

HOME EQUITY LINE OF CREDIT MATRIX (HELOC)

HOME EQUITY LINE OF CREDIT (HELOC) – MAXIMUM HCLTV							
PRIMARY RESIDENCE							
Loan Amount	FICO	1 ST TD			2 ND TD		
		Full Doc	Bank Statement	P&L	Full Doc	Bank Statement	P&L
\$100K - \$500K	740+	80	80	80	90	85	80
	720+	80	80	80	90	85	80
	700+	80	80	75	90	85	75
	680+	75	75	70	85	75	70
>\$500K - \$750K	720+	75	75	NA	80	75	NA
	700+	70	70	NA	70	70	NA
>\$750K - \$1MM	720+	75	75	NA	65	65	NA
	700+	70	70	NA	NA	NA	NA

SECOND HOME							
Loan Amount	FICO	1 ST TD			2 ND TD		
		Full Doc	Bank Statement	P&L	Full Doc	Bank Statement	P&L
\$100K - \$500K	740+	80	80	75	85	85	75
	720+	75	75	75	85	85	75
	700+	75	75	70	85	85	70
	680+	70	70	65	75	75	65
>\$500K-\$1MM	720+	70	70	NA	NA	NA	NA

Investment									
Loan Amount	FICO	1 ST TD				2 ND TD			
		Full Doc	Bank Statement	P&L	DSCR	Full Doc	Bank Statement	P&L	DSCR
\$100K - \$500K	740+	75	75	75	75	75	75	75	70
	720+	70	70	70	70	70	70	70	70
	700+	70	70	70	70	70	70	70	NA
	680+	NA	NA	NA	NA	NA	NA	NA	NA
>\$500K-\$1MM	720+	65	65	NA	60	NA	NA	NA	NA

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TOPIC	HOME EQUITY LINE OF CREDIT (HELOC) PROGRAM MATRIX					
BASIC GUIDELINES	This matrix applies to Home Equity Seconds guidelines. Information in this matrix is subject to change without notice.					
Eligible Products / Terms						
	Product	Qualifying Rate	Index	Draw Period	Repayment Term	Total Term
	30 YR HELOC	Index + Margin + 2%	WSJ Prime Rate	5 Year	25 Years	30 Years
Product Type	- Variable Rate (Index + Margin) Home Equity Line of Credit (HELOC) - Standalone only. Concurrent not allowed.					
1 st Lien HELOC Overlays	1st Lien HELOCs are permitted. These transactions require full appraisal and a full title insurance policy. The maximum LTV/CLTV/HCLTV is 80%, and concurrent closing is not permitted. Please refer to the Non-QM guidelines for additional requirements.					
Index	WSJ Prime (as published on 1st Business Day of Month)					
Floor Rate; Life Cap and Margin	- Floor = 4% - Life Cap = 18% (or as otherwise required by state law) - Margin = See Rate Sheet					
Initial Minimum Draw	Minimum Draw of 100% of the total line amount					
Additional Draws	No additional drawings during 180-day period post-closing. Subsequent draws subject to \$5,000 minimum					
Qualifying Payment	Amortizing principal and interest payment based upon the maximum line amount, repayment term, current rate (Index plus Margin plus 2%)					
Maximum Loan Amount	Refer to Eligibility Grids above					
Minimum Loan Amount	\$100,000					
Combined HCLTV and Combined Loan Balance	Maximum line amount of the HELOC combined with the total outstanding balance of the First Lien are used for the HCLTV ratio.					

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	Maximum line amount of the HELOC combined with the total outstanding balance of the First Lien not to exceed \$2,000,000.
Income Requirements	- Full Documentation: 1 or 2 Yrs W-2s or Tax Returns - Bank Statements: 12 Months Personal or Business Bank Statements 24- or 12 months P&L - Debt Service Coverage Ratio =>1.10
Ineligible Doc Types	- Asset Depletion - Written VOE 1099
Debt-to-Income (DTI)	- Loan Amount <= \$500K - Not to exceed 50% debt-to-income ratio. - Loan Amount > \$500K – Not to exceed 43% debt-to-income ratio.
Occupancy	- Primary residence - Second Home - Investment
Assets and/or Reserves Requirements	No cash to close and/or reserves are required.
Minimum Property Standards	- Minimum 600 square feet. - Property constructed for year-round use - Permanently affixed continuous heat source - Contain a kitchen and a bathroom. Bedroom(s) are separate from the main living area. - Must have a remaining economic life of 30 years - No health or safety issues both internal and external
Appraisal Requirements	<u>For Loan Amounts <= \$400,000 - One of the following appraisal options is required:</u> - AVM (see requirements below) + Property Inspection Report (or) Full interior appraisal (Fannie Mae Form 1004, 1073 or 1025). <u>For Loan Amounts > \$400,000 - One of the following appraisal options is required:</u> - Full interior appraisal (Fannie Mae Form 1004, 1073 or 1025) is required.

