WINDSOR
MORTGAGE

Prime Jumbo 3

Program Eligibility Guide

Prime Jumbo 3 Eligibility Matrix				
Fixed rate 15 and 30 year. 5**/6, 7/6 and 10/6 30 year ARM options**				
PRIMARY RESIDENCE ***Transaction Type***	UNITS	FICO	MAXIMUM LTV/CLTV/HCLTV	Maximum Loan Amount*
Purchase Or Rate & Term Refinance	1	740	89.99%	$1,500,000
		720	85%**	$1,500,000
		700***	80%	$1,500,000
		720	75%	$2,000,000
		720	70%	$2,500,000
		680	60%	$1,000,000
	2-4	700	65%	$1,000,000
		720	60%	$1,500,000
PRIMARY RESIDENCE ***Transaction Type***	UNITS	FICO	MAXIMUM LTV/CLTV/HCLTV	Maximum Loan Amount*
Cash Out Refinance	1	700	75%	$1,000,000
		700	70%	$1,500,000
		720	65%	$2,000,000
		720	50%	$2,500,000
	2	700	75%	$1,500,000
PRIMARY RESIDENCE ***Transaction Type***	UNITS	FICO	MAXIMUM LTV/CLTV/HCLTV	Maximum Loan Amount*
Purchase or Rate & Term Refinance	1	720	80%	$1,000,000
	1	720	75%	$1,000,000
			70%	$1,500,000
			65%	$2,000,000
			50%	$2,500,000
SECOND HOME	UNITS	FICO	MAXIMUM LTV/CLTV/HCLTV	Maximum Loan Amount*
Cash Out Refinance	1	720	60%	$1,500,000
			50%	$2,000,000
INVESTMENT ***Transaction Type***	UNITS	FICO	MAXIMUM LTV/CLTV/HCLTV	Maximum Loan Amount*
Purchase	1-4	740	70%	$1,500,000
Rate & Term Refinance	1-4	740	70%	$1,500,000

Prime Jumbo 3 Eligibility Matrix

- First-Time Homebuyers maximum loan amount is $1,500,000.
- Self-Employment Income: Minimum 720 FICO when any Self-Employment income is required for qualifying purposes. If the Self-Employment income is not needed for qualifying purposes, then the 720 FICO minimum is not applicable
- The following requirements apply for transactions with LTVs greater than 80%:
  - MI not required
  - Escrow/Impound accounts required for LTVs greater than 80% unless prohibited by applicable laws
- Prime Jumbo 3 AUS Notes:
  - Minimum loan amounts are $1 above the Conforming loan limits. High balance loans are permitted
  - Single loan variances may be granted on a case-by-case basis by Windsor Mortgage (at its sole determination) for loans with terms or characteristics that are outside of Windsor Jumbo AUS Eligibility requirements. Approval of the single loan variance must be granted prior to the delivery of the loan.

Loan Product

Seller must ensure that each loan delivered to the Windsor is in compliance with the Ability to Repay (ATR) and the Safe Harbor Qualified Mortgage (QM) rules established by the Consumer Financial Protection Bureau ("CFPB") with an APR not to exceed more than 1.5% above the average price offer rate ("APOR"). Seller shall deliver loans that were originated in accordance with the Special Products Seller Guide unless otherwise stated with this product matrix. Refer to Appendix A for a summary of overlays. For topics not specifically addressed in this product matrix or the Special Products Seller Guide, refer to the Fannie Mae Single Family Selling Guide.

Eligible | Terms

Fixed Rate:15, 20, 25, 30 Year Terms.
ARM: 5/6, 7/6 and 10/6 SOFR

ARM Features

- Index: 30 Day Average SOFR Index as published by the New York Federal Reserve
- Margin: 2.75%
- Floor: 2.75%
- Interest Rate Caps: 5/6: 2/1/5; 7/6: 5/1/5; 10/6: 5/1/5
- Converision Options: Not Permitted
- ARM Qualification: 5/6: Qualify at higher of note rate plus 2% or the fully indexed rate
- 7/6 and 10/6: Qualify at the higher of the Note rate or the fully indexed rate (sum of index and margin)
- First Time Homebuyer: Maximum loan amount $1,250,000
- Minimum Loan Amount: $400,000
- Maximum Cash Out: $500,000
- HPML, Texas 50(a)(6), 2-4 units not eligible, 2nd home & investment properties, Cooperatives, and Leaseholds are not eligible
- Appraisal Review: CU not permitted to meet appraisal review requirement. CDA required for every loan. Field review required for any CDA variance greater than 5% with an LTV greater than 75%

15 Year Fixed Rate and ARMs				
Primary Residence				
Transaction Type	**Units**	**FICO**	**Maximum LTV/CLTV/HCLTV**	**Maximum Loan Amount**
Purchase, Rate and Term Refinance	1	700	70%	$1,000,000
		720	80%	$1,500,000
		720	75%	$2,000,000
Primary Residence				
Transaction Type	Units	FICO	Maximum LTV/CLTV/HCLTV	Maximum Loan Amount
Cash-Out Refinance	1	720	65%	$1,000,000
		740	65%	$2,000,000

