

## Synopsis

This product is designed for Conforming or Jumbo balance loans with full, automated underwriting, or alternative documentation types. 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

Target Market	This program is for Borrowers with a clean derogatory housing event history (>48 months clean) and mortgage payment history (0x60x12)
Documentation:	Full Documentation, Streamline Documentation, 1099, Asset Utilization, P&L, Bank Statements, and AUS
Occupancy:	Primary Residence, Second home and Investment Properties
Condo:	Warrantable Condos: Max 85% LTV/CLTV
Non-Warr Condos:	Max 80% LTV/CLTV
Min/Max Loan Amt:	\$125k - \$3MM
LTV Maximum:	80%
Minimum FICO	620
Sub Financing:	Allowed behind Fixed 1 <sup>st</sup> liens only of primary residences only
Prepayment Penalty:	Permitted on Investment Properties only
Max DTI:	50% - See Qualifying Ratios section

### Product Codes:

Products			
Description	Amortization Term	Interest Only Period	Product Code
Non-Agency Bronze Plus - 30 Yr. Fixed	360 months	N/A	NA30BPLC
Non-Agency Bronze Plus - 5/6 ARM	360 months	N/A	NA56ARMBPLC
Non-Agency Bronze Plus - 7/6 ARM	360 months	N/A	NA76ARMBPLC

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

## Loan-To-Value Grids

PLUS Products			
FULL DOC, EXPRESS DOC, ASSET UTILIZATION, 1099, BANK STATEMENT, 12/24 MONTH P&L			
PRIMARY RESIDENCE (1-4 Units)			
TRANSACTION TYPE	MAX LTV/CLTV	MAX LOAN AMOUNT	MIN FICO
PURCHASE RATE AND TERM	80%	\$1,500,000	640
		\$2,000,000	660
		\$2,500,000	700
	75%	\$2,000,000	620
		\$2,500,000	680
		\$3,000,000	700
CASH OUT	80%	\$1,000,000	680
	75%	\$1,500,000	660
		\$2,000,000	680
	70%	\$1,500,000	640
		\$2,000,000	660
		\$2,500,000	700
	65%	\$1,500,000	620
\$2,500,000		680	
SECOND HOME (1 Unit)			
TRANSACTION TYPE	MAX LTV/CLTV	MAX LOAN AMOUNT	MIN FICO
PURCHASE RATE AND TERM	80%	\$1,000,000	640
		\$1,500,000	660
		\$2,000,000	680
	75%	\$1,500,000	640
		\$2,000,000	660
		\$2,500,000	700
	70%	\$2,000,000	640
		\$2,500,000	680
CASH OUT	75%	\$1,500,000	660
		\$2,000,000	700
	70%	\$1,000,000	640
		\$2,000,000	680
	65%	\$2,000,000	660
INVESTMENT (1-4 Units)			
TRANSACTION TYPE	MAX LTV/CLTV	MAX LOAN AMOUNT	MIN FICO
PURCHASE RATE AND TERM	80% (Purchase Only)	\$1,000,000	640
		\$1,500,000	660
		\$2,000,000 <sup>4</sup>	680
	75%	\$1,500,000	640
		\$2,000,000 <sup>4</sup>	660
	70%	\$2,500,000 <sup>4</sup>	680
CASH OUT	75%	\$1,500,000	660
		\$2,000,000 <sup>4</sup>	700
	70%	\$1,000,000	640
		\$2,000,000 <sup>4</sup>	660
	65%	\$1,500,000	640
		\$2,500,000 <sup>4</sup>	680
12/24 Month P&L – Max 80% LTV/CLTV Purchase; 75% LTV/CLTV Rate and Term; 70% LTV/CLTV Cash Out, Max \$2MM		<b>Asset Utilization</b> <ul style="list-style-type: none"><li>Primary and 2<sup>nd</sup> home – Max LTV/CLTV 80%</li><li>Investment Property – Max LTV/CLTV 65%</li><li>Cash out – Max LTV/CLTV 60%</li></ul>	

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

FLEX Option				
FNMA DU®/DO® or FHLMC LPA® (“AUS”) DOCUMENTATION				
OCCUPANCY	TRANSACTION TYPE	MAX LTV/CLTV	MAX LOAN AMOUNT	MIN FICO
PRIMARY 1-4 Units	PURCHASE RATE AND TERM	80%	\$2,500,000	640
	CASH OUT	75%	\$2,500,000	640
SECOND HOME 1 Unit	PURCHASE RATE AND TERM	75%	\$2,500,000 <sup>4</sup>	640
INVESTMENT 1-4 Units	PURCHASE RATE AND TERM	70%	\$2,500,000 <sup>4</sup>	640
12/24 Month P&L – Max 80% LTV/CLTV Purchase; 75% LTV/CLTV Rate and Term; 70% LTV/CLTV Cash Out, Max \$2MM				
Program		Max LTV/CLTV		
Asset Utilization		Primary and 2nd Home - 80%		
		Cash Out – max 60% LTV/CLTV		
		Investment – 65%		
		FLEX Option – Per FNMA DU®/DO® or FHLMC LPA®		
Bank Statement		90% Purchase Only		
		FLEX Option – 80%		
		Expense Factor <50%: 85%		
		Third Party Expense Ratio: 80% Purchase/R&T; 75% Cash-Out Refinance		
P&L		CPA Profit & Loss: 80% Purchase, 75% R&T, 70% Cash-Out Refinance		
FLEX Option		80%		
WVOE (Max UPB \$1,500,000)		80% Purchase, 70% R/T, C/O, FTHB		
First Time Homebuyer (FTHB)		80%		
55% DTI		Primary only		
Escrows Required		>85% LTV; HPMLs per CFPB		
Non-Permanent Resident Alien		80%		
Warrantable Condo		85%		
Non-Warrantable Condo		80%		
Rural Properties		Primary – 75% LTV/CLTV		
		2nd Home – 70% LTV/CLTV		
Properties with Business and Residential Use		10% LTV/CLTV reduction (Floor of 65% LTV/CLTV)		
Appraisal marked “suburban” but zoned “rural residential”		80% Purchase, 75% R/T, 65% Cash-out		
Declining Markets as defined by the appraisal		5% LTV/CLTV reduction from max borrower qualifies for		
Gift of Equity		75%		
		FLEX Option – Per FNMA DU®/DO® or FHLMC LPA®		
Properties listed for Sale w/in the last 12 mos.		65% Cash-out		
Cash-out Seasoning ≥6 <12 Months		Owner Occupied - Max 75%		
		Second Home / Investment – Max 70%		

