

Closed End Second Mortgage Program Guidelines	
Term/Amortization	Fixed rate fully amortizing with terms of 60,120,180, or 240 months.
DU/LPA Eligibility	First Mortgage must have DU Approved/Eligible, or LPA Accept, or Approve/Accept/Ineligible due to loan size for nonconforming 1st liens
Eligible Transactions	Rate/Term or Cash-out refinance
Loan Size	Max \$250,000 Min. \$100,000
Max Combined Liens	\$1.5M
Max CLTV/HCLTV	Owner Occupied – 85%; Second Home – 80%; see Geographic Restrictions
Eligible Properties	<p>Primary Residence</p> <ul style="list-style-type: none"> SFR in PUD, and SFR with Townhouse & Rowhouse construction designs allowed Condominium - Low & High Rise Buildings allowed - all must be Fannie/Freddie Warrantable <p>Second/Vacation homes</p> <ul style="list-style-type: none"> SFR in PUD, and SFR with Townhouse & Rowhouse construction designs allowed
Ineligible Properties	<ul style="list-style-type: none"> Manufactured Home 2-4 Unit Properties Condo in Non-warrantable Projects Condo in Condotel Projects Co-Ops Unique properties Log Homes Homes with more than 2 acres Working or Hobby Farms Properties with appraisal made "Subject To" Completion or Repairs must have satisfactory "Certification of Completion" (1004D-Final Inspection)
Occupancy	<ul style="list-style-type: none"> Owner Occupied Second/Vacation homes Non-owner-occupied homes are ineligible Non-occupant co-borrowers are ineligible
Eligible Borrowers	<p>Follow Fannie Mae Seller Guide except:</p> <ul style="list-style-type: none"> No non-occupant co-borrowers No E-2 investor visas No DACA recipients No tax IDs in lieu of valid social security numbers See section for Self Employed Borrowers

PAY DOWN DEBT
with a Closed-End Second



Revision: 1/23/2023



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Eligible First Lien Programs	<ul style="list-style-type: none"> • Fixed Rate fully amortizing Agency / Government eligible • Agency ARMS with initial fixed term ≥ 5 years • Non-Agency Jumbo Fixed and ARMS with initial fixed term ≥ 5 years • AUS approval required (DU/LP), Approve/Ineligible (due to loan size) required for non-agency 1st liens • Interest Only, Negative Amortization and other High Risk product features are ineligible
Credit	<ul style="list-style-type: none"> • Minimum underwriting credit score is 680 • Underwriting score is determined as the middle of three indicator scores or the lower of two. For multiple borrowers, the lowest middle score for all borrowers is used. Non-traditional credit scoring is ineligible. • Credit document age must follow AUS requirements • If there are past due unpaid Federal income taxes, provide installment agreement with the IRS, payment history showing at least 1 payment being made and that the borrower is current, and include the monthly payment in the borrower's debt obligations. Proof of income tax payment may be required to verify there are no past due taxes. • Tax liens must be paid off at or before closing • No mortgage delinquency (0x30) in the last 24 months • For any mortgage forbearance or payment deferral agreements that occurred during the COVID-19 pandemic time period, borrower(s) must have made at least 6 consecutive separate on-time monthly housing payments and at least 6 months must have elapsed since the forbearance/deferment arrangement ended • Borrower(s) must be current on all mortgage debt • No judgments, repossessions or charge offs in the last 60 months • The following are considered severe delinquency, regardless of AUS feedback; Borrowers with these profiles are ineligible until a period of 7 years has passed since occurrence and credit has been re-established. <ul style="list-style-type: none"> ○ Bankruptcy ○ Foreclosure / Deed in Lieu of Foreclosure ○ Short Sale or Short Payoff ○ Mortgage modification, forbearance or deferment (excluding COVID-19 related) • Borrowers with extenuating, isolated, one-time circumstances may be considered on a case-by-case basis, as determined by underwriting.
Qualifying Ratios/DTI	45.000% DTI maximum
Qualifying Rate	Qualify at initial note rate
Income/Employment	<ul style="list-style-type: none"> • Follow first lien requirements. See Self-Employed Borrowers section for additional restrictions. • Third party verifications of income, debts, and assets are acceptable