Ineligible Product Types

- Balloons
- Graduated Payments
- Interest Only Products
- Higher-Priced Covered Transactions (HPCT QM-Rebuttable Presumption)
- Non-Standard to Standard Refinance Transactions (ATR Exempt)
- Loans with Prepayment Penalties
- Temporary Buy Downs
- Higher Priced Mortgage Loans

Loan Purpose

- Purchase
- Rate/Term Refinance
- Cash-Out

Rate/Term Transactions

- The new loan amount is limited to pay off the current first lien mortgage, any seasoned non-first lien mortgages, closing costs and prepaid items
  - If the first mortgage is a HELOC, evidence it was purchase money HELOC or it is seasoned HELOC that has been in place for twelve months and total draws do not exceed $2,000 in the most recent twelve months
  - A seasoned non-first lien mortgage is a purchase money mortgage or a mortgage that has been in place for twelve months
  - A seasoned equity line is defined as not having draws totaling over $2,000 in the most recent twelve months. Withdrawal activity must be documented with a transaction history
  - Max cash back at closing is limited to 1% of the new loan amount

Cash-Out Transactions

- Investment properties are ineligible
- No maximum cash-out limit

Delayed Financing

- Follow Fannie Mae Selling Guide requirements
- LTV/CLTV/HCLTV for Rate and Term refinances must be met. The loan is treated as a Rate and Term refinance except for primary residence transactions in Texas

LTV/CLTV/HCLTV Calculation for Refinance Transactions

- If subject property is owned more than twelve months, the LTV/CLTV/HCLTV is based on the current appraised value. The twelve-month time frame may be based on subject transaction Note date
- If subject property is owned less than 12 months, the LTV/CLTV/HCLTV is based on the lesser of the original purchase price plus documented improvements made after the purchase of the property, or the appraised value. Documented improvements must be supported with receipts. The twelve month time frame may be based on subject transaction Note date

Borrower Eligibility

- US Citizens
- Permanent Resident Aliens with evidence of lawful residency
  - Must be employed in the US for the past twenty-four months
- Non-Permanent Resident Aliens with evidence of lawful residency are eligible with the following restrictions:
  - Primary Residence Only
  - Maximum LTV/CLTV/HCLTV 75%
  - Unexpired H1B, H2B, E1, and G Series VISAs only; G Series VISAs must have no diplomatic immunity
  - Borrower must have a current twenty-four month employment history in the US
- Documentation evidencing lawful residency must be met (see Special Products Seller Guide for requirements)
- Illinois Land Trust
- Inter Vivos Revocable Trust
- All borrowers must have a valid Social Security Number
- Non-Occupant Borrower – Follow Fannie Mae Selling Guide requirements with exception of non-occupant relationship who must be an immediate family member of the borrower(s)

Ineligible Borrowers

- Foreign Nationals
- Borrowers with Diplomatic Immunity status
- Life Estates
- Non-Revocable Trusts
- Guardianships
- LLCs, Corporation, or Partnerships
- Land Trusts, except for Illinois Land Trust
- Borrower with **any** ownership in a business that is Federally illegal, regardless if the income is not being considered for qualifying

First-Time Homebuyer

- Maximum loan amount is $1,500,000
- Not allowed on investment property transactions
- See Reserve Section for additional requirements

Non-Arm's Length Transactions

A non-arm's length transaction exists whenever there is a personal or business relationship with any parties to the transaction which may include the seller, builder, real estate agent, appraiser, lender, title company, or other interest party. The following non-arm's length transactions are eligible:

- Family Sales or Transfers
- Relative of the property seller acting as the seller's real estate agent
- Borrower purchasing from their landlord (cancelled checks or bank statements required to verify satisfactory pay history between borrower and landlord).
- Property seller acting as their own real estate agent
- Borrower acting as their own real-estate agent
- Relative of the borrower acting as the borrower's real estate agent
- Borrower is the employee of the originating lender and the lender has an established employee loan program. Evidence of employee program to be included in loan file.
- Originator is related to the borrower

Gifts from relatives that are interested parties to the transaction are not allowed, unless it is a gift of equity. Real estate agents may apply their commission towards closing costs and/or prepaids if the amounts are within the interested party contribution limitations. Investment property transactions must be arm's length. Other non-arm's length transactions may be acceptable on an exception basis.