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	<u>Other Requirements:</u> - Declining markets maximum CLTV is reduced by 5% - Appraisal Waivers are not acceptable
AVM Requirements	Clear Capital AVM with acceptable confidence rating of $\Rightarrow$ 87% and acceptable FSD score of $\leq$ 0.13 AVM must include property condition report or equivalent report. - If the AVM does not provide the required FSD score or confidence rating, the AVM is considered ineligible and an Exterior-Only or Full Interior Appraisal is required. - Note if the AVM does not meet the confidence rating and FSD requirements above, a Clear Capital Residential Evaluation is acceptable for the following states: AL, AK, CA, CO, FL, GA, IL, IN, IA, KY, ME, MO, NE, NH, OH, OK, OR, SC, SD, UT, VT, WA and WI
Declining Properties	The property is in a declining market, as indicated by the appraisal. The maximum CLTV is reduced by 5%.
Eligible Property Types	SFR, PUD, Townhome, Warrantable Condo (full review is required) and 2-4 units
Property Type Restrictions	Warrantable Condo: Maximum LTV/CLTV is 80%
Ineligible Property Types	- Rural properties - Condotels, Co-ops - Non-warrantable Condos - Manufactured or Log Homes - Working Farms and Hobby Farms - Unique Properties - Agricultural or Commercial Zoned Properties - Room and Board Facilities - Adult Assisted Living/Care Facilities
Property Listing	Properties listed for sale in the last six (6) months of the application date are ineligible.
Seasoning	- Properties Owned $\Rightarrow$ twelve (12) months: No LT/CLTV restrictions apply. - Properties Owned six (6) to twelve (12) Months: The appraised value (purchase date to note date) may be used to determine loan-to-value provided the following conditions are met:

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	○ Clear Capital CDA, Field Review, or FNMA Collateral Underwriter/FHLMC Loan Collateral Advisor Review with score of 2.5 or less (copy of the Submission Summary Report required) ○ Maximum 75% LTV/CLTV. • Primary Residences Owned less than six (6) months: The lesser of the current appraisal value or previous purchase price plus documented improvements (if any) must be used. The maximum LTV/CLTV is reduced by 10%. • Second Home and Investment Properties owned less than six (6) months: These transactions are ineligible. • Seasoning is not required for properties that are inherited or legally acquired through a divorce, separation, or dissolution of a domestic partnership.
Acreage Limitations	• Maximum five (5) acres
Credit Scores	• Lowest of two (2) scores or middle of three (3) scores from the primary income earner.
Tradeline Requirement	The credit report(s) must meet one the following tradeline requirement: • Three (3) tradelines reporting for 12+ months or • Two (2) tradeline reporting for 24+ months all with activity in the last 12 months.
Mortgage/Rent History Requirements	If the borrower(s) has a mortgage or rental history in the most recent twelve (12) months, a VOM or VOR must be obtained reflecting 0x30 in the last twelve (12) months from the date of application. Applies to all borrowers on the loan. • If the landlord is a party to the transaction or relative of the borrower, cancelled checks or bank statements to verify satisfactory rent history is required; otherwise, if not related or a party to the transaction a satisfactory VOR can be provided. • A verification of mortgage is not required if the credit report reflects the payment history is reporting current as of the date of the application.
Non-Traditional Credit	• Not Permitted
Limited Tradeline	• Not Permitted
Charge-Offs and Collections	• Open medical collections <= \$1,000 per occurrent are acceptable.
Consumer Credit Counseling Services	• Borrowers enrolled in credit counseling are ineligible.
Judgement or Liens	• All judgements, garnishment and all outstanding liens must be paid off prior to or at loan closing.
Income Tax Lien	• All income tax liens (federal, state, local) must be paid off prior to or at loan closing.