\$250K Max Line | Min. FICO 680 | Max LTV 85%

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Self Employed Borrowers	<ul style="list-style-type: none"> • Minimum income documentation: <ul style="list-style-type: none"> ○ Follow AUS for tax return requirements ○ Year to Date P&L • For businesses impacted by pandemic, follow FNMA seller guide, including Lender Letters (such as LL-2020-03) and all updates • Maximum Credit Limit \$250,000 to Maximum HCLTV 85% on Owner Occupied • Maximum Credit Limit \$250,000 to Maximum HCLTV 70% on Second/Vacation Homes • Minimum underwriting credit score is 720 • Complex ownership structures, business models (multiple affiliates or entities), or borrowers with significant • contingent liabilities are ineligible (inquire with your AE for scenarios)
Assets/Funds to Close/Reserves	Follow first lien requirements
Interested Party Contributions	See first lien eligibility
Appraisal/Property Valuation	<p>Standalones (First and Second Liens) – Two valuation products/options available. All valuation products must be dated within 120 days of note date:</p> <ul style="list-style-type: none"> • AVM + Exterior Property Condition Report • Traditional Appraisal
Disasters	For properties located in individual assistance designated areas that have been declared a major disaster by FEMA after an appraisal/property inspection has been completed, then an exterior minimum re-inspection report (including a post-disaster photo) prepared by an independent third party dated after the disaster declaration date with confirmation that the property has not been adversely affected by the disaster is required.
Geographic Restrictions	<ul style="list-style-type: none"> • Properties located in AK, HI, TX and NY are ineligible. • For TN loans with a 20 year term, interest rate set at time of lock may not exceed Maximum Effective Interest Rate listed here: https://www.tn.gov/content/tn/tdfi/tdfi-how-do-i/info/mortgage-rate-of-interest/max-effective-interest-rate-history.html • For NC properties, total lender fees may not exceed 2% of the note amount.
Property Insurance	Follow FNMA Selling Guide. Mortgagee clause for 2nd lien must be in the name of the creditor, ISAOA, ITIMA.
Title Policy	Full ALTA, Junior ALTA or ALTA lite required. Lender's title insurance in the amount of second lien amount is required (final policy must be separate from 1st lien title policy). Both short form and long form policies are acceptable. ALTA Endorsements are not required. Closing protection letters are not required. For Standalone transactions, a title report is acceptable.
Trusts	Title may not be held in the name of a trust
Power of Attorney	POAs are permitted for all transaction types but must cover the 2nd lien transaction if utilized

Closed End Second Mortgage Program Guidelines	
Temporary Buy-downs	Not Allowed
Conversion	Non-convertible
Assumability	Not assumable
Amortization	Terms: 60,120,180, 240
Prepayment Penalty	None
Leasehold	Not Allowed
ATR/QM	Loans may be QM Safe Harbor, QM Rebuttable Presumption or Non-QM. Regardless of which of these 3 designations they fall into, all loans must be within the QM points-and-fees caps contained within the Ability-to-Repay and Qualified Mortgage Rule. Loans that are both Non-QM and HPML must comply with the TILA HPML Appraisal Rule.
HPML/HPCT	Higher-Priced Mortgage Loans (HPML) and Higher-Priced Covered Transactions (HPCT) are permitted subject to complying with all applicable regulatory requirements.
TILA Timing Waivers	Consumer's waiver of waiting period before consummation and rescission waivers are not permitted under any circumstances
Payment Date	Payment will be due on the 1st of each respective month
Late Charges	5% late fee will be assessed on the payment due date + 15 days (unless there is a more restrictive state requirement)
E-Signatures	In accordance with the ESIGN Act and with evidence of ESIGN consent provided within each loan file, electronic signatures are permitted on all initial disclosures and closing documents except for the following that must be wet/ink signed: <ul style="list-style-type: none"> • Note with endorsement/Allonge • Any document that has to be recorded including security instruments with riders, property deeds, POAs, etc. • Notice of Right to Cancel Remote online notarization (RON) and Remote ink-signed notarization (RIN) are not permitted.
UAD/Loan Closing Advisor	Not required
UCDP/SSRs	Not required
Other Guidelines	If not addressed in these guidelines follow FNMA selling guide. Additional documentation may be required in addition to AUS required documentation.



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Offer your borrowers the benefit of a cash-out loan without changing the rate of their first mortgage.