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

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

## Appraisal

- Appraisals are good for 120 days and may be recertified for up to 180 days.
- Loan amount  $\geq$  \$2M and  $>65\%$  LTV/CLTV – 2 full appraisals
- Appraisals with condition or quality rating of C5 or C6 will not be accepted
- Transferred appraisals are acceptable when not ordered by the buyer or seller.
- Minimum of 2 comparable sales that were exposed to MLS are required, anything  $>1$  mile needs an explanation
- Form 1007 Schedule of Rents is required for all Non-Owner-Occupied loans on Single Family residences
- For 2-4 Unit Properties a FNMA (Fannie Mae) 1025 Small Residential Income Property Appraisal Report is required
- Reconsideration of Values for value or rent are required to be submitted for preapproval
- Row homes are subject to additional scrutiny, particularly when combined with significant negative property influences. PHH reserves the right to purchase at its sole discretion.
- Fannie Mae Collateral Underwriter (CU) Reports
  - No 3rd party review required (desk review or second appraisal) if CU Score is 2.5 or below
- Loans that do not meet an acceptable CU score require a desk review or other third-party valuation product (desk review or second appraisal):
  - PHH will accept a desk review within  $\pm 10\%$  variance of original appraised value from approved TPR valuation vendors.
  - Desk review variance may not exceed  $\pm 5\%$  for loans at 90% LTV.
  - Approved Desk Review Vendors:
    - Consolidated Analytics, Clear Capital, Service Link, Stewart Lender Services, Summit Valuations
- When two appraisals are required, they do not require a separate review product. The lowest value of the two appraisals is used as subject property value.

## ARM (Adjustable-Rate Mortgage) Data

<b>Index</b>	30 Day Average SOFR Index as published by the New York Federal Reserve
<b>Margin</b>	4.0%
<b>Floor</b>	Equal to the loan's initial margin (4%)
<b>Periodic and Life Cap</b>	5/6 - 2/1/5 7/6 - 5/1/5
<b>Payment Adjustment Date</b>	6 months
<b>ARM Qualifying Rate</b>	Greater of note rate or fully indexed rate (Index + margin) 5/6 Flex option only – Greater of note rate +2% or fully indexed rate

## Assets

- Asset Utilization requires 4 months statements – all other programs need 1 month
- Most recent statements, quarterly statement, or FNMA approved 3<sup>rd</sup> party validation service
- 100% value of Bank accounts, stocks, bonds, mutual funds, and retirement accounts at vested percentage

## Asset Utilization

- The utilization of financial assets will be considered as borrower income to qualify for their monthly payments. The unrestricted liquid assets can be comprised of stocks/bonds/mutual funds, vested amount of retirement accounts and bank

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

accounts.

- This can be combined with other sources of income (i.e. rent, pension, social security etc.) self-employment and W2 income
- All accountholders must be borrowers on the loan

**Program Requirements:**

- Primary and 2nd home - Maximum LTV/CLTV of 80%
- Investment Property – Max LTV/CLTV of 65%
- Cash Out – Max 60% LTV/CLTV
  - Cash out proceeds may not be used as qualified assets
  - Reserves not required
  - Requirements:
    - Borrowers must have a minimum of the lesser of
      - (i) \$1mm in Qualified Assets OR
      - (ii) 1.25 times the loan balance Qualified Assets, but never less than \$250K liquid assets
- **Assets:**
  - Borrowers must have a minimum of \$250K in post-close liquid net assets
  - Assets used for qualifying must be seasoned 120 days
    - Seasoning is not required if assets are from the sale of business, inheritance, or legal settlement etc. Documentation verifying ownership of assets is required. Cash out from delayed financing is eligible with proper documentation.
  - Net Assets:
    - If the assets or a portion of the assets are being used for down payment or costs to close, those assets should be excluded from the balance before analyzing a portfolio for income qualification.
  - Qualifying Assets:
    - Net assets multiplied by the following percentages:
      - 100% Checking/savings/money accounts, cash value/surrender value of Life Insurance
      - 80% of the remaining value of exchange traded stocks/bonds/Mutual Funds/Annuities
      - 70% for all vested retirement assets
- **Qualifying Income:**
  - Qualified assets with utilization draw schedule of 5 years (Qualified Assets divided by 60).

**ELIGIBLE ASSETS**

Asset Type	Qualifying Amount
Checking, Savings, Money Market Accounts, Cash value/surrender value of Life Insurance, Equity Proceeds from concurrent sale	100%
Annuities*, Mutual Funds, Publicly Traded Stocks and Bonds	80%
Retirement Accounts (401(k) IRA, SEP, KEOGH)	70%
Note: Sale of business, inheritance or legal settlement, delayed financing cash out with proper documentation, and other asset types may be used on a case-by-case basis	

- Annuities are permitted with attestation from borrowers' asset manager or account representative confirming terms, penalties etc.

• **INELIGIBLE ASSETS**

- 529 accounts
- Accounts pledged as collateral on another loan (Even \$0 balance and/or undrawn)
- Assets titled in an irrevocable trust
- Below investment grade corporate and municipal bonds
- Business Funds
- Cash out refinance proceeds
- Custodial accounts
- Deferred compensation
- Escrow accounts
- Foreign funds
- Gift Funds
- Health Savings Accounts
- Non-Financial assets (collectables, stamps, coins, artwork, etc.) unless liquidated
- Non-liquid assets (automobiles, artwork, business net worth, etc.)
- Non-regulated financial companies
- Non-vested restricted stock units
- Privately held stock

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

- Crypto currency unless seasoned and liquidated to US dollars
- Stock options
- SBA loans and paycheck protection funds

## Assumability

- Loans are not assumable.