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Derogatory Credit	• Foreclosures, Short-sale, Deed-in-Lieu, Bankruptcies require 4-year seasoning from the discharge or dismissal date. • No multiple credit/housing events (Foreclosures, Bankruptcy, Short-sale, or Deed-in-Lieu) allowed.
Income	Full Doc: <u>Self-Employed Borrowers:</u> ○ 2 years tax returns (business and personal) including all schedules. ○ Tax transcripts will be required. ○ YTD P&L (prepared by tax professional) and ○ Verify existence of business within 30-days of the note date with <u>one</u> of the following: ▪ Letter from business tax professional. ▪ Online verification from regulatory agency or licensing bureau. ▪ Certifications verify business existence through direct contact or internet search. <u>W-2 Borrowers:</u> ○ W-2 for the most recent year. ○ Most recent 30-day paystub, which includes year-to-date earnings. Additionally, the pay stub must include sufficient information to calculate income. ○ W-2 transcripts will be required. <u>Expanded 12-months Bank Statement (personal and/or business) Requirements:</u> Excessive NSF's on the bank statements may cause the loan to be ineligible. The bank statements should show a trend of ending balance that is stable over the 12-month period. ➤ Large deposits inconsistent with history must be documented as business income. ➤ Net deposits must not reflect any other income sources already taken into consideration (i.e. deduct SS payments, W-2 wage earnings, etc., that have already been used for income calculation). When the borrower is an inter vivos trust, personal bank statements in name of the trust and a copy of the trust are allowed for qualification for all bank statement programs. 4506-C, tax transcripts and/or tax returns are not required for all bank statement programs.

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Self-Employed Borrowers – Personal and Business bank statement Combined:

- If personal and business bank activity are combined in one bank account, borrower is to provide the most recent 12-months consecutive bank statements from the same account.
- Standard expense factor applies; 50% expense factor.
- If the type of business operates more efficiently or typically has a materially different expense factor (lower than standard expense factor), then the expense factor per either a CPA/CTEC/EA letter or P&L may be applied.
- The underwriter may use an expense factor higher than the standard 50% when the analysis of the bank statements reflects higher expenses.
- The minimum expense factor with CPA letter or P&L is 20%.
 - When a CPA or tax preparer produced statement is provided, apply the stated expense factor to calculate the qualifying income (subject to the minimum expense factors). Provide either of the following:
 - A CPA/CTEC/EA produced a written statement/letter specifying the actual expense ratio of the business (including cost of goods sold and all other business expenses) based on the most recent year's filed tax returns. Such statement shall not include unacceptable disclaimer or exculpatory language regarding its preparation; or,
 - A CPA/CTEC/EA produced P&L statement that has been reviewed by the CPA/CTEC/EA, the CPA/CTEC/EA states they have reviewed the P&L in writing, and the P&L and accompanying statement do not have unacceptable disclaimer or exculpatory language regarding its preparation.
 - The expense factor per the P&L or CPA/CTEC/EA produced statement must be reasonable. The annual deposits on the bank statements must be at least 75% of the gross receipts per the P&L.

Self-Employed Borrowers – Personal and Business bank statement Separated:

- If the borrower maintains separate bank accounts for personal and business, only personal bank statements are used for qualifying.
- The borrower is to provide the most recent 12 months consecutive personal bank statements and 2 months business bank statements (to support the borrower does maintain separate accounts, and to show business cash flows in order to utilize 100% of business-related deposits in personal account).
- The deposits are analyzed and averaged to determine monthly income.
 - No expense factors
 - Deposits to a personal account from sources other than self-employment is not to be included.

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Business Bank Statement Only:

- Business bank statements must be operating account(s) reflecting normal business expenses.
- If only using business bank statements, borrower is to provide the most recent 12- or 24-months consecutive business bank statements.
- Standard expense factor applies; 50% expense factor.
- If the type of business operates more efficiently or typically has a materially different expense factor (lower than 50%), then the expense factor per either a CPA/CTEC/EA letter or P&L may be applied.
- The underwriter may use an expense factor higher than the standard 50% when the analysis of the bank statements reflects higher expenses.
- The minimum expense factor with CPA letter or P&L is 20%.
 - When a CPA or tax preparer produced statement is provided, apply the stated expense factor to calculate the qualifying income. Provide either of the following:
 - A CPA/CTEC/EA produced a written statement specifying the actual expense ratio of the business (including cost of goods sold and all other business expenses) based on the most recent year's filed tax returns. Such statement shall not include unacceptable disclaimer or exculpatory language regarding its preparation; or,
 - A CPA/CTEC/EA produced P&L statement that has been reviewed by the CPA/CTEC/EA, the CPA/CTEC/EA states they have reviewed the P&L in writing, and the P&L and accompanying statement do not have unacceptable disclaimer or exculpatory language regarding its preparation.
 - The expense factor per the P&L or CPA/CTEC/EA produced statement must be reasonable. The annual deposits on the bank statements must be at least 75% of the gross receipts per the P&L.

