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RESERVE: QM Jumbo Prime – Standard Doc Matrix

Maximum LTV/CLTVs		Primary Residence		
Credit Score	Loan Amount	Purchase	R/T Refinance	Cash-Out Refinance
740+	<=1,000,000	90	80	75
	1,000,001 – 1,500,000	80	80	75
	1,500,001 – 2,000,000	80	80	70
	2,000,001 – 2,500,000	75	75	65
	2,500,001 – 3,000,000	70	70	NA
720– 739	<=1,000,000	90	80	75
	1,000,001 – 1,500,000	80	80	75
	1,500,001 – 2,000,000	80	80	NA
	2,000,001 – 2,500,000	70	70	NA
700 - 719	<=1,000,000	80	80	75
	1,000,001 – 1,500,000	80	80	NA
	1,500,001 – 2,000,000	80	80	NA
Maximum LTV/CLTVs		Second Home		
740+	<=1,000,000	80	80	70
	1,000,001 – 1,500,000	80	80	65
	1,500,001 – 2,000,000	75	75	65
	2,000,001 – 2,500,000	70	70	NA
720 – 739	<=1,000,000	80	80	65
	1,000,001 – 1,500,000	75	75	NA
	1,500,001 – 2,000,000	75	75	NA
	2,000,001 – 2,500,000	70	70	NA
Maximum LTV/CLTVs		Investment		
740+	<=1,000,000	70	70	NA
	1,000,001 – 1,500,000	70	70	NA
	1,500,001 – 2,000,000	60	60	NA
Property Restrictions				
2-4 Units: <ul style="list-style-type: none"> LTV is reduced by 5% on all tiers Maximum LTV allowed is 75% 		Condo: <ul style="list-style-type: none"> Max LTV 75% 		
General Requirements				
Product and Term	Fixed Rate. Fully amortizing 30 or 15-year			
Loan Amounts	Min: \$1 > agency limit		Max: 3,000,000	
Loan Purpose	Purchase, Rate/Term, and Cash Out			
Occupancy	Owner Occupied Primary, Second Home, Non-Owner-Occupied Investment			
Eligible Property	Single Family, Attached, Warrantable Condo, 2-4 Units			
Ineligible Property	Leaseholds, non-Warrantable Condo, Texas Home Equity 50(a)(6), Rural, any property > 2-acres			
Cash-Out	Max cash-out: \$500,000		FL Condo – Max LTV: 65%	
	Cash-out transactions not eligible in: HI, TX			
Appraisals	FNMA Form 1004, 1025, 1073 with interior/exterior inspection. Two appraisals required for Loans > \$1.5M			
Mortgage Insurance	PMI not required, see LTV adjustors on rate sheet			
State Restrictions	Puerto Rico, Guam, & the US Virgin Islands not eligible CT, IL, NJ, NY: Max LTV is 80% or limits noted above			
Income and Liability Requirements				
Income	Refer to Income and Liability standards in Appendix Q			
Underwriting Requirements				
Qualifying Credit Score	Middle of 3 scores or lower of 2			

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Housing History	0x30x24	
Credit Events	Foreclosure, Short Sale, Deed in Lieu	Min: 84 months
	Any Bankruptcy	Min: 84 months
Tradelines	Minimum: 3 open and reporting 24-months with activity in the past 12-months	
Maximum DTI Ratio	43% for Purchase and Rate/Term transactions	
	38% for all cash-out transactions	
	38% for a 1 st Time Homebuyer	
Minimum Months Reserves	<p>Primary Residence</p> <ul style="list-style-type: none"> • Loan balance up to \$1M: 6-months of PITIA • Loan balance > \$1M - \$1.5M: 9-months of PITIA • Loan balance > \$1.5M - \$2.5M: 12-months of PITIA • Loan balance > \$2.5M: 18-months of PITIA • LTV > 80%: 18-months of PITIA • Cash-out loan balance > \$2M: 18-months of PITIA <p>Second Home</p> <ul style="list-style-type: none"> • Minimum of 12-months of PITIA • Cash out loan balance > \$1.5M: 18-months of PITIA <p>Investment</p> <ul style="list-style-type: none"> • Minimum of 12-months of PITIA <p>All occupancy – cash-out may not be used to satisfy reserve requirements</p>	
Assets and Cash to Close	Minimum of 2-months eligible assets must be verified; any large deposit must be sourced. All sources of funds must be owned by the borrower.	
Gift Funds	Not allowed	
Document Age	Income/Asset documents 60-days	
Pre-close Reverification of employment	Verbal VOE within 5-days wage/salary or business verification for S/E by 3 rd party within 10-days of Note Date	
Exceptions	Exceptions will be considered on a case by case basis. Any exception request that is a deviation from the Qualified Mortgage rule or that is a deviation from Appendix Q standards for determining monthly debt and income for Prime Jumbo loans will be rejected.	

