



## Fannie Mae Standard and High Balance Product Profile

Overlays to Conventional are Underlined.

| Owner Occupied  |               |                    |                 | Second Home   |  |                    |                 | Investment Properties |   |   |                 |
|---|---------------|--------------------|-----------------|---|--|--------------------|-----------------|-----------------------|---|---|-----------------|
| Purchase  | Property Type | LTV, CLTV, HCLTV** | MinCredit Score | Purchase  | Property Type  | LTV, CLTV, HCLTV** | MinCredit Score | Purchase              | Property Type   | LTV, CLTV, HCLTV**                          | MinCredit Score |
|   | 1 Unit        | FRM: 97            | 580***          |   | 1 Unit   | 90                 | 580***          |                       | 1 Unit  | 85  | 580***          |
|   |               | ARM: 95            |                 |   |  |                    |                 |                       |   | 2-4 Unit                                    | 75              |
|   | 2 Unit        | 95****             | 580***          |   | 3-4 Unit   | 95****             | 580***          |                       | Property Type   | LTV, CLTV, HCLTV**                          | MinCredit Score |
| R/T Refl  | Property Type | LTV, CLTV, HCLTV** | MinCredit Score | R/T Refl  | 1 Unit   | 90                 | 580***          | R/T Refl              | Property Type   | LTV, CLTV, HCLTV**                          | MinCredit Score |
|   | 1 Unit        | FRM: 97            | 580***          |   | 1 Unit   | 90                 | 580***          |                       | 1 Unit  | 75  | 580***          |
|   |               | ARM: 95            |                 |   |  | 2-4 Unit           | 75              |                       | 580***  |   |                 |
|   | 2 Unit        | 95****             | 580***          |   | 3-4 Unit   | 95****             | 580***          |                       | Property Type   | LTV, CLTV, HCLTV**                          | MinCredit Score |
| Cash Out  | Property Type | LTV, CLTV, HCLTV** | MinCredit Score | Cash Out  | 1 Unit <td>75</td> <td>580***</td> <th rowspan="4">Cash Out</th> <th>Property Type</th> <th>LTV, CLTV, HCLTV**</th> <th>MinCredit Score</th> | 75                 | 580***          | Cash Out              | Property Type   | LTV, CLTV, HCLTV**                          | MinCredit Score |
|   | 1 Unit        | FRM: 97            | 580***          |   | 1 Unit   | 75                 | 580***          |                       | 1 Unit  | 75  | 580***          |
|   |               | ARM: 95            |                 |   |  | 2-4 Unit           | 70              |                       | 580***  |   |                 |
|   | 2 Unit        | 95****             | 580***          |   | 3-4 Unit   | 95****             | 580***          |                       | Property Type <td>LTV, CLTV, HCLTV**<td>MinCredit Score</td></td> | LTV, CLTV, HCLTV** <td>MinCredit Score</td> | MinCredit Score |
| Cash Out  | Property Type | LTV, CLTV, HCLTV** | MinCredit Score | *High balance and loans with non-occupant co-borrowers are limited to 95% LTV/CLTV        |  |                    |                 |                       |   |   |                 |
|   | 1 Unit        | 80                 | 580***          | **Loans with Community Seconds may be eligible for up to 105% CLTV. See the DPA section.  |  |                    |                 |                       |   |   |                 |
|   |               | 2-4 Unit           | 75              | 580***  | ***Scores below 620 can utilize DU's average median credit score. See Credit Section   |                    |                 |                       |   |   |                 |
|   |               |                    |                 |   | **** LTV, CLTV, or HCLTV Ratios for High-Balance 2-4 Unit Properties   |                    |                 |                       |   |   |                 |
|   |               |                    |                 | <ul style="list-style-type: none"><li>• 2 Unit: ≤ 85%</li><li>• 3-4 Unit: ≤ 75%</li></ul> |  |                    |                 |                       |   |   |                 |
| Loan Amount   |               |                    |                 |   |  |                    | Agency:         | Fannie Mae            |   |   |                 |
| Minimum loan amount of \$50,000   |               |                    |                 |   |  |                    |                 | DU Approval           |   |   |                 |
| Maximum Loan Amount found at:<br>www.fanniemae.com/singlefamily/loan-limits   |               |                    |                 |   |  |                    | Term:           | Fixed Rate            |   |   |                 |
|   |               |                    |                 |   |  |                    |                 | Fixed Period ARMS     |   |   |                 |
| Seller shall deliver loans that were originated in accordance with the Fannie Mae Single Family Selling Guide unless otherwise noted in the Windsor Seller's Guide. Windsor does not discriminate in any aspect of a credit transaction based on sex, gender identity or expression, sexual orientation, marital status, familial status, race, color, ethnicity, religion, national origin, age, handicap or disability status, income derived from public assistance, military status or the good faith exercise of rights under the Consumer Credit Protection Act.  |               |                    |                 |   |  |                    |                 |                       |   |   |                 |
| Ability to Repay and Qualified Mortgage Rule  |               |                    |                 |   |  |                    |                 |                       |   |   |                 |
| <ul style="list-style-type: none"><li>• For loans subject to the ATR/QM rule, Windsor Mortgage will only purchase loans that comply with ATR/QM requirements.<ul style="list-style-type: none"><li>◦ Note: Investment properties for business purposes (borrower does not intend to occupy for more than 14 days in the year) are exempt from ATR/QM; however, such loans must meet agency eligibility requirements for providing evidence of compliance with the ATR/QM rules.</li></ul></li><li>• Correspondents are responsible for providing evidence of compliance with the ATR/QM rules.</li><li>• Clear itemization of fees and application of all credits that indicate paid by/to will be required on all loans.</li></ul> |               |                    |                 |   |  |                    |                 |                       |   |   |                 |