Credit

Underwriting

- All loans must have Fannie Mae DU Findings included in the loan file
  - The DU recommendation ay be either Approve/Ineligible due to loan amount or maximum cash-out on a rate/term refinance transaction or Approve/Eligible for high balance loan amounts only
  - The loan delivery data must match the closed loan and the final data submitted to DI
- Manual underwrite is not permitted
- Delegated underwriting only

Credit Requirements

- Non-traditional credit is not allowed
- All borrowers must have a minimum of two credit scores
- Disputed Tradelines:
  - All disputed tradelines must be included in the DTI if the account belongs to the borrower unless documentation can be provided that authenticates the dispute
  - Derogatory accounts must be considered in analyzing the borrower's willingness to repay. Howeverm if a disputed account has a zero balance and no late payments, it can be disregarded
- Frozen Credit: Follow Fannie Mae Selling Guide requirements except as noted below
  - All borrowers must have a minimum of two credit scores that are generated from the unfrozen bureaus
- Rapid credit rescores are permitted. A rapid rescore is a process that can quickly update a borrower's credit score by submitting proof of positive account changes to the three major credit bureaus since the last reporting deadline in order to reflect the current credit status.

Housing History

- If the borrower(s) has a mortgage in the most recent twenty-four months, a mortgage rating must be obtained reflecting 0x30 in the last twenty-four months.
  - The mortgage rating may be the credit report or VOM.
  - Applicable to all borrowers on the loan.
  - Seller must review the borrower(s) credit report to determine status of all mortgage loans including verification mortgage is not subject to a loss mitigation program, repayment plan, loan modification or payment deferral plan. In addition to reviewing the credit report, the Seller must also apply due diligence for each mortgage loan on which a borrower is obligated, including co-signed mortgage loans and mortgage loans not related to the subject transaction.
  - Current means the borrower has made all payments due in the month prior to the Note date of the subject transaction and no later than the last business day of that month. Acceptable documentation includes one of the following:
- If the mortgage holder is a party to the transaction or relative of the borrower, cancelled checks or bank statements to verify satisfactory mortgage history is required.

Significant Derogatory Credit

- Bankruptcy, Chapter 7, 11, 13 – Seven Years since discharge/dismissal date
- Foreclosure/Notice of Default – Seven Years since completion date
- Notice of Default – Seven Years
- Short Sale/Deed-in-Lieu – seven years since completion/sale date
- Mortgage accounts that were settled for less, negotiated, or short payoffs – seven years since settlement date
- Loan Modification
  - Lender initiated modification will not be considered a derogatory credit even if the modification did not include debt forgiveness and was not due to hardship as evidenced by supporting documentation. No seasoning requirement would apply
  - If the modification was due to hardship or included debt forgiveness – Seven years since modification
- Single loan variance for credit events will be considered on a case-by-case basis between four and seven years with extenuating circumstances subject to the following:
  - Extenuating circumstances are defined as non-recurring events that were beyond the borrower's control resulting in a sudden, significant, and prolonged reduction in income or catastrophic increase in financial obligations.
    - Examples would include death or major illness of a spouse or child but not would include divorce or job loss
  - Documentation must be provided to support the claim of extenuating circumstances and confirm the nature of the event that led to the credit even and illustrate the borrower had no reasonable option other than to default on their obligations.
  - If the defaulted debt was assigned to an ex-spouse and the default occurred after the borrower was relieved of the obligation, the event may be considered on an exception basis.
- Multiple derogatory credit events not allowed, regardless if seasoned over seven years.
  - A mortgage with a Notice of Default filed that is subsequently modified is not considered a multiple event.
  - A mortgage with a Notice of Default filed that is subsequently foreclosed upon or sold as a short sale is not considered a multiple event.
- Tax liens, judgments, charge-offs, and past-due accounts must be satisfied or brought current prior to or at closing
- Cash-Out proceeds from the subject transaction may not be used to satisfy judgments, tax liens, charge-offs, or past-due accounts
- Payment plans on prior year tax liens/liabilities are not allowed, must be paid in full.

Forbearance

Determining Eligibility for New Loan

- Any loans that are shown to be in active or previous forbearance but where the borrower continued to make regularly scheduled payments and has made at least one regularly scheduled payment since forbearance inception date are eligible
    - All payments must have been made within the month due
    - The forbearance plan must be terminated at or prior to closing and the loan file must contain documentation that the forbearance is no longer active (i.e. removal letter from servicer, etc.).
- Any loans (including but not limited to the subject mortgage) where a mortgage reflects reduced or missed payments under a forbearance and borrower has accepted a payment deferral, initiated a repayment plan or has reinstated the mortgage to return to a current status must meet the requirements below:
    - Purchase & Rate/Term Refinance:
        - Three consecutive months of required payments since completed forbearance plan
        - All payments must have been made within the month due
    - Cash-Out Refinance:
    - Twelve consecutive months or required payments since completed forbearance plan
    - All payments must have been made within the month due
- Payment Deferral: The refinance of a loan that has a payment deferral and where the amount of the deferred payments is included in the new loan is eligible as a rate/term transaction. Funds applied to pay off the prior loan, including the deferred portion, are not considered cash out
- Repayment Plan: the full amount of the repayment plan monthly payment must be considered in meeting the required consecutive payment requirements (Purchase/Rate Term or Cash-out) detailed above
- A mortgage subject to forbearance must utilize the mortgage payment history in accordance with the forbearance plan in determining late housing payments
- Loan file must contain a letter of explanation from the borrower detailing the reason for forbearance and that the hardship no longer exists
- Forbearance resulting in subsequent loan modification is considered a significant derogatory credit event and subject to a seven year waiting period.