## Borrower Eligibility

### Allowed

- U.S. Citizens
- Permanent Resident Aliens
- Non- Permanent Resident Aliens – with 2 years legal residency confirmed
- Non-Occupant Co-Borrowers
- Inter Vivos Revocable Trust (must meet FNMA requirements)
- Limited Partnership, General Partnerships, Corporations, Limited Liability Companies (LLC's) for the purpose of Real Estate ownership and management

### Not Allowed

- Irrevocable or Blind Trusts
- Foreign Nationals
- Land Trusts
- Borrowers with diplomatic immunity
- Non-Permanent resident aliens under Temporary Protected Status
- DACA & asylum applicants
- Borrower(s) with residence of any country not permitted to conduct business with U.S. companies as determined by U.S. Government authority
- Borrower who is no longer employed with the same employer listed on the initial 1003 will not be eligible
- Employees of originating lender

### Multiple Financed Properties

- The maximum number of financed properties to any one borrower is limited to 20 residential properties
- Maximum exposure to a single borrower is limited to \$5 Million in unpaid principal balance, or 10 properties

Eligible Borrowers	Required Documents	Notes
Permanent Resident Aliens	Alien Registration Card I-151 "Green Card"	Front/Back
	OR Alien Registration Card I-551 with no expiration	Front/Back
	OR Alien Registration Card I-551 with expiration and accompanied by INS Form I-751 (petition to remove conditions)	Front/Back
Non-Permanent Aliens	Unexpired Foreign Passport with an unexpired stamp (Valid for 3 years) <sup>1</sup>  AND Evidence of Employment in the U.S. included an EAD document <sup>2</sup>  OR	

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

	Non-Immigrant VISA - Following are acceptable: E-Series (E-1, E-2, E-3, EB-5), G-Series (G-1 through G-5), H-1B, L-1, NATO, O-1, R-1, TN (NAFTA)R-1	
<ol style="list-style-type: none"> <li>Stamp must state the following: "Processed for I-551 Temporary Evidence of Lawful Admission for Permanent Residence, Valid until MM/DD/YYYY Employment Authorized."</li> <li>Employment Authorization Document must be issued by the U.S. Citizenship &amp; Immigration Service providing authorization to work in the U.S. without restrictions.</li> <li>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 must not expire for 3 years following the close date. Please see FNMA Guides for acceptable VISAs.</li> </ol>		

## Buydowns

- Permitted in accordance with FNMA seller guides
- Primary residence purchase transactions are eligible
- 2-1 and 1-0 terms are allowed
- 30yr Fully Amortizing Fixed Rate Only

## Cash Out

- LTV > 70%      \$1MM (Maximum Cash Out)
- LTV ≤ 70%      Unlimited Cash Out

## Construction to Permanent Financing

- Delayed Financing is available
- 2-time close construction conversion to pay off an interim construction loan is acceptable

## Credit Considerations

Tri-merged in file credit report from all three repositories is required.

Credit scores – A minimum of 2 credit scores are required to be provided and used to determine the qualifying credit score for loan approval. No borrower can have a middle FICO score less than 660.

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 income earner's lower of 2 or middle of 3 FICO scores

### Other credit requirements:

- The maximum age of the credit report is 120 days. 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 0x60x12. A VOM/VOR is required for all the borrower's outstanding mortgages or rent paid
- Tradelines
  - If the primary wage earner has 3 credit scores, the minimum tradeline requirement is waived for all borrowers.
  - Each borrower must have 2 tradelines or joint applications must have a total of 3 tradelines combined, rated for at least 12 months, with activity in the last 24 months

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



- May be opened or closed
- Eligible tradelines cannot have any derogatory history in the last 24 months
- Current housing not reporting on credit can be considered an open tradeline if supported by bank records (cancelled checks or statements)
- Authorized User accounts will not be counted toward the tradeline requirement.
- 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 24 months based on discharge or dismissal date. 12 months can be considered (LLPA applied).

## Documentation Types\*\*

### Full Doc

- Full Documentation
- Streamline Documentation

### Alt Doc

- Bank Statements
- 12/24M P & L

### Flex Option (AUS)

\*\*All doc types - when using component sources for a single borrower, pricing and qualification is based on the worst-case document type. i.e.: If borrower is using tax returns and Asset Utilization is used to qualify, that pricing and matrix limitations apply.

## Employment and Income

### Full Doc

- **Full Documentation – Wage Earners**
  - Most recent 30-day paystub including YTD earnings OR Electronic VOE
  - 2 years W2's or transcripts
  - Written VOE if needed to document overtime, bonus or commission
  - Verbal Verification of Employment completed within 10 days of closing
- **Full Documentation - Self-employed borrowers**
  - Ownership percentage must be documented via CPA letter, Operating Agreement, or equivalent
  - CPA must be independent 3rd party and have no relationship to borrower, PTIN are not acceptable.
  - Two years personal & business tax returns (along with all schedules and K-1's)
  - A year-to-date P&L is required if the application is dated more than 120 days after the end of the business tax year
    - If a gap exists between the tax return ending date and the start date of the YTD P&L, a gap-year P&L is also required. The qualifying income is determined from the tax returns, the P&L is used to determine the stability of that income. The bank statements for the two most recent months must reflect deposits that support the sales from the P&L and the qualifying income from the priors' years tax returns.
  - Borrowers recently transitioned from W2 to 1099 and contracted by the same employer in the same position do not require 2 years 1099s if the employer provides documentation the borrower will not be responsible for additional expenses, i.e. contract.
  - Borrowers who remained in the same industry but transitioned from W2 to 1099 with a different company must be in their current position for at least 1 year.
  - Net operating losses may be excluded when evidenced on business returns

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

- A Company name change, or re-organization is considered continuous if within the last 2 years or restructured (i.e. from sole proprietor to LLC, S-Corp, etc.)
  - Self-employed borrower (> 25% ownership) paying themselves by W-2s or K-1s are acceptable. However, the income analysis should not be based on K-1 or W2 Wages. The analysis should be on the business entity, and the net income multiplied by the borrower's ownership % should be used to qualify.
  - Declining income over the last 2 years may be utilized for qualifying with signed letter of explanation from the borrower. The lower of the 2 years would then be used to qualify unless the income has stabilized over the most recent 6 months.
  - In the case where taxes have not been filed and the tax transcripts are not available from the IRS, the IRS response to the request must reflect "No Record Found" and be present in the loan file.
  - Must document that the taxes have been filed via evidence of e-filing, tax refund, or proof of payment.
  - Evidence of any IRS filing extensions must also be present in the loan file.
  - Independent verification of the business through a third party such as a CPA, regulatory agency, or applicable licensing bureau. (PTIN are not acceptable)
  - Verification of business existence and that the business is fully operational/active required within 10 calendar days of closing.
- **Streamline Documentation for Wage Earners**
    - 1 Yrs. W2s or 1099
    - 1099 generally limited to 1 employer and requires the employer to confirm no job-related expenses, if this is not able to be confirmed a 10% expense factor will be applied.
      - In cases where the borrower receives multiple 1099's, they must be in an industry where this is a common occurrence (entertainment, medical contractor, etc.)
    - Most recent paystub YTD Paystub covering past 30 days
    - Interest, dividends, capital gains may NOT be considered as income
    - 4506-T W2 or 1099 transcripts (If 1040 transcripts are provided, W2/1099 transcripts are not required)
    - Verbal Verification of Employment must be completed within 10 days of the closing date.
    - Borrower who is no longer employed at the same employer listed on the initial 1003 is not eligible
  - **Streamline Documentation for Self-employed borrowers**
    - Income from self-employment is considered stable and effective if the borrower has been self-employed for two or more years. Less than 2 years of self-employment history can be considered with documentation of at least two years' employment history in the same line of work or a related profession. Less than one year may not be considered as effective income.
    - 1099's must be issued to the individual borrower (If the borrower is an entity being used to qualify, the 1099 must reflect the entity as the payer and the guarantor as the recipient). The borrower must have 100% ownership of the entity for the period of the 1099 being reviewed.