## Age of Documents

- For new and existing construction, credit documents must be no more than 4 months old on the date the note is signed, including credit reports and employment, income, and asset documents.
- Preliminary Title Policies must be no more than 90 days old on the date the note is signed.

## Appraisals

- AUS Findings determine them. Property Inspection Waivers through Desktop Underwriter are acceptable.
- Suppose the appraiser identifies an addition(s) that does not have the required permit. In that case, the appraiser must comment on the quality and appearance of the work and its impact, if any, on the market value of the subject property.
- Properties with unpermitted secondary kitchens may be eligible if:
  - It is typical for the area
  - No negative impact on marketability
  - Appraiser comments on the quality of construction, any health/safety issues, and any soundness issues must meet Fannie Mae's requirements.
- Accessory Units are acceptable when meeting Fannie Mae's requirements.
  - When the accessory unit is permitted or complies with zoning:
  - The property is defined as a one-unit property.
  - There is only one accessory unit on the property; multiple units are not permitted.
  - The appraisal report demonstrates that the improvements are typical for the market by analyzing at least one comparable property with the same use.
  - The borrower qualifies for the mortgage without considering any rental income from the accessory unit.
  - When the accessory unit is NOT permitted or DOES NOT comply with zoning:
  - At least 1 comparable contains an Accessory Unit
  - All other guidelines met in Selling Guide B2-3-04
- Windsor Mortgage confirms that the existence will not jeopardize any future property insurance claim that might need to be filed for the property.
- The use conforms to the subject neighborhood and the market.
  - The property is appraised based on its current use.
  - The appraisal must report that the improvements represent a use that does not comply with zoning.
- The appraisal report must demonstrate that the improvements are typical for the market by analyzing at least three comparable properties with the same non-compliant zoning use.
  - Recerts of values in accordance with Fannie Mae guidelines are acceptable.
- See Fannie Mae Seller Guides section B4-1.3-05 for complete details.
- Properties with evidence of commercial production of marijuana, including but not limited to grow rooms or hydroponic equipment, are ineligible.
- Value Acceptance + Property Data Report accepted.
- Transferred Appraisals – Any transferred appraisal must have a Fannie Mae SSR score below 4, along with no "overvaluation" flag.

## Assignment of Mortgages

All loans must be registered with MERS at delivery time to Windsor Mortgage. The seller must initiate a MERS transfer of beneficial and servicing rights to Plains Commerce Bank (#1005210) within 24- hours of purchase.

## AUS

A Desktop Underwriter with "Approve/Eligible" Findings is required. Manual UW is not allowed.

## Borrower Eligibility

- US citizens
- Permanent resident aliens with proof of lawful permanent residence
- Nonpermanent resident alien immigrants with proof of lawful residence (Follow Windsor's Non-US Citizen guide).
- Must have SSN. ITIN is not accepted.
- The maximum number of borrowers will be limited to 4 natural persons.

