

Synopsis

This product is designed for conforming balance and jumbo loans with full documentation. This document is intended as a general guide, is not all inclusive, and provides basic product parameters. For items not otherwise addressed in this product description, refer to the PHH Selling Guide or FNMA guidelines, as applicable.

Key Attributes at a Glance

Documentation:	Full Doc 1 or 2-year options
Occupancy:	Primary, Second Home & Investment
Condo:	Warrantable (85%) and non-Warrantable (80%)
Min/Max Loan Amt:	\$125k - \$3MM
LTV Maximum:	85% for Primary Residence 80% for Second Home and Investment Property
Non-QM:	Allowed
Sub Financing:	Allowed with conditions
Prepayment Penalty:	Permitted on Investment Property loans only and follow state & federal requirements



Correspondents must receive prior approval to originate Non-Agency products. Please contact your Correspondent Specialist, Regional Sales Executive, or contact us via the support line at 1-800-929-4744 for additional information.

Loan-To-Value Grid

Products			
Description	Amortization Term	Interest Only Period	Product Code
Non-Agency Gold 30Yr. Fixed – Full Doc	360 months	N/A	NAFULL30G
	360 months	120 months	NAFULL30FRM_I OG
Non-Agency Gold 5/6 ARM – Full Doc ¹	360 months	N/A	NAFULL56ARMG
	360 months	120 months	NAFULL56ARM_I OG
Non-Agency Gold 7/6 ARM – Full Doc	360 months	N/A	NAFULL76ARMG
	360 months	120 months	NAFULL76ARM_I OG

Occupancy	Loan Purpose	Max Loan Amount ²	LTV/CLTV ^{3,6}	Credit Score ⁴
Primary Residence	Purchase, R/T Refi	\$2,500,000	80%	680
		\$1,500,000	85%	720
Primary Residence & Second Home	Purchase, R/T Refi	\$3,000,000	75%	680
		\$2,000,000	80%	680
		\$2,000,000	70%	660
Investment Property	Purchase, R/T Refi	\$3,000,000	75%	740
		\$2,000,000	80%	740
		\$2,000,000	70%	660
Occupancy	Loan Purpose	Max Loan Amount ²	LTV/CLTV ^{3,6}	Credit Score ⁴
Primary Residence & Second Home	Cash-Out Refi ⁵	\$3,000,000	70%	680
		\$2,000,000	75%	700
		\$1,500,000	80%	700

Refer to the PHH Seller Guide for questions not addressed in this product description.

		\$1,500,000	75%	680
		\$1,500,000	70%	660
Investment Property	Cash-Out Refi ⁵	\$3,000,000	70%	740
		\$2,000,000	80%	700
		\$2,000,000	65%	660
		\$1,500,000	70%	660

¹ HPML/High Cost – Not Allowed

² Minimum loan amount: \$125,000, Max Loan Amount for Interest Only \$3,000,000

³ Max LTV Limits:

Non-Warrantable Condo – 80%

Declining Markets – 5% LTV/CLTV reduction (see grid below)

Loan amounts < \$150,000, Max LTV 80%

Loans with 1x30x12 or Prior Credit Event, Max LTV 80%

⁴ Interest Only:

Min Credit Score is 660

>\$2.0MM - \$2.5MM, Max 75% LTV

>\$2.5MM, Max 70% LTV

⁵ Max Cash-Out by LTV: ≤ 65% – \$3,000,000 | > 65% – \$1,000,000

⁶ DTI > 45%, LTV is limited to 80%

Refer to the PHH Seller Guide for questions not addressed in this product description.

Table of Contents

1. Appraisal
2. ARM Data
3. Assumability
4. Borrower Eligibility
5. Buydown
6. Cash Out Refinance
7. Construction to Permanent Financing
8. Credit Considerations
9. Declining Markets
10. Down Payment/ Source of Funds
11. Employment and Income
12. Escrow Waiver
13. Geographic Restrictions
14. Hazard Insurance
15. Ineligible Transactions
16. Interested Party Contributions
17. Loan to Value Calculation and Seasoning
18. Mortgage Insurance
19. Prepayment Penalties
20. Property Types & Features
21. Qualifying Ratios
22. Reserves
23. Residual Income
24. Subordinate Financing
25. Vesting
26. Underwriting and Closing

Refer to the PHH Seller Guide for questions not addressed in this product description.