**Document Requirements:**

- Ownership percentage must be documented via CPA letter, Operating Agreement, or equivalent
- CPA must be independent 3rd party and have no relationship to the borrower, PTIN are not acceptable.
- One year's personal & business tax returns (along with all schedules and K-1's)
- A year-to-date P&L is required if the application is dated more than 120 days after the end of the business tax year.
  - If a gap exists between the tax return ending date and the start date of the YTD P&L, a gap-year P&L is also required. The qualifying income is determined from the tax returns, the P&L is used to determine the stability of that income. The bank statements for the two most recent months must reflect deposits that support the sales from the P&L and the qualifying income from the prior's years tax returns
- All borrowers must also provide evidence that business has existed for at least 2 years via CPA/Tax Professional letter, confirmation from regulatory or state agency.

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

- Not permitted as qualifying income: Interest, Dividends, Capital Gains, etc.
- Borrowers recently transitioned from W2 to 1099 and contracted by the same employer in the same position do not require 2 years 1099s if the lender provides documentation the borrower will not be responsible for additional expenses, i.e. contract.
- Borrowers who remained in the same industry but transitioned from W2 to 1099 with a different company must be in their current position for at least 1 year.
- 1099 expense ratio should be reasonable for the profession, only borrowers with no office space, employees, cost of goods, etc. are eligible for 1099 doc type. Rideshare drivers like Uber, Lyft and the like are ineligible for the 1099 program. Borrower's paid by multiple 1099's are considered Self Employed and are qualified using 12- or 24 months bank statements.
- Net operating losses may be excluded when evidence on business returns
- A Company name change, or re-organization is considered continuous if within the last 2 years or restructured (i.e. from sole proprietor to LLC, S-Corp, etc.)

### **Alt Doc – Bank Statements**

- Bank Statement loans submitted with tax returns or tax transcripts must follow Full Documentation guidelines
- Any loan using qualifying income from Bank Statements with evidence of tax returns or tax transcripts will be ineligible
- Borrowers who are using more than 3 businesses to qualify must use Personal Bank statement option
- The bank statement program is designed for active, U.S. based operating businesses. Passive income from crowdfunding, real estate investors (with fewer than 5 residential units), venture capitalists, asset speculation, day trading and the like are considered ineligible from business bank statement income.
- Real Estate Investors with fewer than 5 residential units are eligible under Full Doc using lease agreements and proof of rents received

### **Document Requirements:**

- 12-or 24- months personal or business bank statements from a regulated U.S. financial institution
  - Bank statements should be most recent available at time of application but never more than 45 days prior to application.
  - Transaction history printouts are generally not acceptable.
  - FinTech statements are ineligible unless used for reserves
  - Multiple bank accounts may be used. More than 3 separate business accounts must use personal bank statements.
  - Most recent 3 months deposits should generally not represent the majority of annual income.
- Business Narrative
  - Borrower must provide a business narrative which includes detail related to the size/scope and operating profile of the business, including the following:
    - Description of Business/Business Profile
    - Locations
    - Number of Employees/Contractors
    - Description of Goods/Materials
    - Materials/Trucks/Equipment
  - Commercial or Retail client base
    - An internet search of the business is required to support the business narrative, an Underwriter certification (or notation on the 1008) if there are no returns when attempting an internet search.

### **Documentation Analysis:**

- Unusually large deposits in bank accounts being used to qualify may require a letter of explanation or evidence they are business related (greater than 50% of the average monthly deposits)
- Declining Income may require an LOE
- NSF's/Overdrafts should be covered with deposits shortly after they are incurred.
  - No more than 5 in the most recent 12 months.

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

**Business requirements:**

- Validation of at least 2 years of the business from one of the following: Business License, Letter from Tax Professional, Secretary of State Filing or equivalent.
  - Less than 2 years of self-employment history can be considered with documentation of a minimum of two years of employment history in the same line of work or a related profession. Less than one year may not be considered as effective income.
- Ownership percentage of borrower(s) must not be less than 25% and be documented via CPA letter (without qualifying language), Operating Agreement, or equivalent
- A company name change or re-organization is considered continuous if within last 2 years or restructured (i.e. from sole proprietor to LLC, S-Corp, etc.)
- Any change of ownership percentage must be seasoned at least 12 months
- Borrowers paid by multiple 1099s are considered Self Employed and are qualified using 12- or 24-month bank statements.

**Personal Bank Statements**

**Option 1:** Personal bank statements with evidence of business bank account.

- 100% of business deposits in a personal bank account can be used.
- Provide the most recent 2 months business statements to validate deposits are from the borrower owned business bank account. (Only giving credit for transfers from the business; or receipt of payroll from business and distribution only)

**Option 2:** Personal bank statements with no business bank account

Comingled business and personal with no business account for non-service businesses are considered as business bank statements with the appropriate expense factor (20% Service Business, 50% non-service business) applied.