## Credit

### DU Average Median Credit Score

- DU will use the repetitive score (middle score) to determine whether the minimum 620 credit score requirement is met for loans with one borrower.
- DU will determine whether the credit score requirement is met using an average median credit score for loans with more than one borrower. Example: Borrower 1 – Scores 590, 605, 648 Median: 605. Borrower 2 – Scores 661, 693, 693 Median: 693. Average Median Score =  $(605 + 693)/2 = 649$ . Representative Score=605
- Minimum middle credit score is 580 regardless of DU Approve/Eligible
- Loans that have a minimum credit score other than 620, such as RefiNow and Multiple Financed Properties, are not eligible
- Must have DU Approve/Eligible findings
- MGIC, Radian, Arch (Current Mi Companies accepting average median credit score)
- Pricing and MI based on the representative score (lowest middle score)
- All borrowers may have no credit score. Fannie Mae and DU requirements must be met.
- A maximum of one credit bureau may be frozen with a DU acceptance. If the credit must be un-frozen, borrowers must unfreeze all bureaus, and the DU rerun with the updated credit.
- Current Housing Payment, applicable when the payment for the primary residence for any borrower is not on credit (renting primary and the subject is 2<sup>nd</sup>/NOO):
  - When the payment is not reported on the credit report, provide third-party verification of the payment amount.
  - A rent-free letter from the landlord or person obligated on lease is required if living rent-free.

| Credit (Derogatory)  |   |
|--|---|
| Derogatory Event   | Waiting Period Requirements   |
| Bankruptcy – Chapter 7 or 11   | <ul style="list-style-type: none"> <li>• 4 years</li> </ul>   |
| Bankruptcy – Chapter 13  | <ul style="list-style-type: none"> <li>• 2 years from the discharge date</li> <li>• 4 years from the dismissal date</li> </ul>  |
| Multiple Bankruptcy Filings  | <ul style="list-style-type: none"> <li>• 5 years if more than one filing within the past 7 years</li> </ul>   |
| Foreclosure  | <ul style="list-style-type: none"> <li>• 7 years</li> <li>• 3 years with documented extenuating circumstances (see section below) are allowed subject to:</li> <li>• Up to the lesser of 90% LTV/CLTV per the eligibility matrix</li> <li>• Purchase of an OO, or</li> <li>• Rate and term of any occupancy</li> <li>• If a mortgage debt was discharged through bankruptcy, the bankruptcy waiting periods may be applied if the lender obtains the appropriate obligation discharged in the bankruptcy. Otherwise, the greater of the applicable bankruptcy or foreclosure waiting period must be applied.</li> </ul> |
| Deed-in-Lieu of Foreclosure  | <ul style="list-style-type: none"> <li>• 4 years</li> </ul>   |
| Pre-foreclosure Sale (Short Sale)  | <ul style="list-style-type: none"> <li>• Two years with documented extenuating circumstances.</li> </ul>  |
| Mortgage Charge-off  | <b>See the Extenuating Circumstances section.</b>   |
| All transactions require a DU Approve/Eligible regardless of which time frame for the derogatory event is met, standard or extenuating circumstances.  |   |
| Condominiums   |   |
| <ul style="list-style-type: none"> <li>• See B4-2 Project Standards in Fannie Mae's Seller Guide for complete details on condos.</li> <li>• <a href="https://www.fanniemae.com/singlefamily/project-eligibility">https://www.fanniemae.com/singlefamily/project-eligibility</a></li> <li>• Fannie Mae to Fannie Mae rate and term refinances up to 80% LTV may be eligible for a waiver of the project eligibility review. <ul style="list-style-type: none"> <li>○ Documentation confirming refinanced loan was owned by Fannie Mae is required.</li> <li>○ Condo Type V required.</li> <li>○ See B4-2.1-02 Waiver of Project Review for additional information.</li> </ul> </li> <li>• Limited Review allowed in accordance with Fannie Mae Guidelines, including NOO up to 75% LTV/CLTV/HCLTV.</li> <li>• Projects in which the HOA is named as a party to pending litigation or for which the project sponsor or developer is named as a party to pending litigation related to the project's safety, structural soundness, habitability, or functional use are ineligible.</li> <li>• Projects with pending litigation that involve minor matters with no impact on the safety, structural sound habitability, or functional use of the project may be eligible if the litigation meets Fannie Mae's requirements matters. See Fannie Mae selling Guide Section B4-2.1-02 for details.</li> <li>• Florida Condos are allowed in accordance with Fannie Mae's requirements.</li> <li>• Lenders must provide all documentation used to verify the condo warranty type. Including but not limited to: <ul style="list-style-type: none"> <li>○ HOA questionnaire</li> <li>○ Loan documentation with warranty type</li> <li>○ Copies of applicable insurance policies.</li> </ul> </li> <li>• Any additional documentation as required by the warranty type</li> <li>• HO-6 Policy Coverage <ul style="list-style-type: none"> <li>○ Must be equal to or greater than 20% of the appraised value</li> <li>○ Letter from insurance agent confirming dwelling coverage on HO-6 will cover interior total loss.</li> </ul> </li> </ul> |   |

