



# The Science of Doing Non-QM Right!™

## PRIME PLUS

Effective 12/2/2024

|               |          |          | PRIMARY RESIDENCE |           |          | SECOND HOME |           |          |
|---------------|----------|----------|-------------------|-----------|----------|-------------|-----------|----------|
| Loan Amount   | FICO     | Reserves | Purchase          | Rate Term | Cash Out | Purchase    | Rate Term | Cash Out |
| ≤ \$1,500,000 | 700      | 3 Mos    | 85%               | 80%       | 75%      | 75%         | 75%       | 75%      |
|               | 680      | 3 Mos    | 80%               | 80%       | 75%      | 75%         | 75%       | 75%      |
|               | 660      | 3 Mos    | 80%               | 80%       | 75%      | 75%         | 75%       | 75%      |
|               | 620      | 3 Mos    | 75%               | 75%       |          |             |           |          |
|               | No Score | 3 Mos    | 75%               | 75%       |          |             |           |          |

| PROGRAM PARAMETERS   |                                  |
|--|----------------------------------|
| Minimum Loan Amount  | • \$150,000                      |
| Minimum Loan Amount: IL Counties of: Cook, Kane, Peoria & Will | • \$250,000                      |
| Maximum Cash Out   | • Unlimited                      |
| Maximum DTI  | • 50%                            |
| Minimum Residual Income  | • \$1,500 + \$150 per dependent  |
| <a href="#">Housing History</a>                                | • 0x30x6 Months                  |
| Bankruptcy & Housing Event Seasoning                           | • 24 Months                      |
| Installment & Revolving History                                | • Payment history not considered |

| AVAILABLE INCOME DOC TYPES  |
|---|
| <ul style="list-style-type: none"> <li>Wage Earner:               <ul style="list-style-type: none"> <li>✓ <a href="#">Full Doc</a></li> </ul> </li> <li>Self Employed:               <ul style="list-style-type: none"> <li>✓ <a href="#">Full Doc</a></li> <li>✓ <a href="#">Alt Doc Bank Statements</a></li> <li>✓ <a href="#">Alt Doc 1099</a></li> <li>✓ <a href="#">Alt Doc P&amp;L Only</a></li> </ul> </li> <li>Full Doc &amp; Alt Doc are 12-months only.</li> </ul> |

| OVERLAYS                       |  |
|--------------------------------|--|
| 2-4 Unit                       | • 6 months reserves required for 85% LTV |
| Declining Market per Appraisal | • 5% LTV Reduction                       |
| Texas Cash-Out 50(a)(6)        | • \$250,000 Min Loan Amt                 |

| LINKS TO CONTENT                    |                                  |
|-------------------------------------|----------------------------------|
| <a href="#">Credit Requirements</a> | <a href="#">Subject Property</a> |
| <a href="#">Borrowers</a>           | <a href="#">Miscellaneous</a>    |
| <a href="#">Assets</a>              |                                  |