RESERVE: QM Jumbo Prime – Loan Program FAQ

QUALIFIED MORTGAGE AND APPENDIX Q REQUIREMENTS

Q: What is the maximum DTI ratio allowed?

A: The Qualified Mortgage rule limits the DTI to 43%. A DTI of 43.001% exceeds the threshold and is not allowed.

Q: Are higher-priced Qualified Mortgages or loans with prepayment penalties allowed?

A: No

Q: What are the documentation requirements for verifying borrower income and liabilities for the DTI calculation?

A: Appendix Q to Part 1026 – Standards for Determining Monthly Debt and Income must be followed when determining a borrower qualifying income and liabilities for DTI.

Q: How many years of employment must be verified?

A: A 2-year work history is required, and the income used in calculating the borrower DTI must be verified, stable, and is likely to continue.

Q: What if there is a gap in employment during the borrower 2-year work history?

A: A gap in employment is allowed with a Letter of Explanation (LOE). Any gap in employment greater than 30 days may be allowed, please refer to Appendix Q for specific requirements.

Q: What income documentation is required for self-employed borrowers?

A: • Documentation to support the borrower's percentage of ownership.

- Self-employed income requires signed and dated personal tax returns and all schedules for the most recent two years. When applicable, signed and dated business tax returns and all schedules are required.
- Tax transcripts for the most recent two years are required for both personal and business tax returns and cannot be used in lieu of signed and dated tax returns.
- A year-to-date Profit and Loss (P&L) statement and balance sheet for the most recent quarter prepared by a CPA or licensed Enrolled Agent.
- A year-to-date paystub is required for self-employed borrowers paying themselves wage income.
- Reasonably reliable 3rd party records to evidence existence of the business updated within 10 days of closing.

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Q: Is a year-to-date Profit and Loss(P&L) and balance sheet is required for all business? Even for “minor income” income sources? For example, a borrower may have a side business that generates limited (5% of total income).

A: Yes, a year-to-date P&L and balance sheet is required for all business regardless if income is included in the qualifying income.

Q: What income documentation is required for wage earner borrowers?

A: • 30 days of paystubs - a VOE is required to explain any variable income such as bonus or commission.

- IRS Form W-2 for most recent two-year period.
- 2 years most-recent personal tax returns, including all schedules.
- Tax transcripts for the most recent two years.
- Verbal VOE within 5 days of closing.

Q: Is rental income allowed for qualifying income?

A: Yes, rental income from property owned by the borrower is allowed for qualifying income. A current executed lease agreement and Schedule E showing receipt of rental income are required. If the lease is expired, borrower must proof of rental payment history evidenced by copies of canceled checks or borrower bank statements for the previous 12 months. The rental payment amount and lessee must match the lease agreement.

Q: Is projected income for a new job allowed to be used for qualifying income?

A: Yes, however Appendix Q requires the start of the new job be with 60 days of closing and the employment contract must be guaranteed and non-revocable.

Q: Can Restricted Stock Units (RSU) be used for qualifying income? What about other income?

A: RSU cannot be used for income. See Appendix Q for other eligible income.

Q: If the borrower is a cosigner/co-obligor on a liability and the borrowers business makes regular payments on the debt, can the payment be excluded from the monthly obligations?

A: No, If the borrower is the primary obligor on a debt, it must be included regardless if it's been paid by the business.

- Contingent liabilities can only be excluded from the DTI with evidence the borrower is not the primary obligor.

Q: If a revolving or open-ended account has a balance that will be paid off within 10 months or less, does this get counted as a liability?

A: Yes, the monthly payment is included as a liability regardless of balance. Also, if a revolving account shows no specific minimum monthly payment, the payment must be calculated using the greater of 5% of the balance or \$10.

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GENERAL CREDIT REMINDERS

- Flood insurance is required when subject property is in a FEMA flood zone and must be in compliance with the HFIAA. An escrow account for Flood Insurance is required and waivers are not allowed.
- 0x30x24 housing history is required. 7-year seasoning is required on all derogatory events.
- Business assets cannot be used as reserves.
- Revolving debt must be paid off AND closed for the liability to be excluded from the DTI
- Deed/resale restrictions
 - Properties zoned commercial and agricultural are in eligible
 - Anything that would include a UCC filing associate with the property and/or will create an easement on title is ineligible. E.g. solar panels
- Commercial, agricultural or mixed-use properties are not allowed
- Loans to foreign national borrowers are ineligible
- 1099 borrowers are considered self-employed
- Delayed purchase financing is eligible when a property was purchased by a borrower for cash within 90 days of the loan application

GENERAL CLOSING HINTS

- Please ensure hazard insurance coverage is sufficient and in force at or prior to loan consummation. If the coverage amount is less than the note amount:
 - Provide explicit evidence of guaranteed replacement cost coverage or
 - Provide a replacement cost estimator to evidence adequate dwelling coverage
- Escrow holdbacks are not allowed.