Appraisal

- Appraisals must meet FNMA's appraisal standards, including Uniform Appraisal Data Set (UAD) specifications and field-specific requirements. Reduced appraisals are not allowed.
- All Appraisals must include COLOR photos.
- Properties in excess of the predominant value of the subject market area are acceptable if supported by similar comparables and represent the highest and best use of the land as improved.
- Transferred appraisals must be less than 60 days old at the time of transfer (less than 120 days at closing) and ordered through an Appraisal Management Company.
- Appraisals that are not ordered through an AMC but are AIR compliant can be reviewed on an exception basis
- Loans $\leq$ \$2 million require only one appraisal.
- Loans $>$ \$2 million require 2 full appraisals. The lesser of the two values will be used for valuation for the loan file.
- An appraisal review report is required for loans with only one appraisal. If the review valuation is less than 90% of the appraised value, then the LTV will be calculated using the lower value. If one of the review options listed below are not available, then a second full appraisal is required. Valuation review report options when the CU score is greater than 2.5:
 - Collateral Desk Top Analysis (CDA), Appraisal Risk Review (ARR) (from Pro Teck), or similar independent vendor.

ARM Data

Index	30 Day Average SOFR (Secured Overnight Financing Rate)
Margin	3.75%
Floor	The margin is the floor
Conversion Option	Non-Convertible
Periodic and Life Cap	5/6 ARM: 2% initial cap, periodic cap is 1%, lifetime cap is 5% 7/6 ARM: 5% initial cap, periodic cap is 1%, lifetime cap is 5%
Interest Rate Change Date	Rate is fixed for 5 or 7 years and changes every six months thereafter
Interest Rate Calculation	For each interest rate adjustment date, the calculation is based on the index rate available plus the margin. The adjustment is equal to the relevant index plus the margin, rounded to the nearest 0.125%.
Payment Adjustment Date	Initial rate is fixed and adjusts to the index plus margin on the first-rate change date and every six months thereafter.
ARM Qualifying Rate	Qualifying rate is the greater of note rate or the fully indexed rate rounded to the nearest .125% and using the fully amortized payment.

Assumability

Not assumable.

Borrower Eligibility

Allowed

- U.S. Citizens
- Permanent Resident Aliens
- Non-Permanent Resident Aliens
- First Time Homebuyers – Primary Residence or 2nd Home only
- Non-occupant coborrowers
- Trustees of living trusts
- Non-arm's length transactions – Primary residence only

Refer to the PHH Seller Guide for questions not addressed in this product description.

- Corporations, including Limited Liability Company (LLC) and Partnerships

Not Allowed

- Vesting in a life estate
- Foreign nationals with no residency status in the US
- Employees of originating lender
- ITIN Borrowers residing in the US
- Any borrower not specified above as an eligible borrower
- Power of Attorney (POA) on Cash out transactions or when closing/vesting in the name of an entity
- Persons from OFAC sanctioned countries (<https://home.treasury.gov/policy-issues/financial-sanctions/sanctions-list-search-tool>)
- Trusts or business entities whose members include other LLC's, Corporations, Partnerships, or Trusts
- Trusts or business entities where a Power of Attorney is used
- Vesting in a trust and an individual is not permitted
- Businesses or persons with Self Employment income derived from Cannabis Industry (wage earners employed in the industry are acceptable)

Multiple Financed Properties

- Primary Residence and 2nd Home – 20 (including subject property)
- Investment Property – unlimited
- Maximum exposure to PHH for one borrower is \$3MM or 10 loans.
- Maximum exposure to PHH for Non-warrantable condos is the lesser of \$2,000,000 or 15% of the project.