## CREDIT REQUIREMENTS

|  |  |
|--|--|
| <p><b>Qualifying Credit Score:</b></p> | <ul style="list-style-type: none"> <li>• Primary wage earner is used to determine the overall loan qualifying credit score.                         <ul style="list-style-type: none"> <li>✓ Three scores: Use middle score</li> <li>✓ Two scores: Use lowest score</li> <li>✓ One score or No scores: Qualify borrower as a “No Score”</li> </ul> </li> <li>• Each additional borrower is subject to the following.                         <ul style="list-style-type: none"> <li>✓ Three scores: At least one must be 620+</li> <li>✓ Two scores: At least one must be 620+</li> <li>✓ One score: It must be 620+</li> <li>✓ No scores: Eligibility is not negatively impacted</li> </ul> </li> <li>• When qualifying income is equal for all borrowers the highest representative score is used to determine the overall loan qualifying score.</li> <li>• When the transaction includes a non-occupying coborrower the qual score of the occupying borrower is used.</li> <li>• No Score borrower(s) are required to:                         <ul style="list-style-type: none"> <li>✓ Provide either 6 months of third party verified housing history, OR</li> <li>✓ At least 50% of the assets for down payment must be from the borrower’s own resources.</li> </ul> </li> </ul>   |
| <p><b>Tradelines:</b></p>              | <ul style="list-style-type: none"> <li>• “Limited Tradeline” option available up to 80% LTV with a loan level pricing adjustment. Otherwise, see below:</li> <li>• Tradeline requirement based on primary wage earner                         <ul style="list-style-type: none"> <li>✓ 3 tradelines reporting for 12+ months; OR</li> <li>✓ 2 tradelines reporting for 18+ months</li> </ul> </li> <li>• To qualify as a valid tradeline, the following requirements apply:                         <ul style="list-style-type: none"> <li>✓ Must be reflected on credit report. (An acceptable 12- or 24-month housing history, not reporting on credit, may also be used as a tradeline.)</li> </ul> </li> <li>• Credit lines on which the borrower is not obligated to make payments are not acceptable. Examples include loans in a deferment period, collection or charged-off accounts, accounts discharged through bankruptcy, and authorized user accounts.</li> <li>• Student loans can be counted as tradelines if they are in repayment and are not deferred.</li> </ul>  |
| <p><b>Housing Events:</b></p>          | <ul style="list-style-type: none"> <li>• A Housing Event is any one of the following events listed below:                         <ul style="list-style-type: none"> <li>✓ Foreclosure, Deed-in-Lieu, or Short Sale measured from the date of completed sale or final property transfer. The Housing Event must be completed prior to loan closing with no outstanding deficiency balance remaining.</li> <li>✓ 1x120 mortgage late measured from the date the mortgage was brought current.</li> <li>✓ Non-COVID Related Modification measured from the date the modification was executed which resulted in:                                 <ul style="list-style-type: none"> <li>• Forgiveness of a portion of principal and/or interest on either the first or second mortgage.</li> <li>• Application of a principal curtailment by or on behalf of the investor to simulate principal forgiveness.</li> <li>• Conversion of any portion of the original mortgage debt to a “soft” subordinate mortgage.</li> <li>• Conversion of any portion of the original mortgage debt from secured to unsecured.</li> </ul> </li> </ul> </li> <li>• If the property was surrendered in a Chapter 7 bankruptcy, the bankruptcy discharge date is used for seasoning. Bankruptcy papers may be required to show the property was surrendered. The foreclosure action is not required to be fully complete.</li> </ul> |

## CREDIT REQUIREMENTS *(continued)*

|                                     |   |
|-------------------------------------|---|
| <b>Housing History:</b>             | <ul style="list-style-type: none"> <li>• A 12-month mortgage history is required for all financed properties owned by the borrower.</li> <li>• A 12-month rental history is required when the borrower is renting their current primary residence.</li> <li>• Institutional housing payments not reflected on the credit report may be documented as follows:             <ul style="list-style-type: none"> <li>✓ Verification of Rent (VOR) or Verification of Mortgage (VOM) form; OR</li> <li>✓ Lender generated payment history showing paid dates and due dates; OR</li> <li>✓ Mortgage statements for the review period if they indicate the due date which each payment was applied to; OR</li> <li>✓ Credit supplement through the same credit reporting agency as the original credit report.</li> </ul> </li> <li>• Non-Institutional housing payments not reflected on the credit report may be documented as follows:             <ul style="list-style-type: none"> <li>✓ Verification of Rent (VOR) or Verification of Mortgage (VOM) form; OR</li> <li>✓ Lender generated payment history showing paid dates and due dates; OR</li> <li>✓ Mortgage statements for the review period if they indicate the due date which each payment was applied to; OR</li> <li>✓ Credit supplement through the same credit reporting agency as the original credit report; AND</li> <li>✓ Most recent 12 months cancelled checks or bank statements. (Note, these must be accompanied with one of the items listed above they are not sufficient alone.)</li> </ul> </li> <li>• A combined total of all late mortgage and rental payments in the past 12 months must be used to determine the housing history.</li> <li>• All mortgages and rental payments should be current at time of closing. If the credit report or VOR/VOM reflects a past-due status, updated documentation is required to verify account is current.</li> <li>• All mortgages being paid off in a refinance or new-construction purchase transaction must have a verified, monthly payment history. Mortgages with deferred payments are not eligible.</li> <li>• Borrowers who live rent-free are allowed with the following restrictions:             <ul style="list-style-type: none"> <li>✓ 3 additional months reserves required.</li> <li>✓ 10% minimum borrower contribution.</li> <li>✓ Borrower(s) who own their primary residence free and clear are not considered living rent-free.</li> </ul> </li> <li>• Borrowers unable to document a complete 12-month housing history are allowed with the following restrictions:             <ul style="list-style-type: none"> <li>✓ 3 additional months reserves required.</li> <li>✓ 10% minimum borrower contribution.</li> <li>✓ Any available portion of a 12-month housing history must be obtained and paid as agreed.</li> </ul> </li> </ul> |
| <b>Charge-Offs and Collections:</b> | <ul style="list-style-type: none"> <li>• The following accounts may remain open:             <ul style="list-style-type: none"> <li>✓ Collections and charge-offs &lt; 24 months old with a maximum cumulative balance of \$2,000</li> <li>✓ Collections and charge-offs ≥ 24 months old with a maximum of \$2,500 per occurrence</li> <li>✓ All medical collections</li> </ul> </li> <li>• Collection and charge-off balances exceeding the amounts listed above must either be paid in full or may remain open when one of the following is met:             <ul style="list-style-type: none"> <li>✓ Borrower has sufficient reserves to cover remaining collection and charge-off balances (in addition to the published reserve requirement); or</li> <li>✓ Payment for remaining collections and charge-offs included in DTI results in final DTI ≤ 50% (payment calculated at 5% of balance of remaining unpaid collections and charge-offs).</li> <li>✓ A combination of the two options above is allowed. A portion of the unpaid collection balance can be included in the DTI while the remainder is covered by excess reserves.</li> <li>✓ Collections and charge-offs that cannot be factored into DTI or reserves must be paid off.</li> </ul> </li> </ul>  |