- Deposits from self-employment business only, will be included into bank statement calculation
- A trend of repeated expense not reported on the credit report may need additional explanation and may be considered a liability

**Qualifying Income:**

- Qualifying is total eligible deposits divided by 12 or 24 months

**Business Bank Statements**

- Transfers from other bank accounts into the business bank accounts will require conclusive evidence that the source of transfer is business related income
- Borrowers who are using more than 5 separate bank accounts must qualify using personal bank statements
- Customary business debt such as auto or a business credit card may be excluded from the DTI when evidenced of 6 months payments made from the business statements. Mortgage debt may not be excluded from DTI when paid by the business.
- Qualification (must use one of the following two options):
  - The expense ratio should be reasonable for the profession - for all qualifying methods.
    - *Example:* A home-based sole practitioner consultant can be expected to have a lower expense ratio, while a retail business that has a full staff of employees, fleet of vehicles, and relies heavily on inventory to generate income will have a higher expense ratio. To the extent that the lender has evidence or other reason to believe that the reasonable expense ratio for a business is higher than the Fixed Expense Ratio methodology, PHH may determine, in its sole discretion, may require the borrower to follow Option 2.
- PHH reserves the right to request additional information, including 1040, 1120, and 1065 tax documentation.
  - The expense ratio should be consistent with the revenue and expenses in the business bank statements.
  - Businesses that have significant pass-through revenues, such as retail businesses that perform check cashing services or sell lottery tickets, or investment firms that receive outside investment capital, may be ineligible

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

### OPTION 1 – Fixed Expense Ratio

All business can qualify using a 50% expense ratio

- **50% Expense Factor** will be utilized to calculate income:
  - Verify borrower is minimum 25% owner of business
  - Decreasing or negative ending balances must be addressed
  - Cyclical and seasonal trends may be taken into consideration
- **30% Expense Factor** eligible only if all the following applies to the business
  - Eligible for small service businesses (Consulting, Accounting, Legal, Therapy, Financial Planning, Insurance etc.)
  - Any Retail, Wholesale or non-office services (e.g. landscaping, contractor) are ineligible.
  - No more than 5 employees
  - May have a small office space with rent not exceeding 15% of gross income
- **20% Expense Factor**
  - Borrower is sole owner and operator of the business, no partners, employees, etc.
  - Service business (no cost of goods, no heavy equipment, machinery etc.)
  - Does not require office space that would incur rent

### OPTION 2 – Third Party Expense Ratio | 10% floor

- Max LTV 80% Purchase/Rate & Term; 75% Cash-out
- 3rd party must have filed most recent business tax returns
- The Tax Professional will provide an expense statement specifying business expenses as a percentage of the gross revenue –15% floor
- Must be reasonable for the industry
- The Tax Professional attesting to the Expense Ratio must also attest that they have filed the borrower's most recent years business tax returns
- Expense statement may not contain qualifying language
- The Tax Professional must certify that the Expense Ratio represents an accurate summary of the applicable cash expenses of the business.
- Tax Professional must verify the borrower's ownership percentage
- Tax Professional license must be verified
- To determine net income, multiply eligible business deposits by the following: 100% minus the Expense Ratio as described above.
- CPA letters must be on letterhead and originate from CPA office, DocuSign not allowed. (PTIN are not acceptable)

### 12/24 Month CPA/Enrolled Agent Prepared P&L

- Max LTV 80% Purchase, 75% R&T; 70% Cash-Out Refinance
- Minimum 680 FICO
- \$2.0MM Max Loan Amount
- Primary residence only
- Must be US based business
- Self-Employed borrowers only
- Self-Employed defined as borrower(s) owning  $\geq 50\%$  ownership of respective business
  - Ownership percentage must be documented via CPA/EA/CTEC letter, Operating Agreement or equivalent
  - P&Ls with expenses representing  $< 15\%$  of total revenue are ineligible
    - Expense factor must be reasonable for the industry
- Most recent 12- or 24-month Profit & Loss statement (P&L). P&L end date must be less than 90 days old at closing
- All Profit & Loss statements must be completed by an independent CPA/EA/CTEC
- The CPA/EA/CTEC prepared P&L must be wet signed by both the borrower and CPA/EA/CTEC
  - The CPA/EA/CTEC preparing the P&L must have filed the borrower's most recent business tax return
  - CPA/EA must provide attestation that they prepared borrower's business tax returns and that that are not

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

related to the borrower or associated with borrower or borrower's business.

- If the tax professional has not filed their most recent business tax return, the following must be provided:
  - Two months business bank statements for the most recent two months reflected on the P&L
    - Bank statement deposits must support 80% of the monthly average revenue from the P&L. If the most recent 2 months of the bank statements do not support 80% of the gross revenue, continuous bank statements may be added to the analysis until the tolerance is met.
- The CPA/EA/CTEC must attest that they have performed either the following functions:
  - (i) Audited the business financial statements, or
  - (ii) Reviewed working papers provided by the borrower. The CPA/EA must also attest that, based on this review, they certify that the P&L represents an accurate summary of the business cash flow and applicable cash expenses.
- Non-cash expenses on the P&L can be added back (i.e.: depreciation, amortization, wages paid to borrower(s), etc.)
- CPA/EA/CTEC license must be verified, PTIN are not acceptable
- Attestation may not contain qualifying language
- Self-employed borrowers who file their own tax returns are not eligible
- Minimum of 2 years self-employment in the current profession
  - Validation of a minimum of 2 years existence of the business from one of the following: Business License, Letter from Tax Preparer, Secretary of State Filing or equivalent
- Borrower narrative on nature of business required
- An internet search of the business is required with documentation to be included in the credit file to support existence of the business
- Employment verification documentation must be consistent with information on the loan application and borrower's credit report

**Documentation:**

- A Written Verification of Employment (FNMA Form 1005) can be utilized when the only source of earnings is wages/salary
- FNMA Form 1005 must be fully completed by Human Resources, Payroll Department, or an Officer of the Company. The form must be sent and received directly from the employer
- Verification of delivery and receipt of the FNMA Form 1005 must be in the file
- Verification of delivery and receipt of the FNMA Form 1005 must comprise the following form of documentation: Physical mail, Fed-Ex, facsimile, or email communication. Physical mail, Fed-Ex, and facsimile must come directly from the employer's address. An email communication must properly identify the Company representative
- Borrower(s) employed by a family member, or related individuals are ineligible
- FNMA form 1005 must contain the following:
  - Dates of employment
  - Position
  - Prospect of continued employment
  - Base pay amount and frequency
  - Gross Earnings: year to date plus last two year's earnings, or at least one-year earnings if current job is less than two years
  - Bonus
  - Overtime
  - Tips
  - Commission Income
  - Paystubs, Tax Returns, 4506-C, or W-2's not required
- A Verbal Verification of Employment (VVOE) must be performed within ten calendar days prior to the funding date
- A borrower who is no longer employed at the same employer listed on the initial 1003 will not be eligible for purchase