Eligible Borrowers	Required Documents	Notes
Permanent Resident Aliens	Alien Registration Card I-551 with no expiration or accompanied by INS Form I-757 (if expiring within 6 months prior to closing proof of a filed form I-90 is required) OR Alien Registration Card I-551 with expiration and accompanied by INS Form I-751 (petition to remove conditions)	Front/Back Front/Back
Non-Permanent Aliens	Evidence of 24-month history of Employment in the U.S AND Non-Immigrant VISA (Following are acceptable: E-Series, H-Series, Series L, O-Series, V Series, I, K-1, K-3, TN, P-1A ³) AND An EAD ^{4 5} card for the following acceptable VISA Types: E-1, E-1D, E-2D, E-3D, H-4, K-1, K-3, L-2, V Series	Front/Back Front/Back
1. Stamp must state the following: "Processed for I-551 Temporary Evidence of Lawful Admission for Permanent Residence, Valid until MM/DD/YYYY Employment Authorized." 2. Employment Authorization Document must be issued by the U.S. Citizenship & Immigration Service providing authorization to work in the U.S. without restrictions. 3. An unexpired (at time of closing) Non-immigrant Visa with an Entry Stamp issued by the U.S. Department of State which will evidence legal entry into the U.S. for temporary residence. Visa expiring within 6 months of closing need USCIS Form 1-797 confirming submitted application to renew and copy of the employer's letter of sponsorship for Visa renewal. 4. EAD's must be unexpired at closing, if expiring within six months of the application the borrower must show evidence they have applied for an extension or provide letter from the employer indicating they will continue to sponsor their employment. 5. An EAD is only required to be provided if using income to qualify regardless of VISA type.		

Refer to the PHH Seller Guide for questions not addressed in this product description.

Buydown

Not Allowed

Cash out Refinance

- Cash-out incidental Cash. If the net proceeds eligible for distribution to the borrower is equal to the lesser of 1% of the principal or \$2,000, then the transaction will not be considered a cash -out refinance.
- At least one of the borrowers on the new loan must be on title at the time of application.
- Net proceeds from a cash-out transaction may be used to meet reserve requirements.
- A cash-out purpose letter is required.
- Sale Restriction – property must be removed from listing for at least 1 month prior to application.
- Properties listed for sale or purchased within the last 6 months at application (Note to Note) require a 5% reduction in LTV
- Properties that have been listed by the current owner within the last 3 months will have the LTV based on the lesser of the list price or the appraised value.
- LTV/CLTV Limit. If the subject property is owned for less than 6 months (Note to Note) at the time of application, then the LTV/CLTV will be based on the lesser of the original purchase price plus improvements or current appraised value.
 - Proof of Improvements is required
 - Proof of Purchase Price is required as evidenced by the prior Closing Disclosure.
- No waiting period if the borrower acquired the property through an inheritance or was legally awarded the property through a divorce, separation, or dissolution of a domestic partnership.

Construction to Permanent Financing

Construction conversion refers to the replacement of interim construction financing with a long-term mortgage.

- PHH does not provide interim construction financing.
- 1-time close construction conversion loans are not allowed
- 2-time close construction conversion to pay off an interim construction loan is acceptable

Credit Considerations

Credit scores – A minimum of 2 credit scores are required to be provided and used to determine the qualifying credit score for loan approval. Methodology of which FICO score to use is as follows:

# Of Borrowers	# Of Scores per Borrower	Methodology
1	2 or 3	Lower of 2 or the middle of 3 FICO scores
2 or more	2 or 3	• Primary wage earner's lower of 2 or middle of 3 FICO scores • If 2 of the 3 scores are identical – that score is used to Qualify • If borrowers are 50/50 owners of a business and income is equal, use the higher of the middle score is used for qualification

Other credit requirements:

- The maximum age of the credit report is 120 days prior to the note date. A gap or undisclosed debt notification (UDN) report within 10 days of the note date is required. The age of the document is measured from the date of the document to the date of the Note.
- Minimum 12 months of housing payments required with maximum delinquency of 1x30x12. A VOM/VOR is required for all

Refer to the PHH Seller Guide for questions not addressed in this product description.

the borrower's outstanding mortgages or rent paid. See the PHH Seller Guide for documentation options, including alternatives for borrowers with < 12 months of housing history.

