underwriting Guidelines for requirements. • Price implications apply for prepayment penalty terms less than three years, including no prepayment penalty.
Minimum Loan Amount	<ul style="list-style-type: none"> • \$150,000