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



- VVOE should include the name of contact at the place of employment, phone number and title along with company name, address and Borrower's job description and title. Verbal verification of employment for previous jobs within the past two years
- Employment Verification documentation must be consistent with information on Borrower's credit report
- Qualifying income is the lower of the income disclosed on the FNMA Form 1005 or monthly income disclosed on the initial 1003 signed

Flex Option – Requirements/Overlays	
<b>Underwriting Process</b>	<ul style="list-style-type: none"> <li>▪ FNMA DU®/DO® or FHLMC LPA® is required <ul style="list-style-type: none"> <li>○ <b>References to "AUS" throughout this document collectively refer to FNMA DU®/DO® or FHLMC LPA® Findings</b></li> </ul> </li> </ul> <p>For underwriting guidelines not addressed below, please reference the Fannie Mae or Freddie Mac Seller Guide for details.</p>
<b>DU®/DO®/ LPA® AUS Requirements</b>	<ul style="list-style-type: none"> <li>▪ Approve/Eligible, LPA® Accept</li> <li>▪ Approve/Ineligible, LPA® Caution (due to loan amount, loan structure, property (non-warrantable condominium) and credit event. <ul style="list-style-type: none"> <li>○ Refer to Credit Event section for details</li> </ul> </li> <li>▪ Note: Refer or Caution findings will not be eligible for delivery under Flex Option</li> </ul>
<b>Products</b>	5/6 ARM, 7/6 ARM, 30Yr Fixed
<b>Qualification</b>	<p><u>5/6 ARM</u> – qualify at the greater of the note rate + 2% or the fully indexed rate.</p> <p><u>7/6 ARM</u> – qualify at the greater of the note rate or the fully indexed rate.</p>
<b>Minimum Loan Amount</b>	\$125,000
<b>Max Loan Amount</b>	\$2,500,000
<b>DTI</b>	Per AUS (max 50%)
<b>Min Borrower FICO</b>	PLUS product – 640 Qualifying FICO – Primary wage earners FICO used for eligibility (Must align with matrix)
<b>Reserves</b>	Per AUS Cash out may be used as reserves
<b>Assets</b>	Per AUS
<b>Borrower Eligibility</b>	All borrowers must have a valid SSN (Social Security Number) ITIN (Individual Taxpayer Identification Number) and Foreign Nationals are not allowed Refer to Non-Permanent Resident section
<b>Min Borrower Contribution</b>	Per FNMA/FHLMC Selling Guide Owner or Second home, no minimum borrower contribution required. May be all gifts. Investment properties: no gifts allowed. Must be all borrower's own funds.
<b>Max Cash Out</b>	Please refer to max cash out for PLUS Product Per FNMA/FHLMC Selling Guide – R/T refinance max cash back is the lesser of 2% of the loan balance or \$2,000. Per FNMA/FHLMC Selling Guide – Cash out can be used as reserves.
<b>Cash Out Seasoning</b>	Property must have been purchased at least six months prior to application date and at least one borrower on title prior to the note date
<b>Continuity of Obligation</b>	Follow FNMA/FHLMC Selling Guide – Borrower must be on title at time of application
<b>Income Documentation</b>	<ul style="list-style-type: none"> <li>▪ Follow AUS findings with minimum 1-year verification of income</li> <li>▪ If the tax return year is dated more than 90 days prior to the note date, a YTD Profit &amp; Loss Statement (P&amp;L) dated within 90 days of note date, along with the two most recent months of bank statements.</li> <li>▪ Electronic VOE (i.e., The Work Number) is acceptable. Vendor must be an approved Day 1 Certainty vendor.</li> </ul>

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

	▪ Bank Statement product is eligible with Flex Option features (refer to Bank Statement/CPA P&L guidelines)	
<b>Asset Utilization</b>	Follow guidelines in this product description	
<b>Rental Income</b>	Follow PP guides section 10.8.18	
<b>Credit Events</b>		Short Sale, Foreclosure, Single Bankruptcy, 120+
	<b>PLUS Product</b>	2 Years
<p>For loan casefiles with credit events outside of FNMA allowances, “Extenuating Circumstance (EC)” override in DU®/DO®/ LPA® may be used. The loan must still fall within PLUS Product requirements for seasoning. Multiple bankruptcies regardless of seasoning are not allowed.</p> <p>The stricter of FNMA Extenuating Circumstance seasoning guidelines must be met:</p> <ul style="list-style-type: none"> <li>▪ FNMA foreclosure seasoning is 3 years</li> <li>▪ FNMA EC guidelines for a foreclosure do not allow the following transactions: <ul style="list-style-type: none"> <li>▪ 2nd Home and NOO Purchases</li> <li>▪ Cash Out</li> </ul> </li> </ul> <p>Documentation requirements:</p> <ul style="list-style-type: none"> <li>▪ LOE confirming nature of the event(s) that led to the bankruptcy or foreclosure-related action required.</li> </ul>		
<b>Tradelines</b>	AUS findings	
<b>Housing History</b>	<b>12 Month Housing History – 0x60x12</b>	
	WVOM/WVOR waived, unless required by AUS	
<b>Age of Documentation</b>	120 days	
<b>Subordinate Financing</b>	Per AUS - Max CLTV per product matrix applies	
<b>Property Eligibility</b>	<p>Single Family Residence (attached and detached)</p> <p>PUDs (attached and detached)</p> <p>2-4 Units</p> <p>Fannie Mae warrantable condominiums</p> <p>Non-Warrantable Condos Eligible with an LLPA</p> <p>Max 10 acres</p> <p>Rural Properties up to 10 acres</p> <p>Live/Work Condo – Per FNMA/FHLMC Selling Guide</p> <p>Mixed Use – eligible</p>	
<b>Vesting in LLC/ Corp/Individual trust</b>	<p>Eligible</p> <p>Refer to guidelines for details</p>	
<b>Max Financed Properties</b>	<p>Follow FNMA/FHLMC Selling Guide</p> <p>Principal residence – No Limit</p> <p>Second Home/Investment – Max 10</p> <p>For borrowers with 7-10 financed properties, the minimum FICO requirement is 720</p>	
<b>Appraisal</b>	<b>PLUS Product</b>	1 Full appraisal is required for all transactions
	<p>All appraisals require a third-party desk review</p> <ul style="list-style-type: none"> <li>• For CU scores &lt;= 2.5 – no additional review is required</li> </ul> <p>When two appraisals are required, an additional desk review product is not required.</p> <p>Transferred appraisals are permitted.</p>	
<b>FNMA/FHLMC Program Restrictions</b>	<p>Fannie Mae and Freddie Mac specific program and eligibility are not allowed, including but not limited to: Student Loan Refinance, HomeStyle, HARP, DU®/DO® Refi Plus, and Home Ready</p>	
<b>Pre-Payment Penalty</b>	Standard Prepayment Penalty Term – Minimum 1 year for all NOO (see rate sheet for details).	