- If no housing history – limited to Primary Residence only, 6 months reserves, 10% minimum borrower contribution and 45% DTI
- Properties owned free and clear by the borrowers are considered as a 0x30 housing history for each month the property has been owned free and clear and will require proof (property detail report, data verify report, title search, etc.)
- Tradelines
 - 3 open and active for >12 months OR
 - 2 open and active for >24 months OR
 - Authorized User accounts may be counted toward the tradeline requirement when another borrower on the subject transaction is the owner of the tradeline, the borrower is an authorized user on a spouse's tradeline, or when the borrower can provide proof, they have made at least 50% of the payments on the tradeline for the most recent 12 months preceding the application, unless the only tradelines present are authorized user accounts.
- Credit Inquiries in the last 90 days require a written explanation.
- Borrowers living rent free at their primary residence may be eligible if they live with a non-borrowing spouse – a rent-free letter and evidence of acceptable 12 month housing payment history from the non-borrower spouse is required.
- Debt Monitoring – an undisclosed debt notification (UDN) is required within 10 days of closing.
- Bankruptcy, Foreclosure, Short Sale, or Deed-in Lieu significant derogatory credit events must be seasoned 36 months.
- Forbearance, deferred payments, or modifications – Not Allowed with the exception of COVID and the loan must be released and fully current
- Open Judgements, Garnishments, or Liens – must be paid off prior to closing
- Credit Counseling – allowed with restrictions. Must have a minimum of 12 months elapsed on the plan. See PHH Selling Guide for additional requirements.
- Collection accounts and charge offs must be paid in some circumstances. Refer to the PHH Selling Guide.
- Past due accounts must be brought current.
- Business Debt- Business debt is typically a financial obligation of a business. However, business owners can sometimes be personally responsible for that debt as well. If business debt is reflected on a personal Credit Report. If the business debt facility is less than 6 months old, then the payments must be included in the debt -to-income ratio. If the business debt is greater than, or equal to 6-months old, the debt may be omitted from the debt-to-income ratio if the borrower provides documentation that the borrower's business is making the payments on these debts.
- Contingent Liabilities- An individual has contingent liabilities when an outstanding debt obligation has been assigned to another party, but the creditor has not released the borrower from the obligation. Contingent Liabilities must be included in DTI.
 - Excluded from DTI: If one borrower was obligated to buy-out the other borrower as a result of a divorce, then the loan file should include the Separation Agreement and or the Divorce Decree/Court Order that shows transfer of ownership. In addition, the current obligation on the premise must be current.
 - Excluded from DTI: Debts paid by others can be excluded from the DTI ratio if the debt is being paid in a satisfactory manner by another party for the past 6 months. Acceptable documentation would include cancelled checks or bank statements that consistently show another party making at least the past 6 payments.

Refer to the PHH Seller Guide for questions not addressed in this product description.

Declining Markets

Declining Markets (applies to LTVs >65%)			
Property Value	Demand	Market Time	Reduction to LTV
Declining	Shortage or In Balance	Under 3 months	5%
Declining	Shortage	3-6 months	5%
Declining	In Balance	3+ months	5%
Declining	Over Supply	Over 6 months	5%

Down Payment / Source of Funds

- Assets must be seasoned for 30 days
- See PHH Selling Guide for list of eligible assets
- Marketable securities up to 100% of value
- IRA and 401K including ROTH – 80% of vested balance less outstanding loans if under eligible retirement agent, 100% of the vested balance less loans for applicants eligible for retirement age.
- Second Home & Investment Property requires that 10% of the borrower's own funds are verified before Gift funds may be used
- Gift funds – Allowed
 - Purchase of Primary Residence
 - 5% of borrower's own funds must be verified
 - Cannot be used for reserves
- Gift of Equity – Allowed
 - Purchase of Primary Residence
 - Max LTV 75%
 - Must be from family member
- Trade Equity is Not Allowed
- Down Payment Assistance, Employer Assistance and/or grant programs are Not Allowed

Employment and Income

Qualifying income is based on wage or self-employment income only. Refer to the PHH Selling Guide for additional general requirements around income. See other PHH products for alternative income documentation options.