| Condominiums  |   |
|---|---|
| Acceptable MI Types:  | Unacceptable MI Types:  |
| <ul style="list-style-type: none"> <li>• Borrower Paid Monthly</li> <li>• Borrower Paid Single Premium</li> <li>• Financed: Gross LTV cannot exceed Windsor</li> <li>• Mortgage Solution's program maximum</li> <li>• Split Premium</li> <li>• Lender Paid Single Premium</li> <li>• Reduced coverage</li> <li>• Enterprise Paid MI (EPMI)</li> </ul>   | <ul style="list-style-type: none"> <li>• <u>Lender Paid Monthly</u></li> <li>• <u>Lender Paid Annual</u></li> <li>• <u>Borrower Paid Annual</u></li> <li>• <u>Any MI type not listed as acceptable</u></li> </ul> |
| Manufactured Homes  |   |
| <ul style="list-style-type: none"> <li>• LTV/CLTV – 95% (Cash Out 65% LTV/CLTV)</li> <li>• No MH Advantage</li> <li>• Must be &gt;600 SQ FT double-wide or Triple Wide</li> <li>• No Leasehold or Condo projects</li> <li>• Minimum FICO – 620</li> <li>• Cash-Out Max term 20 years</li> </ul>   |   |
| Documentation   |   |
| <ul style="list-style-type: none"> <li>• Determined by AUS</li> <li>• Loan Beam income calculation is acceptable per Fannie Mae's guidelines.</li> <li>• <b>Day 1 Certainty</b> <ul style="list-style-type: none"> <li>○ Loans using Day 1 Certainty are acceptable</li> <li>○ The lender must provide the third-party vendor report used in the DU validation process. Windsor Mortgage will compare the vendor reference number and date to the DU messages.</li> <li>○ When the DU validation service validates all of a borrower's income, the lender is not required to obtain a signed IRS Form 4505-T or tax transcripts for that borrower.</li> </ul> </li> <li>• Income or assets derived from the production or sale of marijuana are ineligible for qualifying.</li> </ul> |   |
| Current Housing Payment   |   |
| <ul style="list-style-type: none"> <li>• Borrowers must document their current housing expenses with one of the following when they do not currently own a primary residence and are purchasing a second home or investment property: <ul style="list-style-type: none"> <li>○ Six months of canceled checks or equivalent payment score</li> <li>○ Six months bank statements reflecting a clear and consistent payment to an organization or individual</li> <li>○ A copy of a current, fully executed lease agreement and two months canceled checks (or equivalent payment source)</li> </ul> </li> <li>• Borrowers living rent-free must document their rent-free status. A rent-free letter from a third party may be acceptable.</li> </ul>                                    |   |
| Disaster Policy   |   |
| <ul style="list-style-type: none"> <li>• <u>Windsor Mortgage may require a post-disaster inspection when the appraisal occurred before the incident end date of the disaster. See Windsor Mortgage disaster policy located in the Seller's Guide for full details.</u></li> </ul>   |   |

## Down Payment Assistance

- Down Payment Assistance is allowed if a government entity assists—evidence of the terms and provider.
- Employer assistance is acceptable in accordance with Fannie Mae guidelines.
- Loans with Community Seconds may be eligible for up to 105% CLTV. Follow Fannie Mae guidelines; the second must be from a government entity.

## Escrow Holdbacks

- Follow FNMA guidelines regarding reason, type of improvements, time to complete, quality, disbursements, and post-closing documentation.
- Post-funding stip for 1004D confirming completion will be placed on loans where appraisal is "subject to" completion of improvements.
- Post funding stip for a final title policy endorsement that ensures that priority of the first lien will be placed on loans where the appraisal is "subject to" completion of improvements.
- A copy of the escrow agreement will be required to show how the account will be managed and how funds will be disbursed.
- Escrow Holdback to be 1.5x the higher of 2 bids. New construction can be for the amount stated by the builder.
- Escrow Holdbacks are only allowed when minor conditions or deferred maintenance do not affect the property's safety, soundness, or structural integrity. Additional inspections may be required to verify.

