

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	\$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%	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%		

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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"> o See Underwriting Guidelines • DTI may be increased to 55 with the following: <ul style="list-style-type: none"> o Min FICO: 680 o Max LTV: 70 o Purchase or Rate/Term Refinance only o 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
Income Documentation - Wage Earner	<p>Documentation Requirements</p> <ul style="list-style-type: none"> • Provide the last two years' W-2's • The most recent 30 consecutive days of paystubs including year to date in come with the most recent one dated within 60 calendar days of the note date. <p>Qualification:</p> <ul style="list-style-type: none"> • If Applicant receives bonus, commission, or overtime, obtain a written VOE to determine a history and continuance. <ul style="list-style-type: none"> o Generally, a two year history is required o 1-2 years can be used on a case by case basis with positive factors to offset and a reasonable expectation of continuance. • HEM reserves right to request tax returns in its sole discretion. • Restricted stock units: <ul style="list-style-type: none"> o Restricted stock units may be used as qualifying income. o Applicant must have a two year history of receipt and a three year continuance on vesting. • Stock options: <ul style="list-style-type: none"> o Stock options may be used as qualifying income. o Applicant must have a two year history of receipt and exercise.



Topic	Guideline
<p>Income Documentation - Self-Employed</p>	<ul style="list-style-type: none"> • Applicants must generally be self-employed for 2 years, however 1-2 years is acceptable with 2 years previous employment in same line of work and no gaps. • Provide the most recent one or two years' personal and/or business federal tax returns as applicable. <ul style="list-style-type: none"> ○ If providing two years of income documents, take 24 month average of income if increasing, 12 month average if decreasing. If decreasing, additional documentation may be required. ○ A year end and/or year to date profit and loss statement and balance sheet dated within 60 calendar days of funding may be required. ○ See Underwriting Guidelines for additional information. • Verification of current business revenues and operations required prior to closing, to be verified with the following: <ul style="list-style-type: none"> ○ Applicant to provide an LOE on the nature of their business and any impact from COVID ○ Most recent two (2) business bank statements prior to application supporting the profit and loss statement provided ○ Most recent one (1) business bank statement prior to funding supporting the profit and loss statement
<p>Other Income</p>	<p>Asset Distribution</p> <ul style="list-style-type: none"> • Applicants may supplement income disclosed via traditional income sources by annuitizing their assets. • They may set up a monthly distribution and document receipt of at least one monthly distribution prior to closing. • The distribution must have at least 7 years of continuance based on the effective value of the asset as of the distribution commencement. • Verify current balance within 60 days of the note date. • Retirement accounts are ineligible if Applicant is under 59.5 <ul style="list-style-type: none"> ○ See Underwriting Guidelines <p>Passive Asset Utilization</p> <ul style="list-style-type: none"> • Applicants may supplement income disclosed via traditional sources by depleting assets available over a 10 year term with no rate of return imputed. • All assets necessary to complete the transaction, including post-closing reserves, must be deducted in order to complete the calculation. • Verify current balance with the most recent full monthly statement available as of the note date. Standard asset haircuts are utilized <ul style="list-style-type: none"> ○ See Asset Accounts. <p>Rental Income: Method 1 Tax Returns</p> <ul style="list-style-type: none"> • Utilize the net figure on schedule E page 1 of most recent year's tax return adding back depreciation, amortization and interest. • Subtract the principal and interest component of the mortgage payment. • Current insurance, taxes, and homeowner's association dues do not need to be documented. • Document the unit in question is rented with most recent month's rent check.

Topic	Guideline
<p>Other Income</p>	<p>Method 2 Lease</p> <ul style="list-style-type: none"> • Use 75% of current lease less documented PITI plus HOA dues and/or common charges. • If lease is materially greater than income listed on tax return(s), <ul style="list-style-type: none"> o Applicant to provide supporting explanation/documentation. • Document the unit in question is rented with most recent month's rent check. • Rental income from a vacant property may only be used on the subject property on a purchase transaction. <p>Other Sources</p> <ul style="list-style-type: none"> • Document most recent 1-2 years receipt on tax returns and supporting tax documentation, current receipt, and expectation of at least three years' continuance
<p>Asset Accounts</p>	<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>
<p>Gift Funds</p>	<ul style="list-style-type: none"> • Gift funds are allowed for funds to close only. <ul style="list-style-type: none"> o 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"> o Max 75 LTV o No borrower contribution is required on a primary residence or a second home. o 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 In instances where one appraisal is required, said appraisal must have a CU score less than or equal to 2.5. 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 lessor 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 lessor 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 $\leq 10\%$ Properties in Geographical Restriction Area 2 are not eligible for the exception
Geographical Restrictions	<ul style="list-style-type: none"> Area 1 - New Jersey, Connecticut <ul style="list-style-type: none"> Max LTV 85% Area 2 - Counties: Essex (NJ), San Francisco (CA) <ul style="list-style-type: none"> 75% Max LTV for R/T refinances 70% Max LTV on Cash-out refinances Texas Cash Out <ul style="list-style-type: none"> See Underwriting Guidelines



Other Program Highlights / Requirements	
Topic	Guideline
Reserves	<ul style="list-style-type: none"> • Loan amounts up to \$1MM <ul style="list-style-type: none"> o 6 months PITIA • Loan amounts above \$1MM and up to \$2MM: <ul style="list-style-type: none"> o 9 months PITIA • Loan amounts above \$2MM and up to \$3.0MM: <ul style="list-style-type: none"> o 12 months PITIA • LTV >85: Additional 6 months PITIA • DTI >50 and increased residual income requirement 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-See Underwriting Guidelines for an alternative
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 = 4.00% • 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
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.