Required Docs	Wage Earner (24mos.)	Wage Earner (12mos.)	Self-Employed (24mos.)	Self-Employed (12mos.)
Paystubs	Most recent two dated within 30 days of application date		n/a	n/a
W-2	Most recent 2 years	Most recent 1 year	n/a	n/a
VVOE	10 business days prior to note date (And update within 48 hours)		20 business days prior to note date (update within 10 days) and bank transaction history to support earnings dated within 30 days	
3 rd Party Verification of Business	n/a	n/a	Verification business has been established for a minimum of 2 years	
Personal Tax Returns	Most recent 2 years when qualifying using other income sources where tax returns are required. Ex. rental	Most recent 1 year when qualifying using, other income sources where tax returns are required.	Most recent 2 years + YTD P&L	Most recent 1 years + YTD P&L

Refer to the PHH Seller Guide for questions not addressed in this product description.

	income, or self-employment	Ex. rental income, or self-employment		
Other	n/a		Partnership returns, K-1s and Corp Tax returns + YTD P&L (where applicable)	
Residual Income	\$1,500 Required			
Note: if tax returns are on extension, then the borrower will need to supply their most recent filed tax return and a signed P&L thru the most recent quarter (if applicable) and a P&L from previous year by a CPA.				
<u>Written Verification of Employment</u> - does not replace the paystub requirement				
<u>Business Verification</u> A Third-Party Verification of the existence of the borrower’s business is required within 120 calendar days of the note date.				
<u>General Acceptable Verifiers</u> Verification must be from a third party, such as a CPA or a third-party licensed tax preparer, a Regulatory Agency, or an applicable business verification of the business to include a phone listing and address using a third-party, i.e., Internet Search. PTIN preparers are not permitted.				

Business income from a C-Corp cannot be considered unless the borrower is 100% owner of the corporation – if that is the case only the borrower's wage income can be used.

If the Schedule K-1 provides confirmation that the business has adequate liquidity to support the withdrawal of earnings, no further documentation of business liquidity is required.

If the Schedule K-1 does not support adequate liquidity, the most appropriate liquidity formula based on how the business operates should be used to determine liquidity:

- Quick Ratio is appropriate for business that rely heavily on inventory to generate income. This test excludes inventory from current assets in calculating the proportion of current assets available to meet current liabilities.

$$\text{Quick Ratio} = (\text{Current Assets} - \text{Inventory}) / \text{Current Liabilities}$$

- Current Ratio (also known as the Working Capital Ratio) may be more appropriate for businesses not relying on inventory to generate income.

$$\text{Current Ratio} = \text{Current Assets} / \text{Current Liabilities}$$

Bonus, Commission and Overtime Income

- A two-year history receipt is required. Borrowers in the same line of work but with different employers will be considered on an exception basis.
- Documentation requirements: In addition to a current paystub and W2's, obtain a written verification of employment (WVOE), breaking down bonus, commission and/or overtime pay for the current year as well as the prior 2 years. Absent a WVOE, year-ending paystubs from the prior 2 years can be used to verify bonus, commission and/or overtime pay.
- Careful consideration must be given to the pay structure of the income type when qualifying income. For example, bonus income may only be paid on an annual basis. When that is the case, and the annual bonus has been paid out as evidenced by the current paystub, that figure must be annualized for income calculation purposes.
- A declining trend should be carefully considered whereby an appropriate income calculation should be applied. For example, if a borrower earned less in commission income in the most recent year, an income average from the most recent year should be utilized as opposed to averaging with the previous year where more income was earned.

Refer to the PHH Seller Guide for questions not addressed in this product description.

- There should be no indication that the income will not continue for the foreseeable future

Escrow Waiver

The following must be escrowed:

- HPMLs that are for Primary Residences
- Debt Consolidation Refinances
- Flood insurance must be escrowed
- Refinance where taxes show delinquent on title

Geographic Restrictions

All 50 states are eligible

Guam, US Virgin Islands and Puerto Rico – Not Permitted

Hazard Insurance

Deductibles:

- Family residences. The higher of:
 - \$1,000; or
 - 5% of the face amount of the policy.
 - If there is a separate wind-loss endorsement, then the deductible will increase to \$2,000 or 2% of the face amount of the policy.
- Condo and PUDs – The maximum deductible amount for policies covering the common elements must be no greater than 5% of the face amount of the policy
- For losses related to an individual unit in a PUD that is covered by a blanket policy; the maximum deductible is no greater than 5% of the face amount of the policy.
- For Condos with blanket insurance policies that cover both the individual units and the common elements, the maximum deductible amount related to the individual unit should be no greater than 5% of the replacement cost of the unit.