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



<b>Delayed Financing</b>	Allowed <6 months and treated as a rate & term.
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## Escrow Waiver

Mandatory escrows for all HPMLs (Higher Priced Mortgage Loans) and LTV's >85%.

## First Time Homebuyers

Individuals that have not owned a home or had a residential mortgage in the last 7 years.

- If one borrower on the transaction is not a FTHB, no further restrictions apply
- Max 85% LTV
- Max payment shock of 250%
- Rent Free FTHB are unable to meet payment shock requirements but are permitted assuming no credit exceptions

## Geographic Restrictions

All 50 states are eligible

**Guam, US Virgin Islands and Puerto Rico** – Not Permitted.

## Gift Funds

- Primary Purchase transactions only
- Borrower must have 5% of their own funds documented but not required to use
- Borrowers with no housing history must have 10% of their own funds documented but not required to use
- Gift of Equity is eligible to a max 75% LTV
- Flex option – following FNMA/FHMLC Selling guide for requirements

## Interested Party Contributions

LTV	Max Percentage
LTV/CLTV $\geq$ 80%	3%
LTV/CLTV < 80%	6%

## Ineligible Transactions

- Assumable (ARM only)
- Construction to Perm
- Builder Bailout
- Conversion Loans
- 1031 Exchanges
- TX Cash Out
- Lease Options/Rent to Own
- Non-Arm's Length Transactions on Second Homes and Investment Properties
- Assignments of the contract to another buyer
- No Graduated Payment Mortgage Loans
- No Ground leases, No Buydown Mortgage Loan, No Pledged Asset Loan
- No Convertible Mortgage Loan – allows an ARM to convert to a Fixed Rate Mortgage

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

- Periodic Payment – Loans must have periodic payments due, and loans cannot have more than 3 monthly payments paid in advance from the proceeds of the mortgage loan.

## Limited Partnership, General Partnership, Corporations, and Limited Liability Companies

- Properties vested in any of these are limited to Investment and Business Purpose.
- Additional Requirements:
  - LLC – purpose is for ownership and management of real estate
  - Maximum 4 borrowers
  - Guarantor must be a manager or majority owner (25% or greater) and is subject to the same underwriting requirements as an individual borrower
  - Personal Guaranty required if the note is not being signed individually and all disclosures must be signed
  - Note must be signed by the applicant and as members of the LLC. All members must sign the note.
  - Mortgage/Deed of Trust, Security instrument should be signed by all members of the LLC.

## Loan to Value Calculation and Seasoning

**Purchase** - Calculate LTV/CLTV/HCLTV based on lesser of the purchase price or appraised value of the subject property. Borrower's with no investment properties retaining their departing residence require preapproval and may be assessed 12 month EPO and/or subject to lock price cap.

**Continuity of obligation** is required for all refinance transactions and is based on the note date.

**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, and court ordered buyout settlements. Cash-out to the borrower cannot exceed the lesser of 2% of the principal balance, or \$2,000.

- Prepayment fees may be included
- Closing costs must be reasonable and within market standards
- The maximum cash-out to the borrower reflects both cash in hand, the payoff of miscellaneous debts, and is net of fees and other related closing costs.
- 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:
  - Within the past 6 months from the Note date are not eligible.
  - Within the last 12 months are not eligible for cash out.
  - Investment properties listed for sale within the last 12 months are eligible for rate/term refinance per LTV grids, Cash out is max 65% LTV.
  - LTV is based on the lesser of the listing price or the appraised value
- 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 6 months and has no draws greater than \$2,000 in the past 6 months. Withdrawal activity must be documented with a transaction history from the HELOC.

**Delayed Purchase Cash-Out Refinance** – Per FNMA guidelines except:

- 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.

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

- For properties purchased with cash and owned less than 6 months:
  - Provide settlement statement to confirm no financing used
  - LTV will be calculated using the purchase price
  - Purchase funds are required to be documented

**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.

- At least 180 days ownership prior to note date is required.
- The LTV for a Cash-Out Refinance transaction is calculated based on the current appraised value.
- Properties listed for sale within the last 12 months are not eligible.
- Properties owned less than 12 months, but greater than 6 months at application will be based the LTV/CLTV on the lesser of the original purchase price plus documented improvements, or current appraised value. The previous settlement statement will be required for proof of the purchase price.
  - Max 75% LTV for Primary, 70% LTV for Second homes and Investment homes
- Regarding Cash out transactions, anything seasoned less than 12 months will be considered a cash-out regardless of whether cash was received in the subsequent refinancing

### Flip Transactions

- On a purchase transaction the seller must have owned the property for at least 6 months to not be considered a property flip transaction.
- Bank owned REO and Corporate Relocations are eligible and not considered a flip transaction
- When the subject property is being resold within ~~6~~ 12 months of its acquisition by the seller (purchase agreement execution to the day the seller became the legal owner), and the sales price has increased by more than 10% the transaction is considered a flip.
  - Transaction must be arm's length
  - No pattern of previous flipping activity may exist in the last 12 months
  - Property was marketed openly, through MLS (Multiple Listing Services), auction, or FSBO
  - No assignments of the contract to another buyer
  - If the property is being purchased for more than 10% above the appraised value, a signed letter of acknowledgement from the borrower must be obtained
  - 2nd appraisal is required if the increase in sales price is greater than 10% in the past 90 days, or 20% in the past 90-180 days

### Mortgage Insurance

Not Applicable

### Mixed Use Properties

- 10% LTV Reduction – 65% LTV/CLTV floor
- Property must be a 1-4 unit or PUD that the borrower occupies as a principal residence
  - Properties with ADU units are eligible when the accessory unit is used for the business
- Property must be primarily residential in nature
- Condominium units are ineligible
- Business must require a license to operate
- Property may not be modified in a manner that has an adverse impact on its marketability