## Employment & Income Verification

- For salaried employees, the verbal verification of employment must be completed within 10 business days prior to the note date.
- The verbal employment verification must be completed for self-employed borrowers within 120 days before the note date.
- For borrowers in the military, a military Leave and Earnings Statement dating within 30 days prior to the note date is acceptable in lieu of verbal verification of employment.
- Mortgage Credit Certifications (MCCs) enable an eligible first-time home buyer to obtain a mortgage secured to their principal residence and to claim a federal tax credit for a specified percentage (usually 20% or 25%) of the mortgage interest payments.
  - When calculating the borrower's debt-to-income ratio, treat the maximum possible MCC income as an addition to the borrower's income rather than reducing the borrower's mortgage payment amount. Use the following calculation when determining the available income:
  - $[(\text{Mortgage Amount}) \times (\text{Note Rate}) \times (\text{MCC\%}) / 12] = \text{Amount added to the borrower's monthly income.}$
  - For example, if a borrower obtains a \$100,000 mortgage that has a note rate of 7.5% and they are eligible for 20% credit under the MCC program, the amount that should be added to their monthly income would be \$125 ( $\$100,000 \times 7.5\% \times 20\% = \$1,500 / 12 = \$125$ ).
- The lender must obtain a copy of the MCC and the lender's documented calculation of the adjustment to the borrower's income and include them in the mortgage loan file.
  - For refinance transactions, the lender may allow the MCC to remain in place as long as it obtains confirmation prior to loan closing from the MCC provider that the MVC remains in effect for the new mortgage loan. Copies of the MCC documents, including the reissue certification, must be maintained in the new mortgage loan file.
- Housing Choice Voucher Homeownership Program income (commonly known as Section 8 for homeowners) paid via Housing Assistance Payments (HAPs) is an acceptable source of income. However, due to operational constraints, transactions involving HAPs paid directly to the servicer are ineligible for purchase by Windsor Mortgage. Transactions with HAPs paid directly to the borrower remain eligible for purchase.

### Housing Allowance / Parsonage Income

- Must provide 12 months bank statements showing evidence of receipt.
- Must provide paystubs or VOE in which amount stated match bank statements.
- If allowance has increased within the last 12 months, income to be averaged over the 12 months OR need at least 3 months receipt at higher amount.

## Employment Offers or Contracts

- Borrowers with employment beginning no more than 90 days after the note date are eligible when:
  - Purchase transaction, principal residence, one-unit property, the borrower is not employed by a family member or an interested party to the transaction, and the borrower is qualified using only fixed base income.
  - Obtain and review the borrower's offer or contract for future employment. The employment offer or contract must:
    - Identify the employer and the borrower, be signed by the employer, and be accepted and signed by the borrower.
    - Identify the terms of employment, including position, type, rate of pay, and start date, and be non-contingent.
    - Note: if conditions of employment exist, the lender must confirm prior to closing that all conditions of employment are satisfied by verbal or written documentation. This confirmation must be noted in the mortgage loan file.
- The start date for employment is no more than 30 days prior to the note date:
  - Employment offer or contract required; and
  - Verbal verification of employment that confirms active employment status
- The start date is no more than 90 days after the note date
  - Employment offer or contract only
- Document, in addition to the amount of reserves required by DU or for the transaction, one of the following:
  - Financial reserves sufficient to cover principal, interest, taxes, insurance, and association dues (PITIA) for the subject property for six months or
  - Financial reserves or current income sufficient to cover the monthly liabilities included in the debt-to-income ratio, including the PITIA for the subject property, for the number of months between the note date and the employment start date, plus one. For calculation purposes, consider any month's portion as a full month.
- Current income refers to income that is currently being received by the borrower (or co-borrower) and may or may not be used for
- Current income may be used in lieu of or in addition to financial reserves. For this purpose, the lender may use the amount of income.
- If the current income is not being used for qualifying purposes, it can be documented by the lender using income documentation, such as a paystub, and no employment verification is required.
- If using a paystub to document future employment, the paystub must be received no more than 60 days from the note date.

## Extenuating Circumstances

- Extenuating circumstances are nonrecurring events beyond the borrower's control that result in a sudden, significant, and prolonged reduction in income or a catastrophic increase in financial obligations.
- If a borrower claims derogatory information results from extenuating circumstances, the lender must substantiate the claim. Examples of documentation that can be used to support extenuating circumstances include documents that confirm the event (such as a copy of a divorce decree, medical reports or bills, notice of job layoff, job severance papers, etc.) and documents that illustrate factors that contributed to the borrower's inability to resolve the problems that resulted from the event (such as a copy of insurance papers or claim settlements, property listing agreements, tax returns (covering the period prior to, during, and after a loss of employment), etc.)
- The lender must obtain a letter from the borrower explaining the relevance of the documentation. The letter must support the claims of extenuating circumstances, confirm the nature of the event that led to the bankruptcy or foreclosure-related action, and illustrate that the borrower had no reasonable options to default on their financial obligations.