Other Requirements:

- Property Insurance Minimum Rating standards – Must meet Agency requirements
- A Loss Payable Endorsement is required on all loan transactions

Ineligible Transactions

- Assumable loans
- Construction to Perm
- Temporary Buydowns
- Builder Bailout
- Non-Arm's Length Transactions on 2nd homes or Investor
- Conversion Loans
- Lease Options/Rent to Own
- Assignments of the contract to another buyer
- No Graduated Payment Mortgage Loan
- No Ground Leases, No Buydown Mortgage Loan, No Pledged Asset Loan

Refer to the PHH Seller Guide for questions not addressed in this product description.

- No Convertible Mortgage Loan – allows an ARM to convert to a Fixed Rate Mortgage
- Periodic Payment – Loans must have periodic payments due, and loans can't have more than 3 monthly payments paid in advance from the proceeds of the mortgage loan

Interested Party Contributions

Occupancy	LTV	Max Percentage
Primary and 2 nd Homes	≤ 75	9%
Primary and 2 nd Homes	75.01 – 85.00	6%
Investment	All	2%

Loan to Value Calculation and Seasoning

Declining Market: Properties that are in a declining market as designated by the appraiser may be subject to reductions in LTV/CLTV regardless of transaction type. See Declining Markets section.

Purchase:

- Calculate LTV/CLTV/HCLTV based on lesser of the purchase price or appraised value of the subject property.

Refinance, Rate/Term:

- If the borrower has less than six (6) months ownership in the property, the LTV for a refinance transaction is calculated on the lesser of the purchase price plus documented improvements, or the current appraised value.
- Property acquired through inheritance or legally awarded through a divorce, separation, or dissolution of a domestic partnership may use current appraised value.
- If the borrower has owned the property for six (6) months, the LTV is based on the current appraised value.
- Properties listed for sale must be removed from the listing at least one month prior to the application date. LTV will be based on the lesser of the list price or appraised value when listed within the last 6 months by the current owner.

Refinance, Cash-Out:

- Minimum of 180 days ownership prior to application date is required.
- The LTV for a Cash-Out Refinance transaction is calculated based on the current appraised value.
- Properties listed for sale or purchased within the last 6 months (Note to Note) require a 5% reduction in LTV

Delayed Purchase Cash-Out Refinance:

- Allowed for Primary Residence only
- The LTV is calculated based on the lesser of the purchase price or current appraised value of the subject property. Original appraisal cannot be used regardless of age.

Definitions

Rate/Term Refinance – The new loan amount is limited to the payoff of the present first lien mortgage, any seasoned non-first lien mortgages, closing costs, prepaid items, buying out a co-owner pursuant to an agreement, and court ordered buyout settlements. Cash-out to the borrower limited to the greater of \$2,000 or 1% of the loan amount.

- Prepayment fees may be included
- Closing costs must be reasonable and within market standards
- The maximum cash-out to the borrower only reflects cash in hand.

A seasoned non-first lien mortgage is either a purchase money mortgage or any other closed end or HELOC mortgage that has been in place for more than 12 months and has no draws greater than \$2,000 in the past 12 months. Withdrawal activity must be documented with a transaction history from the HELOC.

Refer to the PHH Seller Guide for questions not addressed in this product description.

Delayed Purchase Cash-Out Refinance – Per FNMA guidelines, except that the LTV/CLTV is based on the lesser of the purchase price or current appraised value.

Cash-Out Refinance – Any transaction that does not qualify for a Limited Cash-Out Refinance or Delayed Purchase Refinance is considered a Cash-Out Refinance.

Continuity of obligation is required for all refinance transactions.

Mortgage Insurance

Not Applicable.

Prepayment Penalties

Permitted on investment property loans only. PHH will not purchase loans with prepayment penalties in the following states. All other loans with a prepayment penalty must comply with applicable federal and state laws.