DTI

- LTVs ≤ 80% - 45%
- LTVs > 80% - 36%

Lawsuit/Pending Litigation

If the 1003, title commitment or credit documents indicate that the borrower is party to a lawsuit, additional documentation must be obtained to determine no negative impact on the borrower's ability to repay, assets or collateral.

Declining Markets

- LTV/CLTV/HCLTV must be 10% below product maximum per product matrix eligibility grid up to a maximum 75% LTV/CLTV/HCLTV.

Liabilities

Tax Liens and Payment Plans

- If the most recent tac return or tax extension indicate a borrower owed money to the IRS or State Tax Authority, evidence of sufficient liquid assets to pay the debt must be documented if the amount due is within ninety days of loan application date or if the tax transcripts show an outstanding balance due:
  - A payment plan for the most recent tax year is allowed if the following requirements are met:
    - Payment plan was setup at the time the taxes were due. Copy of the payment plan must be included in the loan file
    - Payment is included in the DTI
    - Satisfactory pay history based on terms of payment plan is provided
    - Payment plan is only allowed for taxes due for the most recent tax year, prior years not allowed. For example, borrower files their 2019 return or extension in April 2020. A payment plan would be allowed for taxes due for 2019 tax year. Payment plans for 2018 or prior years would not be allowed
    - Borrower does not have a prior history of tax liens

Alimony Payments

- Follow Fannie Mae Selling Guide requirements

Income/Employment

- A two-year employment history is generally required
- If the borrower(s) have less than a two-year employment and income history, the lender must provide a written analysis to justify the determination that the income used to qualify the borrower is stable.

Declining Income: When the borrower has declining income, the most recent twelve months should be used or the most conservative income calculation if the declining period is shorter than 12 months. Income must be stabilized and not subject to further decline in order to be considered for qualifying purposes

- The employer or the borrower should provide an explanation for the decline and the underwriter should provide a written justification for including the declining income in qualifying.

General Documentation Requirements

- Borrower(s) must have a minimum of two years employment and income history
- Tax transcripts for personal tax returns required when tax returns are used to document borrower's income or any loss and must match the documentation in the loan file
- A 4506-C form is required to be signed at closing by all the borrowers for all transactions
- Taxpayer consent form signed by all borrowers
- Verification of the existence of borrower's self-employment must be verified through a third-party source and no more than twenty business days prior to the Note date. In addition, confirmation that the business is currently operating must be provided. Below are acceptable examples of documentation to confirm the business is currently operating:
  - Evidence of current work (executed contracts or signed invoices) that indicate the business is operating on the day the lender verifies self-employment
  - Evidence of current business receipts within 10 days of the Note date (payment for services performed)
  - Lender certification the business is open and operating (lender confirmed through a phone call or other means)
  - Business website demonstrating activity supporting current business operations (timely appointments for estimates or service can be scheduled
- Aggregate secondary and separate sources of self-employment losses reporting on 1040 tax transcripts greater than 5% of borrower's total qualifying income must be deducted from qualifying income. Additional self-employment documentation is not required
  - K-1 losses where borrower owns less than 25% must be deducted from qualifying income when the aggregate loss is greater than 5% of borrower total qualifying income
  - Passive losses shown on K-1s, such as publicly traded companies or where ownership is under 5%, can be excluded from income on a case-by-case basis. Any passive K-1 losses excluded will not count toward the aggregate secondary and separate sources of self-employment losses and the 5% threshold for deducting the loss from income.

Unacceptable Sources of Income

- Deferred compensation
- Retained earnings
- Education benefits
- Trailing spouse income
- Any income that is not legal in accordance with all applicable federal, state, and local laws, rules and regulations. Federal law restrictions the following activities and therefor the income from the sources are **not allowed** for qualifying:
  - Foreign shell banks
  - Medical marijuana dispensaries if borrower has any ownership
  - Any income resulting from ownership in a business or activity related to recreational marijuana use, growing, selling, or supplying of marijuana, even if legally permitted under state or local law

Salaried, Bonus, & Commission Income

- Salaried Borrowers:
  - Income and Employment must be documented per the DU findings and all income sources and methods of income calculation must meet the requirements in chapter B3-3 through B3-6 of the Fannie Mae Single Family Selling Guide, published June 3, 2020 and the requirements below
  - Secondary verification of the income documentation is required via W-2 transcripts or via Fannie Mae approved third party Vendors (i.e., The Work Number) with separation of income types (base, bonus, OT, etc). The number of years provided will be based on the DU findings
    - Manual verification of employment, even if through a third party are not permitted
    - Borrower pulled transcripts are not acceptable
    - The IRS transcripts and the supporting income documentation must be consistent
    - If third party (i.e., The Work Number) is the source used to verify income, then W-2 transcripts are also required as the secondary verification of the income – see table below