Profit & Loss Statement:

- 24- or 12-months CPA, EA, CTEC or Tax Attorney prepared Profit & Loss Statement Only.
- The P&L must be prepared and acknowledged by a CPA, EA, CTEC or Tax Attorney.
- The P&L and accompanying acknowledgement must not contain any unacceptable disclaimers or exculpatory language regarding how they were prepared.
- If the tax professional did not file the borrower's most recent business tax return, the P&L must be supported by 2 months of bank statements.
- If the tax professional did file the borrower's most recent business tax return, the P&L can be standalone without supporting bank statements.
- PTIN tax preparers are not allowed.
- P&L end date must be less than 90 days old at closing.
- CPA must be licensed and verified.

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	- Self-employed borrowers who file their own tax returns are not eligible. <u>Debt Service Coverage Calculation:</u> - DSCR Ratio is the monthly Gross Rents divided by the PITIA of the subject property. - Use the Note Rate to calculate PITIA - Rents are derived from the lesser of the rental/lease agreement or the rent survey (Form 1007/1025) DSCR => 1.10 <u>Debt Service Coverage Requirements – Long Term Rentals:</u> - Original appraisal report reflecting tenant-occupied, and - FNMA Form 1007 or 1025 reflecting long-term market rents and lease agreement. - An expired lease agreement is considered valid and allowed if it includes specific verbiage transitioning the agreement to a month-to-month. - If using a higher actual lease amount, evidence of 2-months of receipts is required and the lease amount must be within 120% of the estimated market rent from 1007/1025. - Proposed rental income or rental surveys for vacant properties are not permitted. <u>Debt Service Coverage Requirement – Short Term Rentals (e.g. AirBNB, VRBO, FlipKey)</u> - Not permitted
Appraisal Transfers	Appraisal transfers are permitted
Escrow Holdbacks	Not Permitted.
Compliance	Loans must comply with all applicable federal and state regulations
Age of Documents	- Credit Report must be dated within 90 days of the note date - Income and Asset documents must be dated within 60 days of the note date - Appraisal must be dated within 120 days and with Re-Certification of value cannot exceed 180 days total. - Preliminary title policies must be no more than 120 days old on the date the note is signed.
General Requirements	<u>Variable Rate:</u> - Index: Prime as published in the Wall Street Journal (WSJ) - Margin: Refer to Rate Sheet - Floor Rate: 4 - Maximum Rate: 18%

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	○ Daily Periodic Interest Rate: Index plus Margin ○ Finance Charges: Interest accrues on the day of an advance and continues until the outstanding balance is paid in full. Interest is calculated based upon Daily Periodic Rate and daily balance. • <u>Advances:</u> ○ Initial Advance: Minimum 100% of total line amount ○ Minimum Advance: \$5,000 ○ Maximum Advance: Line Amount ○ Lock-out Period: Advances not available for a period of 180-days after closing to allow for servicing transfer. ○ Access to advances: Checks or phone request • <u>Minimum Payment:</u> ○ Draw Period: Interest only calculation, greater of accrued interest or \$100. ○ Repayment Period: Amortizing principal and interest payment based upon the total line amount, repayment term, current rate (Index plus Margin). • Maturity Date: 1st of the Month/Year based on total loan term. • <u>HELOC Agreement Fees:</u> ○ Return Check: \$25 ○ Stop Payment: \$50 ○ Annual Fee: \$25 • <u>Late Charge Applies as Follows:</u> ○ 5% or the maximum allowed under state law, and ○ Any payment received after the 10th calendar day, or the minimum allowed under state law • <u>Early Termination Fee:</u> ○ A 5% early termination penalty applies if the line is terminated within the first 12 months, except where such charges are prohibited by Federal or State law. • Interest Accrual – Actual/365 • Prepaid interest is not permitted
State Restrictions	• For the following states are not eligible: HI, MA, NY, TN, TX, WV, MD, NJ and PA
Impounds	• Sufficient flood insurance coverage required

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	- Defined as lessor of first lien unpaid balance + 2nd lien UPB or \$250,000 - Documentation of sufficient coverage required.
Hazard Coverage	100% replacement cost or updated coverage to cover both the 1st and 2nd lien required.
Title Report	1st TD – Full Title Policy required 2nd TD – Loan Amounts < \$400K: ALTA Loan Policy required 2nd TD - Loan Amounts => \$400K: Full Title Policy required
Additional Restrictions	- Exceptions to the guidelines are not permitted. - Approved Brokers are required to have a signed HELOC agreement on files prior to loan origination.