- Alaska, Kansas, Maryland, Minnesota, New Mexico, North Dakota
- New Jersey prohibits to individual borrowers, LLC's, LP's, & Trusts. Permitted to C-corps and S-corps.
- Illinois prepay is permitted to legal entities with no limits. If borrower is a natural person, prepayment penalty is prohibited when APR is greater than 8%. Prepay is allowed when APR is $\leq 8\%$.
- Ohio loan amounts $\leq \$112,957$ (for 2025) are not eligible, loan amounts $> \$112,957$ permitted only on 3-4 residential units
- Pennsylvania loan amounts $> \$319,777$ (for 2025)
 - Loan amounts $\leq \$319,777$ permitted only on 3- or 4-unit properties
- Washington ARM loans. Permitted on Fixed rate loans
- Oregon – requires state specific disclosure in addition to the Note and SI Rider
- Michigan – 3-year prepayment penalty 1/1/1 % of amount of the prepayment
- Mississippi – 5-year maximum declining prepayment penalty structure is allowed
- Rhode Island – 1 year Prepayment Penalty, 2% of the balance due

Prepayment Structure – allowable 1-to-5-year prepayment types as permitted by applicable state and federal laws.

- 6 months interest allowed on amount of prepayment above 20% of the origination loan amount in any 12-month period
- Step Down Prepay Structure or Flat Prepay Structure

Property Types & Features

Allowed

- 1 Unit SFR, 1 Unit SFR w/ Accessory Unit, 2-4 Unit, Attached or Detached PUD
- Warrantable Condo
- Non-Warrantable Condo (see PHH Selling Guide)
- FNMA Eligible Leasehold
- Rural up to 20 acres
- 1031 exchange
- Delayed 1031 exchanges are allowed only for down payment and cash to close
- Leaseholds (in areas where Leaseholds are common, excluding Tribal Land)

Refer to the PHH Seller Guide for questions not addressed in this product description.

- Property flips are subject to additional requirements (see PHH Selling Guide)
- Modular Homes (site assembled)

Not Allowed (list is not all-inclusive)

- Condotels
- Second Homes with 2-4 Units
- Property listed for sale at any time in the 180 days prior to loan application
- Property in foreclosure or which have an open redemption period
- NY CEMA
- Cooperatives
- Mobile or Manufactured Homes
- Properties > 20 acres
- Unique Property (log homes, geodesic domes, etc.)
- Builder bailout
- Barndominiums
- Conversion loans
- Lease with option to buy / Rent-to-own
- Leasehold properties on Tribal Land
- Undeveloped land
- Completion escrows
- Timeshares
- Tenancy in Common properties
- Properties with less than 500 square feet living space
- Boarding houses
- Mixed Use
- C5 or C6 property condition grades
- Assisted Living
- Commercial Properties
- Working Farms
- Commercial properties
- Properties Under Construction
- Properties with values in excess of the predominant value of the subject's market area may be ineligible

Qualifying Ratios

Maximum DTI is 50%

When DTI exceeds 45%, Max LTV = 80%

First Time Homebuyer Max DTI = 45%

Refer to the PHH Selling Guide for specific requirements on inclusion or exclusion of debt in the DTI ratio.

Qualifying payment for interest-only loans should be calculated over the fully amortized period after I/O period has expired.

Reserves

Assets for reserves must be seasoned for 30 days.

Rate Term

LTV ≤ 65% - No Minimum

LTV > 65% - See Below

Refer to the PHH Seller Guide for questions not addressed in this product description.

Purchase/Cash Out/Rate Term

< \$1,000,000 = 3 months
\$1,000,000 – \$1,500,000 = 6 months
>\$1,500,000 = 9 months

Crypto Currencies, such as Bitcoin and Ethereum, are an eligible source of funds for down payment, closing costs and reserves. For down payment and closing cost, the assets must be liquidated and deposited into an established US bank account. For reserves, documentation to prove ownership of the crypto holding must be provided together with verification of current valuation from the Coinbase Exchange within 30 days of the Note date at 60% of the current valuation. Crypto currency is not an eligible liquid asset for utilization/depletion.

Residual Income

\$1,500 Residual Income is required on all loan products

Seller Concessions

Primary and 2nd Homes – LTV < 75% = 9%

Primary and 2nd Homes – LTV 75.01-85% = 6%

Investment Homes = 6%

**Excess sales concessions must be deducted from the sales price

Subordinate Financing

Allowed with a US institution.