Income Documentation Source	Allowable Secondary Verification
Paystub and W-2(s)	W-2 transcripts(s) or Fannie approved third party Vendor (i.e. The Work Number)
Fannie approved third party vendor (i.e., The Work Number)	W-2 Transcripts

- Commission/Bonus Income:
  - Follow requirements above for salaried borrowers
  - Commission/Bonus income must be documented for the most recent two years with a year-to-date paystub and W-2s

Retirement Income (Pension, Annuity, 401(K), IRA Distributions)

- Existing distribution of assets from an IRA, 401(K) or similar retirement asset must be sufficient to continue for a minimum of three years
- If any retirement income will cease within the first three years of the loan, the income may not be used

Trust Income

- Income from trusts may be used if guaranteed and regular payments will continue for at least three years.
- Regular receipt of trust income for the past 12 months must be documented.
- Copy of trust agreement or trustee statement showing:
  - Total amount of borrower designated trust funds
  - Duration of trust
  - Terms of payment
  - Evidence trust is irrevocable
- If trust fund assets are being used for down payment or closing costs, the loan file must contain adequate documentation to indicate the withdrawal of the assets will not negatively affect the income.

Restricted Stock and Stock Options

- May only be used as qualifying income if the income has been consistently received for two years and is identified on the paystubs, W-2s and tax returns as income and the vesting schedule indicates the income will continue for a minimum of two years at a similar level as prior two years.
- A two year average of prior income received from RSUs or stock options should be used to calculate the income, with the continuance based on the vesting schedule using a stock price based on the lower of the current stock price or the 52-week average for the most recent twelve months reporting at the time of application. The income used for qualifying must be supported by future vesting based on the stock price used for qualifying and vesting schedule.
- Additional awards must be similar to the qualifying income and awarded on a consistent basis.
- There must be no indication the borrower will not continue to receive future awards consistent with historical awards received.
- Borrower must be currently employed by the employer issuing the RSUs/stock options for the RSUs/stock options to be considered in qualifying income.
- Stock must be a publicly trade stock
- Vested restricted stock units and stop options cannot be used for reserves if using for income to qualify.
- RSU income must be entered into DU as bonus income

Projected Income

Paystub (once borrower has started with new employer) must be provided prior to purchase of the loan by Windsor.

Asset Depletion

- Maximum 80% LTV/CLTV/HCLTV
- Primary residence 1-2 Unit only and second homes are eligible
- Purchase and rate/term and cash-out transactions are eligible
- Eligible assets must be held in a US account
- At least one borrower who is an account holder must be age 62 or older unless assets have been derived from the sale of a business
- There are no age restrictions for the use of Asset Depletion as a source of qualifying income, however borrower must have unrestricted access to funds.
- Asset Depletion may not be combined with employment related income to qualify (i.e., salaried income, self-employment income, etc,) for any Borrower that is an account holder of the assets used for Asset Depletion. If there is employment related income from a Borrower that is not a joint account holder of the account used for Asset Depletion, then this income may be eligible to be used for qualifying purposes.
- Pension, Social Security or other annuity type income streams may be used and combined with Asset Depletion income as long as the assets generating that income are not used in the Asset Depletion income calculations.
- Assets used as income can only be sourced from one income stream. As an example, an asset cannot be used as both capital gains income and asset depletion income
- Net Eligible Assets
    - Minimum Net Eligible Assets: Borrowers must have at least $1,000,000 of Net Eligible Assets
    - Net Eligible Assets equals Total Eligible Assets as defined in the below table (after any haircuts required for retirement assets per the Asset Requirements section of this product matrix) minus:
    - Funds required to be paid by borrower for closing (i.e., down payment, closing costs)
    - Reserves
    - Any portion of assets pledged as collateral for a loan
    - Cash Out proceeds are not allowed to be used in the Asset Depletion calculation and are not an Eligible Asset
- Business funds not permitted to be included in net eligible asset amount
- Most recent two years of tax returns and corresponding tax transcripts are required
- Assets must meet the eligibility and documentation requirements outlined in the below table:

Asset Type	Asset Eligibility Requirements	Documentation Requirements
Retirements Assets	-The retirement assets must be in a retirement account recognized by the Internal Revenue Service (IRS) (e.g., 401(k), IRA) -Borrower must be the sole owner -The asset must not currently be used as a source of income by the Borrower -As of the Note Date, the Borrower must have access to withdraw the funds in their entirety, less any portion pledged as collateral for a loan or otherwise encumbered, without being subject to a penalty or an additional early distribution tax -The borrower's rights to the funds in the account must be fully vested	-Most recent retirement asset account statement -Documentation evidencing asset eligibility requirements are met
Lump-sum Distribution Funds Not Deposited to an Eligible Retirement Asset	-If the lump-sum distribution funds have been deposited to an eligible retirement asset, follow the requirements for retirement assets described above, otherwise: -Lump-sum distribution funds must be derived from a retirements account recognized by the IRS (e.g., 401(k), IRA) and must be deposited to a depository or non-retirement securities account -A Borrower must have been the recipient of the lump-sum distribution funds -Parties not obligated on the Mortgage may not have an ownership interest in the account that holds the funds from the lump-sum distribution -The proceeds from the lump-sum distribution must be immediately accessible in their entirety -The proceeds from the lump-sum distribution must not have been or currently be subject to a penalty or early distribution tax	-Employer distribution letter(s) and/or check-stub(s) evidencing receipt and type of lump-sum distribution funds; IRS 1099-R (if it has been received) -Satisfactorily documented evidence of the following: -Funds verified in the non-retirement account and used for qualification must have been derived from eligible retirement assets -Lump-sum distribution funds must not have been or currently be subject to a penalty or early distribution tax
Depository Accounts and Securities	-The Borrower must solely own assets or, if asset is owned jointly, each asset owner must be a Borrower on the Mortgage and/or on the title to the subject property -As of the Note Date, the Borrower must have access to withdraw the funds in their entirety, less any portion pledged as collateral for a loan or otherwise encumbered, without being subject to a penalty Account funds must be located in a United State - State-regulated financial institution and verified in U.S. dollars	--Provide account statement(s) covering a 2-month period -For securities only, if the Borrower does not receive. A stock/security account statement: -Provide evidence the security is owned by the Borrower -Verify value using stock prices from a financial publication or website Documentation evidencing asset eligibility requirements are met: -The seller must document the source of funds for any deposit exceeding 10% of the Borrower's total eligible assets in depository accounts and securities, and verify the deposit does not include gifts or borrowed funds, or reduce the eligible assets used to qualify the Borrower by the amount of the deposit When the source of funds can be clearly identified from the deposit information on the account statement (e.g., direct payroll deposits) or other documented income or asset source in the Mortgage file the Seller is not required to obtain additional documentation

Assets From the Sale of the Borrower's Business	-The Borrower(s) must be the sole owner(s) of the proceeds from the sale of the business that were deposited to the depository or non-retirement securities account -Parties not obligated on the Mortgage may not have an ownership interest in the account that holds the proceeds from the sale of the Borrower's business -The proceeds from the sale of the business must be immediately accessible in their entirety -The sale of the business must not have resulted in the following: retention of business assets, existing secured or unsecured debt, ownership interest or seller-held notes to buyer of business	-Most recent three months' depository or securities account statements -Fully executed closing documents evidencing final sale of business to include sales price and net proceeds -Contract for sale of business -Most recent business tax return prior to sale of business -Satisfactorily documented evidence of the following: -Funds verified into the non-retirement account and used for qualification must have sale of the Borrower's business

Self Employment

Self-Employment borrowers are defined as having 25% or greater ownership

- Minimum 720 FICO when any Self-Employment Income is required for qualifying purposes. If the Self-Employment Income is not needed for qualifying purposes, then the 720 FICO minimum is not applicable
- In order to use self-employment income for qualifying purposes, the underwriter must consider the impact of COVID-19 on the business and the stability of income

<u>Documentation Requirements</u>

- The requirements below apply for Self-Employed Borrowers with Self-Employment income used for qualifying
- Follow the requirements per the DU findings and the requirements in Chapters B3-3 through B3-6 of the Fannie Mae Single Family Selling Guide, published June 3, 2020 except as detailed below:
  - If DU returns a recommendation for one year of tax returns, the most recent year's tax return must be provided. IRS extensions are not permitted
    - If borrower has filed an extension, the most recent prior two years tax returns are required
- YTD profit and loss statement (audited or unaudited) up to and including the most recent month preceding the loan application date. YTD profit and loss statement must not be more than 90 days aged prior to the Note date
  - Audited P&L
    - An audited year-to-date profit and loss statement reporting business revenue, expenses and net income
  - Unaudited P&L
    - An audited year-to-date profit and loss statement <u>signed by the borrower</u> reporting business revenue, expenses, and net income
  - If the borrower has filed an extension for the current tax year, the year-to-date profit and loss statement must be provided to cover the full year
  - If the year-to-date business income is less than the historically calculated income derived from the tax returns, the borrower may qualify by reducing the historical income to no more than the current level of stable monthly income using details from the year-to-date profit and loss statement and business account statements (if applicable)