## Financing Concessions

- Financing concessions for primary residences and second homes must be within the following allowable percentages:
  - 9% of the value with LTV/CLTV ratios less than or equal to 75%
  - 6% of the value with LTV/CLTV ratios greater than 75% up to and including 90%
  - 3% of the value with LTV/CLTV ratios greater than 90%
  - The maximum financing concession for investment properties is 2% of value regardless of the LTV ratio
- Value is the lesser of the sales price or appraised value

### LTV/CLTV/HCLTV

#### Minimum Borrower Contribution Requirement from Borrower's Own Funds

|                  |                              |   |
|------------------|------------------------------|---|
| 80% or less      | 1-4 Unit Principal Residence | A minimum borrower contribution from the borrower's own funds is not required. All funds needed to complete the transaction can come from a gift.   |
|                  | Second Home                  |   |
| Greater than 80% | 1 Unit Principal Residence   | A minimum borrower contribution from the borrower's own funds is not required. All funds needed to complete the transaction can come from a gift.   |
|                  | 2-4 Unit Principal Residence | The borrower must make a 5% minimum contribution from their own funds. After the minimum borrower contribution has been met, gifts can be used to supplement the down payment, closing costs, and reserves. |
|                  | Second Home                  |   |

## Gift Funds

Follow Fannie Mae's guidelines for gift funds. See B3-4.3-04 for additional details.

## High Cost / High Priced

- Windsor Mortgage will not purchase High-Cost Loans.
- Higher-priced Priced Mortgage Loans (HPML) transactions are eligible for purchase. HPML guidelines require:
  - Establishment of an escrow account for taxes and insurance premiums on any transactions secured by the principal residence.
  - Must meet all applicable state and/or federal compliance requirements.
  - Prohibitions exist on ARM loans with an initial fixed-rate period of less than seven years (7/1 ARMs are eligible).



## Loan Purpose

- Purchase
  - >95% LTV requires at least one borrower to be a first-time home buyer, and at least one borrower must complete homebuyer education on a purchase transaction with LTV, CLTV, or HCLTV ratios > 95% when all borrowers are first-time homebuyers.
- Limited Cash-Out/Rate & Term Refinance
  - RT to buy out owner's interest: Written agreement must be legible and signed/dated prior to or at application. All other Fannie Mae requirements must be met.
  - >95% LTV requires the lender to document the existing loan being refinanced is owned (or securitized by Fannie Mae. Documentation may come from any of the following.
  - The lender's servicing system
  - Fannie Mae's Loan Lookup tool
  - The current servicer (if the lender's is not the servicer)
  - Any other source confirmed by the lender.
  - Proceeds can be used to pay off a first mortgage regardless of age.
  - Proceeds can be used to pay off any junior liens related to the purchase of the subject property.
  - Pay related to closing costs and prepaid items.
  - Disburse cash out to the borrower not exceeding 2% of the new mortgage or \$2,000, whichever is less.
- Cash-Out
  - Student Loan Cash-Out Refinances are eligible. Must meet Fannie Mae's requirements. See Fannie B2-1.2 for complete details.
  - 12 months of seasoning required, measured from settlement date to disbursement date (time spent in LLC included in seasoning), unless
    - The borrower that inherits or was legally awarded (by divorce, separation, or dissolution of a domestic partnership) the property or
    - Delayed financing is met.
  - Fannie Mae's delayed financing provision is acceptable if all the following requirements are met:
    - The new loan amount can be no more than the actual documented amount of the borrower's initial investment in purchasing the property, plus the financing of closing costs, prepaid fees, and points (subject to the maximum LTV/CLTV ratios for the transaction).
    - The original purchase transaction was an arms-length transaction.
    - The borrower(s) may have initially purchased the property as one of the following:
      - A natural person
      - An eligible inter vivos revocable trust when the borrower is the individual establishing the trust.
      - An eligible land trust when the borrower is the beneficiary of the land trust.
      - An LLC or partnership in which the borrower(s) have an individual or joint ownership of 100%
- The settlement statement documents the original purchase transaction, confirming that no mortgage financing was used to obtain the subject property. A recorded trustee's deed (or similar alternative) confirming the amount paid by the grantee to the trustee may be substituted for a settlement statement if a settlement statement was not provided to the purchaser at the time of sale.
- The sources of funds for the purchase transaction are documented (such as bank statements, personal loan documents, and HELOC on another property).
- All other cash-out refinance eligibility requirements are met, and cash-out pricing is applied.

