

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	75%	
\$1,000,000		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 \$3.0MM
- 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
- Multiple 1099 qualification options



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 ≥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



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
Product Eligibility	<ul style="list-style-type: none"> • The borrower must be compensated in the form of commission or as an independent contractor • 1099s need to cover a complete calendar year
Documentation Requirements	<p>The following documents are required for the file:</p> <ul style="list-style-type: none"> • Most recent one or two years of 1099(s) • Documentation of year to date income, within 60 days of the note date • A CPA, EA, or licensed tax preparer completed profit and loss statement or expense ratio letter (as applicable) • 1099 transcripts • A narrative from the borrower explaining the nature of their business and how it was impacted by COVID <p>At the underwriter's discretion, verification of current business revenues and/or operations may be required prior to closing</p>
Income Calculation Options	<ul style="list-style-type: none"> • Provide the most recent one or two years of 1099s. • An expense ratio must be developed using one of the two below Options. <ul style="list-style-type: none"> ◦ If gross receipts are stable or increasing year over year, use a 24 month average of net income. ◦ If gross receipts are declining, a 12 month average shall be utilized. <p>Option 1 Uniform Expense Ratio</p> <ul style="list-style-type: none"> • Apply a 25% expense factor to all eligible gross receipts. <ul style="list-style-type: none"> ◦ The expense ratio must be reasonable to the borrower's line of work and the borrower qualifies; no further information is required. <p>Option 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 most recent two calendar years, depending on the 1099s provided. • The gross receipts on the 1099s must support at least 90% of the gross receipts listed on the P&L • Use the net income on the P&L for qualifying.

Asset & Income Requirements	
Topic	Guideline
Income Calculation Options (Cont.)	<p>Option 3 CPA Letter for Expense Ratio</p> <ul style="list-style-type: none"> • Provide a letter from Borrower's CPA, EA, or licensed tax preparer stating the borrower's expense ratio based on the most recent year's tax return. • The letter may not include any exculpatory language. • Multiply the expense ratio by the gross receipts shown on the 1099s. • Deduct that figure from the gross receipts and average the results over the number of months of 1099s provided. <p>Income trend: 1099 gross receipts should show a stable or increasing trend. If the trend is declining and/or irregular, additional documentation may be required at underwriter's discretion.</p>
Co-Borrower	<ul style="list-style-type: none"> • Full documentation from a Co-Borrower may be used in addition to the 1099 income. • See full documentation guidelines for additional information on acceptable sources.
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. • 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"> • 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.



Topic	Guideline
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>
Gift Funds	<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"> o 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.



Other Program Highlights / Requirements	
Topic	Guideline
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. <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"> o Use the lessor of the purchase price or appraised value o 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"> 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
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 and up to \$1.5M <ul style="list-style-type: none"> o 9 months PITIA • LTV >85 • additional 6 months PITIA <ul style="list-style-type: none"> o DTI >50 and increased residual income not met o additional 6 months PITIA • Other real estate owned <ul style="list-style-type: none"> o 2 months of each property's PITIA



Other Program Highlights / Requirements	
Topic	Guideline
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
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"> ◦ Utilize the start rate over the amortizing term • Amortizing ARM: <ul style="list-style-type: none"> ◦ 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"> ◦ 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"> ◦ 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