Assets and Reserves

Asset Requirements

- Beyond the minimum reserve requirements and to fully document the borrower's ability to meet their obligations, borrowers should disclose all liquid assets
- Eligible assets must be held in a US account
- Large deposits inconsistent with monthly income or deposits must be verified if using for down payment, reserved, or closing costs
- Lender is responsible for verifying large deposits did not result in any new undisclosed debt
- Fannie Mae approved third party suppliers and distributors that generate asset verification reports are permitted for the purpose of verifying assets
- Follow the DU and the requirements in chapters B3-3 through B3-6 of the Fannie Mae Single Family Selling Guide, published June 3, 2020 except as detailed below
- Gift Funds
    - **Gift funds may be used once borrower has contributed 5% of their own funds**
    - Not permitted for reserves
    - LTVs greater than 80% - gift funds not permitted
- Business Funds
    - **Not permitted for reserves**
    - Cash flow analysis required using most recent three months business bank statements to determine no negative impact to business. Business bank statements must be no older than the latest three months represented on the year-to-date profit and loss statement
    - Business bank statements must not reflect any NSFs (non-sufficient funds) or overdrafts
    - If borrower(s) ownership in the business is less than 100%, the following requirements must be met:
        - Borrower(s) must have majority ownership of 51% or greater
        - The other owners of the business must provide an access letter to the business funds
        - Borrower(s) % of ownership must be applied to the balance of business funds for use by borrower(s)
- Retirement Accounts
    - Eligibility Percentage to meet reserve requirements
        - If borrower is ≥ 59.5, then 70% of the vested value after the reduction of any outstanding loans
        - If borrower is < 59.5, then 60% of the vested value after the reduction of any outstanding loans
    - Refer to Fannie Mae Selling Guide for liquidation of funds requirements
        - In cases where the account holder is not of retirement age and funds are being used for down payment or closing costs, evidence of liquidation or retirement funds is required
- **Borrower funds (secured or unsecured) are not allowed for reserves**
- Stocks, bonds and mutual funds do not require documentation of liquidation or of the borrower's actual receipt of funds when used for down payment or closing costs
- Virtual Currency is an ineligible asset type. Virtual currency must be exchanged into U.S. dollars to be acceptable for use as down payment, closing costs or reserves. Refer to Fannie Mae Selling Guide for additional details

Reserves

Reserve Requirements (# of Months of PITIA)		
Occupancy	Loan Amount	# of Months
Primary Residence	≤$1,000,000 with LTV ≤80%	6
	$1,000,001-$#1,500,000 with LTV ≤80%	9
	≤$1,000,000 with LTV >80%	12
	$1,000,001-$1,500,000 with LTV >80%	15
	$1,500,001-$2,000,000	12
	$2,000,001-$2,500,000	24
Second Home	≤$1,000,000	12
	$1,000,001-$1,500,000	18
	$1,500,001-$2,000,000	24
	$2,000,001-$2,500,000	36
Investment Property	≤$1,000,000	18
	$1,000,001-$1,500,000	24
First-Time Homebuyer	≤$1,000,000 with LTV ≤80%	12
	≤$100,000 with LTV >80%	15
	$1,000,001-$1,5000,000 with LTV ≤80%	15
	$1,000,001-$1,500,000 with LTV >80%	18
Additional 1-4 Unit Financed REO	Additional six months reserves PITIA for each property is required based on the PITIA of the additional REO. If eligible to be excluded from the count of multiple financed properties, Reserves are not required.	

Subordinate Financing

Subordinate Financing

Allowed up to maximum CLTV per matrix. Secondary Financing term must conform to Fannie Mae guidelines.

Down Payment/Closing Cost Assistance

Down payment and closing cost assistance subordinate financing is not permitted.

Property/Appraisal

Eligible Property Types

- 1-4 Unit Owner Occupied Properties
- 1 Unit Second Homes
- 1-4 Unit Investment Properties
- Condominiums – Must be Fannie Mae Warrantable and meet Fannie Mae guidelines
- Modular Homes
- Planned Unit Developments (PUDs)
- Properties with ≤40 Acres
  - Properties >10 acres ≤40 acres must meet the following:
    - Maximum land value 35%
    - No income producing attributes
    - Transaction must be 10% below maximum LTV/CLTV/HCLTV as allowed on Select QM for transactions over twenty acres. For example, if borrower qualifies for a loan at 80% LTV based on transactions, FICO score, loan amount and reserves, than the maximum allowed would be 70%.
- Properties Subject to Existing Oil/Gas Leases must meet the following:
  - Title endorsement providing coverage to the lender against damage to existing improvements resulting from the exercise of the right to use the surface of the land which is subject to an oil and/or gas lease.
  - No active drilling; Appraiser to comment or current survey to show no active drilling.
  - No lease recorded after the home construction date; Re-recording of a lease after the home was constructed is permitted.
  - Must be connected to public water

NOTE: Properties that fall outside these parameters can be considered on an exception basis.

Ineligible Property Types

- 2-4 unit owner occupied properties
- Manufactured Homes/Mobile Homes
- Model Home Leasebacks
- Properties located in Hawaii in lava zones 1 and 2
- Properties>40 acres
- Condotels/Condo Hotels
- Mixed-Use Properties
- Properties with condition rating of C5/C6
- Properties with quality rating of Q6
- Manufactured Homes/Mobile Homes
- Mixed-use Properties
- Non-Warrantable Condominiums
- Unique properties
- Tenants-in-Common projects (TICs)
- Working farms, ranches, and orchards
- Properties with a private transfer fee covenant unless the covenant is excluded under 12 CFR 1228 as an excepted transfer fee covenant.
- Properties located in areas where a valid security interest in the property cannot be obtained