Vesting

A 24 Month Chain of Title is required on all Title policies.

Ownership must be fee simple. Acceptable forms of vesting are:

- Individuals
- Joint tenants
- Tenants in Common
- Inter-Vivos Revocable Trust- vesting in a trust and an individual is not permitted
- Layered or Nested Entities are not permitted

Vesting is permitted in an Entity for Business Purpose Investment loans and 2nd home with the following requirements:

- Purpose and activities are limited to ownership and management of real property.
- Entity must be domiciled in a U.S. state.
- Business structure is limited to a maximum of (4) owners/members.
- Personal Guarantees must be provided by all owners/members of the Entity on the loan.
- Each Entity owner/member on the loan must sign the security instruments.
- A signed Business Purpose and Occupancy Affidavit is required.
- Each Entity owner/member providing a Personal Guaranty must complete a Form 1003 or similar credit application indicating clearly that such document is being provided in the capacity of the guarantor. The application of each member/owner providing a Personal Guaranty and their credit score, and creditworthiness will also be used to determine qualification and pricing.

For each business type, the following documentation must be provided:

- Limited Liability Company (LLC)

Refer to the PHH Seller Guide for questions not addressed in this product description.

- Entity Articles of Organization, Partnership, and Operating Agreements as required
- Tax Identification Number (Employer Identification Number – EIN) – In any case where a sole proprietor is using SSN in lieu of EIN, provide an UW cert or other supporting documentation
- Certificate of Good Standing
- Certificate of Authorization for the person executing all documents on behalf of the Entity
- LLC Borrowing Certificate required when all owners/members are not on the loan
- Corporation
 - Filed Certificate/Articles of Incorporation (Including all Amendments)
 - By-Laws (including all Amendments)
 - Certificate of Good Standing (issued by the Secretary of State (SOS) where the business is incorporated)
 - Tax Identification Number (EIN) – In any case where a sole proprietor is using SSN in lieu of EIN, provide an UW cert or other supporting documentation
 - Borrowing Resolution/Corporate Resolution granting authority of signor to enter loan obligation
 - Receipt of current year franchise tax payment or clear search where applicable per State
- Partnership
 - Filed Partnership Certificate (if a general partnership, filing with the SOS may not be required)
 - Partnership Agreement (and all Amendments)
 - Certificate of Good Standing (issued by the Secretary of State (SOS) where the Partnership is registered)
 - Tax Identification Number (EIN)
 - Limited partner consent (where required by partnership agreement)
- All parties who take title to the subject property must sign the Security Instrument, all parties to the loan do not have to be on title.

Note: Preference is to use official documentation issued by a CPA, the State, or IRS to satisfy document requirements. Fillable PDF's or emails from borrower's are not sufficient.

Underwriting and Closing

- Loans are manually underwritten.
- Lender must explain the reason an agency loan was not selected by the borrower.
- A minimum of two (2) years employment and income history is required, unless exempted under the documentation type. Refer to PHH Selling Guide for documentation details.
- A signed Form 4506-C is required for all loans.
- When paying off a private mortgage, a copy of the note and security instrument for the loan to be paid off is required.
- An Underwriters detailed attestation regarding a borrower's ability to repay is acceptable in lieu of the Signed Borrower Ability to Pay Attestation form.
- OFAC and Watchlist – documentation to confirm borrowers, entities as borrower, sellers, realtors, settlement agent, appraiser and appraisal company should be provided.
- Property Taxes must be based on the value of the land and the total of all assessed improvements – new construction or full renovations must be based on the improvements and proposed taxes.

Chain of Title

- Title policy must include a 24 month history of property ownership from the effective date of the policy or preliminary report. All transfers of title within the last six-month period must be disclosed and fully investigated. Property flips are subject to additional restrictions.

Documents

- The following forms are required and can be found in the PHH Selling Guide.
 - Borrower Ability to Repay Attestation
 - Condo questionnaire (full) * If approved by FNMA Condo Project Manager (CPM) questionnaire is not required
 - Condo questionnaire (limited review)

Refer to the PHH Seller Guide for questions not addressed in this product description.