## Loan Purpose/Ineligible Transactions

- Intra-family purchases as a means to obtain cash-out for the Seller while avoiding cash-out qualifications and pricing are not eligible transactions. These types of transactions may seem to meet Agency guidelines. However, they are not bonafide purchase transactions and, therefore, are not eligible for purchase by Windsor Mortgage. Unacceptable transactions of this type may have some or all of the following characteristics:
  - Family members remain in the home and on the title after the "purchase."
  - A large amount of seller credits
  - Seller unable to qualify for a cash-out transaction of their own

## Note for Delayed Financing

- The preliminary title search or report must not reflect any existing liens on the subject property. If the source of funds that acquired the property was an unsecured loan or HELOC (secured by another property), the new HUD-1 must reflect that all cash-out proceeds be used to pay down, if applicable, the loan (unsecured or secured by an asset other than the subject property) used to purchase the new property. Any payments on the balance remaining from the original loan must be included in the debt-to-income ratio calculation for the refinance transaction. Funds received as gifts and used to purchase the property may not be reimbursed with proceeds of the new mortgage loan.

## Occupancy

- Primary residence – 1-4 units
- Second Homes – 1-unit only
  - See the Documentation section for when borrowers do not own a primary residence.
- Investment 1-4 unit and Primary Residence 2-4 unit properties:
  - When using rental income to qualify from a subject property, the borrower must own a principal residence or document a **reasonable** current housing expense.
  - See the Documentation section for when borrowers do not own a primary residence.

## Property: Eligible Types

- *Single Family Detached Single Unit*
- *Single Family Attached Single Unit*
- *2-4 Unit Attached/Detached*
- *Manufactured Homes \*see a manufactured home section for overlays.*
- *PUDs*
- *Low-rise and High-rise Condominiums (must be Fannie Mae eligible)*
- *Leaseholds*

## Property: Ineligible Types

- *Working Farms and Ranches*
- *Cooperatives*
- *Unimproved Land*
- *Condotels*
- *Property currently in litigation*
- *Hotel Condominiums*
- *Land Trust*
- *Timeshares*
- *Conditional Rating C5/C6 or Quality Rating of Q6*
- *Turn-key investment properties. See the Property Turn-key Investments section for additional details.*

## Property: Maximum Number of Financed Properties

- The loan must comply with Fannie Mae's limited number of financed properties.
- Fannie Mae has imposed minimum credit score reserve requirements. Refer to the Fannie Mae Seller Guide, section B2-2-03 for details.

## Property: Turn-key Investments

- Purchase or refinance transactions involving turn-key investment or other similar arrangements are not eligible for purchase by Windsor Mortgage. Characteristics of a Turn-key property include but are not limited to:
  - The property seller is an LLC (or other entity) that purchases distressed properties and re-sells to borrowers at a non-distressed valuation.
  - Property seller or a related entity agrees to manage the property on behalf of the buyer, including marketing, tenant screening, rent collection, maintenance, etc.
  - The buyer frequently lives out of the area from a subject property.

## Property Flipping Policy (Properties re-sold within 180 days of purchase)

- Properties involving a re-sale that occurred within the last 180 days, a non-arm's length relationship between the buyer and seller, and an increase in value are prohibited. The time frame is established by the seller's date of acquisition as the date of settlement on the seller's purchase of that property and the execution of a sales contract to another party.
- Lenders must pay particular attention and institute extra due diligence for those loans in which the appraised value is believed to be excessive or where the value of the property has experienced significant appreciation in a short time period since the prior sale. Windsor Mortgage believes that one of the best ways lenders can reduce the risk associated with excessive values and/or rapid appreciation is by receiving accurate appraisals from knowledgeable, experienced appraisers.
- Windsor Mortgage recommends an additional value product to support the subject's appraised value in instances of greater than 20% appreciation.

## Ratios

- The maximum DTI is 50% with a DU Approve/Eligible.

## Recently Listed Properties

- The subject property must not be currently listed for sale. It must be taken off the market on or before the disbursement date of the new mortgage loan. Borrowers must confirm their intent to occupy the subject principal residence transactions).