Appraisal Requirements

- Full appraisal is required regardless of the DU Findings
  - Property inspection waivers are not permitted
- Transferred appraisals are not allowed.
- Collateral Underwriter (CU) with a score of 2.5 or less is allowed in lieu of a CDA with the following criteria:
  - Maximum LTV 80%
  - Maximum Loan amount $1,500,000
- Collateral Desktop Analysis (CDA) ordered from Clear Capital is required to support the value of the appraisal. The Seller is responsible for ordering the CDA. See above for the allowance of CU score in lieu of CDA
  - If the CDA returns a value that is "indeterminate" or if the CDA indicates a lower value than the appraised value that exceeds a 10% tolerance, then one of the following requirements must be met:
    - A Clear Capital BPO (Broker Price Opinion) and a Clear Capital Value Reconciliation of Three Reports is required. The Value Reconciliation will be used for the appraised value of the property. The Seller is responsible for ordering the BPO and Value Reconciliation through Clear Capital.
    - A field review or 2nd full appraisal may be provided. The lower of the two values will be used as the appraised value of the property. The Seller is responsible for providing the field review or 2nd full appraisal.
  - If two full appraisals are provided, a CDA is not required.
- Appraisal Update (Form 1004D) is not permitted for appraisals that are over 90 days aged from Note date. A new full appraisal is required for loans where the appraisal effective date is greater than 90 days from the Note date
- The subject property must be appraised within 90 days prior to the Note date
- Properties identified by appraiser as being in a declining market are not eligible to use the CU to meet appraisal review requirement. A CA is required for properties in declining markets

Appraisal requirements based on transaction type:	
First Lien Amount	**Appraisal Requirements**
Purchase Transactions	
≤$2,000,000	1 Full Appraisal
>$2,000,000	2 Full Appraisals
Refinance Transactions	
≤$1,500,000	1 Full Appraisal
>$1,500,000	2 Full Appraisals

- When two appraisals are required, the following applies:
  - Appraisals must be completed by two independent companies
  - The LTV will be determined by the lower of the two appraised values if the lower appraisal supports the value conclusion.
  - Both appraisal reports must be reviewed and address any inconsistencies between the two reports and all discrepancies must be reconciled.
  - If the two appraisals are done "subject to" and 1004Ds are required, it is allowable to provide one (1) 1004D. If only one 1004D is provided, it should be for the appraisal that the value of the transaction is being based upon.
- If the date of the appraisal report is more than 120 days from the date of the Mortgage Note, the original appraiser must provide an update to the appraisal based on his or her exterior inspection of the Mortgaged Property and knowledge of current market conditions and in accordance with Fannie Mae Selling age of document requirements

Construction to Permanent Financing

- The borrower must hold title to the lot which may have been previously acquired or purchased as part of the transaction
- LTV/CLTV/HCLTV is determined based on the length of time the borrower has owned the lot. The time frame is defined as the date the lots was purchased to the Note date of the subject transaction
    - For lots owned twelve months or more, the appraised value can be use to calculate LTV/CLTV/HCLTV
    - For lots owned less than twelve months, the LTV/CLTV/HCLTV is based on the lesser of the current appraised value of the property or the total acquisition costs (documented construction costs plus documented purchase price of lot)

Disaster Area Requirements

- Refer to Disaster Guidelines in the Special Products Seller Guide for requirements pertaining to properties impacted by a disaster in:
    - FEMA Major Disaster Declarations with designated counties eligible for **individual assistance (IA)**
    - Areas where FEMA has not made a disaster declaration, but Windsor Mortgage or an Investor (Fannie Mae, Freddie Mac, FHA, USDA, or the Veterans Administration) has determined that there may be an increased risk of loss due to disaster
    - Areas where the Seller has reason to believe that a property might have been damaged in a disaster
- Correspondent lenders are responsible for monitoring the Disaster Declaration File and the FEMA Website including the FEMA Declarations Summary on an ongoing basis to ensure that the property is not located in an area impacted by a disaster

Disaster Area Requirements

- Not allowed.

Special Restrictions

Multiple Financed Properties

- Maximum number of financed properties – follow Fannie Mae Selling Guide requirements
- All financed 1-4 Unit residential properties require an additional six months reserves for each property, unless the exclusions below apply
- 1-4 unit residential financed properties held in the name of an LLC or other corporation can be excluded form the number of financed properties only when the borrower is not personally obligated for the mortgage
- Ownership of commercial or multifamily (five or more units) real estate is not included in this limitation

Geographic Restrictions
Properties located outside of the U.S. or in a Territory, Province, or Commonwealth; including, but not limited to properties in Guam, Puerto Rico, the Virgin Islands, the Commonwealth of the Northern Mariana Islands or American Samoa are not permitted.
Seller shall deliver loans that were originated in accordance with the Federal Housing Administration Handbook, unless otherwise noted in the Windsor Seller's Guide.
Windsor does not discriminate in any aspect of a credit transaction on the basis of 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.