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

## Non-Warrantable Condos

- Pre-sale - >30% of the units must be sold or under contract
- Up to 70% of units can be tenant occupied
- Up to 50% commercial space
- Recreational leases allowed
- Single Entity can own up to 30% of units
- Up to 25% of HOA (Homeowners Association) dues can be delinquent
- Master coverage deductible up to 10%
- Reserves - <10% replacement and/or maintenance but never less than 5%
- Mandatory memberships cannot exceed 10% of the Purchase Price
- Material Litigation – ineligible
- Insurance must be full replacement amount – actual cash value is not permitted
- Newly Converted – ineligible
- Project Completion – project must be 100% complete and HOA turned over

## Power of Attorney

- Limited Power of Attorney is eligible but must be specific to the transaction, contains an expiration date, and the initial 1003 is signed by the borrower executing the POA
- Power of Attorney is not eligible for cash out transactions

## Prepayment Penalty

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, Kentucky, Maryland, Michigan, Minnesota, New Mexico, North Dakota, Ohio, Rhode Island
- Illinois prohibits individual borrowers. Permitted to legal entities when APR is  $\leq 8\%$
- New Jersey prohibits individual borrowers, LLC's, LP's, & Trusts. Permitted to C-corps and S-corps.
- Pennsylvania loan amounts  $> \$319,777$  (for 2025)
  - Loan amounts  $\leq \$317,999$  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
- Mississippi – 5-year maximum declining prepayment penalty structure is allowed

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

- Primary residences – 1-3 units
- 2<sup>nd</sup> homes – 1 unit
- Non-Owner – 1-4 units
- Rural Properties
  - Primary residence limited to 75% LTV/CLTV
  - 2nd Home limited to 70% LTV/CLTV
  - Investment properties are ineligible

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

- Appraisal marked “suburban” but zoned “rural residential”
  - Purchase 80% LTV/ CLTV
  - R/T 75% LTV/CLTV
  - Cash-out 65% LTV/CLTV
- One Unit Single Family Residences (Attached, Detached and Modular)
- Single Family properties with an Accessory Unit Dwelling (must meet FNMA requirements – Minimum 400sq ft)
- PUDs (Planned Unit Development) – Attached and Detached
- Townhouses
- Leasehold Properties
- Warrantable Condominium
- Non-Warrantable Condominiums
  - Site condominiums will not require project review and are eligible for SFR LTV/CLTV
  - 2–4-unit projects will not require project review if the priority of common expense assessments applies, and standard insurance requirements are met
  - Commercial Space up to 49%, Investor concentration to 70%, Single Entity to 30%, HOA delinquency up to 25%
- Maximum of 20 acres

**Not Allowed** (list is not all-inclusive)

- Escrow Holdbacks
- Manufactured Homes
- Cooperatives
- Log Homes
- Condotels
- Condominium projects with registration services or restrictions on owner’s ability to occupy
- Unique Properties (Geodesic Homes, Houseboats, Live Work Properties)
- Mixed Use Properties
- Properties under Construction
- Properties with significant negative influences such as areas with high foreclosure or distressed sales, street scenes with excessive litter, or proximity to boarded homes
- Builder Model Leaseback
- Rural Investment Properties
- Mandatory memberships
- Group Homes
- Multiple dwellings on a single lot
- Working Farms
- Live/Work Condos
- Houseboats
- Geodesic Domes
- Earth Berm Homes
- Homes on Native American Land
- Properties used for the cultivation, distribution, manufacture, or sale of Marijuana
- State Condominium Requirements (Warrantable and Non-Warrantable):
  - California Balcony Bill – SB326: An inspection is required for projects with wood deck, balcony, stairway, walkway, or railing elevated more than 6 feet above the ground. Projects with an unacceptable or no inspection are ineligible.

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

- Florida – Projects over 30 years old or 25 years if within 3 miles from the coast, a structural inspection within every 10 years is required for projects 3 stories or higher. Inspection must confirm no conditions severe enough to affect the safety, soundness, structural integrity or habitability of the improvements. Projects with unacceptable or no inspections are ineligible.

## Qualifying Ratios

45% DTI | 85% LTV/CLTV

50% DTI |  $\leq$  85% LTV/CLTV

55% DTI given the following:

- 9 months reserves
- Min 720 FICO
- Max \$1.5M
- Max 80% LTV/CLTV on Primary Residence Only
- 2<sup>nd</sup> Homes and Investment Properties are ineligible
- No P&L, WVOE, or Asset Utilization income doc type as a primary or supplemental income source
- No CPA provided expense ratio

Flex Option – Per AUS findings, Max 50% DTI – Max 45% when Asset Utilization is used as a supplemental income source

## Reserves

### Loan amounts

Full Doc, Express Doc, 1099

Alt Doc (Bank Stmt, P&L, WVOE)

\*\*Rate/Term at 60% LTV or less and Housing 0x30x12

### Required Reserves

3 months

6 months

No Reserves Required

- Cash-Out is permitted to meet reserves
- Flex Option – Per AUS findings
- Rent Loss insurance required – 6 months PITIA; or 6 months additional reserves beyond the program minimum allowed in lieu of rent loss coverage

## Subordinate Financing

- Subordinate financing (institutional) allowed behind Fixed 1<sup>st</sup> liens only
- Allowed on primary residences only
- Existing subordinate financing is permitted on refinances
- If the subordinate financing is a HELOC (Home Equity Lines of Credit) the LTV/CLTV must be calculated considering the full line amount, regardless of how much is utilized through draws.
- If the subordinate financing is a HELOC, the monthly payment for qualification purposes must be calculated as though the line is fully drawn.

## Underwriting and Closing

- All loans must be manually underwritten.
- The 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 and tax transcripts are not required for alternative documentation loans unless supplemental wage income is used to qualify.

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

- Verbal Verification of Employment – Required within 10 calendar days from the note date for employment income and within 30 days for self-employment income.
- When paying off a private mortgage, a copy of the note and security instrument for the loan to be paid off is required.

#### **Chain of Title**

- Title policy must include a minimum of six months' 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 restriction.

#### **Documents**

The following forms are required as applicable and can be found in the PHH Selling Guide:

- Bank Statement Analysis Worksheet
- LLC Checklist
- Business Purpose and Occupancy Affidavit
- Self Employed Business Narrative
- Borrower Ability to Repay Attestation
- Business Narrative for Bank Statement Program

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