## Rental Income Calculation

- When the borrower has a history of owning rental property, net rental income or loss is calculated by:
  - The lesser of the gross rent (minus a 25% expense factor) or the market rent established by the appraiser for properties not reflected on the borrower's tax returns.
  - When the property is reflected on the borrower's tax returns, analyze the borrower's cash flow and calculate the new rental income (or loss). This ensures that depreciation, interest, taxes, or insurance expenses are added to the borrower's cash flow analysis.
  - The full PTI for the rental property must be factored into the new rental income or loss amount.
  - When the borrower does not have a history of owning rental property, follow the Fannie Mae requirements.

## Reserves

- DU will determine the reserve requirements based on the overall risk assessment of the loan, the minimum reserve requirement that may be required for the transaction, and whether the borrower has multiple financed properties.
- If the borrower owns other financed properties, additional reserves must be calculated and documented for financed properties other than the subject property and the borrower's principal residence. The other financed properties' reserves amount must be determined by applying a specific percentage to the aggregate of the outstanding unpaid principal balance (UPB) for mortgages and HELOCs on these other financed properties. The percentages are based on the number of financed properties:
  - 2% of the aggregate UPB if the borrower has one to four financed properties.
  - 4% of the aggregate UPB if the borrower has five to six financed properties.
  - 6% of the aggregate UPB if the borrower has seven to ten financed properties (DU only)
- The aggregate UPB calculation does not include the mortgages and HELOCs on the subject property, the borrower's principal residence, sold or pending sale properties, and accounts that will be paid by closing (or committed in DU on the online loan application).

## Seasoning

Please refer to the Windsor Mortgage Seasoned Loan Policy in the Windsor Mortgage Seller Guide for requirements and loan-level price adjustments.

## State Restrictions

Illinois Land Trust Vestings are not eligible for loan sale to Windsor.

## Tax Transcripts

- Tax Transcripts are required for all loans when Tax Returns are needed to qualify.
- When tax transcripts are provided, they must support the income used to qualify.
- A properly executed 4506-C is required for all transactions except:
- The loan file contains tax transcripts or
- When all of a borrower's income is validated by the DU validation service (FNMA only).
- If tax transcripts are not available (due to a recent filing for the current year), a copy of the IRS notice showing "No record of return filed" is required along with documented acknowledgment receipt (such as an IRS stamped tax return or evidence that the return was electronically received) from the IRS and transcripts from the previous year.
- Tax Liability owed must be paid at or prior to closing OR an approved IRS installment plan must be provided along with at least 1 payment made prior to closing and evidence borrower is current on the payments. Debt must be included in DTI.

## Temporary Interest Buydown

- Allowed subject to the following:
  - Max total interest rate reduction of 3%, max increase per year of 1% (for 3/2/1 buydown program)
  - Max total interest rate reduction of 3 percentage points the first year, 2 percentage points the second year, and 1 percentage point the third year. Maximum 3 year to reach standard Note Rate
    - (3/2/1 Buydown Only)
  - Max total interest rate reduction of 1%, during the first year. Maximum 1 year term to reach standard Note Rate
    - (1/1 Buydown Only)
  - Minimum 660 FICO
  - Primary and secondary home purchases only
  - Manufactured homes ineligible
  - Fixed-rate 30-year term
  - 1/0 Lender Paid Buydown Eligible
  - Borrower-funded buydown accounts are ineligible
  - Must meet all other applicable GSE requirements, including but not limited to qualification, documentation of buydown, and funding of buydown

**Document History**

| <b>Revision Date</b> | <b>Change</b>  | <b>Requested by</b> | <b>Approved by</b> | <b>Uploaded</b> |
|----------------------|--|---------------------|--------------------|-----------------|
| 01.14.25             | Revised Temp Buydown language from 2% to 3% and added Document History page        | N. Klimoski         | N. Klimoski        | 01.14.25        |
| 02.07.25             | Added Loan Purpose/Ineligible Transactions Section                                 | M Miller            | K. Nelson          | 02.07.25        |
| 02.07.25             | Added Lender Paid 1-0 Temp Buydown   | Z. Kempf            | Z. Kempf           | 02.07.25        |
| 02.18.25             | Revised to state LP buydown not available in the correspondent channel             | Z. Kempf            | Z. Kempf           | 02.18.25        |
| 05.23.25             | Added ****LTV, CLTV, HCLTV Ratios for High Balance 2-4 Unit Properties             | Z. Kempf            | Z. Kempf           | 05.23.25        |
| 05.29.25             | Lender Paid buydown now eligible & Borrower-funded buydown accounts are ineligible | Z. Kempf            | Z. Kempf           | 05.29.25        |
| 08.15.25             | Added Cash-Out Max term of 20 years to MH.   | M. Miller           | M. Miller          | 08.15.25        |