**CREDIT REQUIREMENTS (continued)**

|                                 |  |
|---------------------------------|--|
| <b>Judgments and Tax Liens:</b> | <ul style="list-style-type: none"> <li>• All judgments or liens affecting title must be paid.</li> <li>• Written explanation from the borrower for any judgments, garnishments, or liens less than 10 years old is required.</li> <li>• Active court-ordered judgments may remain open when one of the following options are met:                         <ul style="list-style-type: none"> <li>✓ The amount is the lesser of \$5,000 per occurrence or 2% of the loan amount: OR</li> <li>✓ The borrower is currently in a repayment agreement with the creditor. All of the following requirements must be met:                                 <ul style="list-style-type: none"> <li>▪ A copy of the repayment agreement is obtained,</li> <li>▪ A minimum of 3 months has elapsed on the plan,</li> <li>▪ Evidence of timely payments for the most recent 3 months is provided, and</li> <li>▪ The maximum payment required under the plan is included in the DTI.</li> </ul> </li> </ul> </li> <li>• Outstanding state and federal tax liens or delinquent obligations may remain open on purchase transactions only (additional LTV reductions may be required based on the size of the lien). All the following requirements must be met:                         <ul style="list-style-type: none"> <li>✓ A copy of the repayment agreement is obtained,</li> <li>✓ A minimum of 3 months has elapsed on the plan,</li> <li>✓ Evidence of timely payments for the most recent 3 months is provided,</li> <li>✓ The maximum payment required under the plan is included in the DTI, and</li> <li>✓ The title company must provide written confirmation confirming they are aware of the outstanding tax lien, and there is no impact to first lien position.</li> </ul> </li> </ul> |
|---------------------------------|--|

**BORROWERS**

|                              |  |                  |   |                  |
|------------------------------|--|------------------|---|------------------|
| <b>Eligibility:</b>          | <b>Borrower Type</b>   | <b>Eligible?</b> | <b>Borrower Type</b>  | <b>Eligible?</b> |
|                              | US Citizen   | Yes              | Foreign National  | No               |
|                              | Permanent Resident Alien   | Yes              | Business Entities   | No               |
|                              | Non-Permanent Resident Alien   | Yes              | Diplomatic Immunity   | No               |
|                              | Asylum Status  | No               | From OFAC Sanctioned Countries  | No               |
|                              | DACA   | Yes              | <a href="https://ofac.treasury.gov/sanctions-programs-and-country-information">https://ofac.treasury.gov/sanctions-programs-and-country-information</a> |                  |
|                              | ITIN   | Yes              |   |                  |
| <b>First Time Homebuyer:</b> | <ul style="list-style-type: none"> <li>• Defined as: Borrower(s) who have not owned at least one residential property in the United States in the last 5 years.</li> </ul> |                  |   |                  |

## BORROWERS

|                                   |   |
|-----------------------------------|---|
| <b>Non-Occupant Co-Borrowers:</b> | <ul style="list-style-type: none"> <li>• Non-occupant borrowers are credit applicants on a principal residence transaction who do not occupy the subject property.</li> <li>• When non-occupant income is used, a 5% LTV reduction from the program maximum is required.</li> <li>• Occupying borrower(s) must have a DTI ratio of 60% or less. This excludes the income/debts of non-occupant borrower(s).</li> <li>• Cash out transactions not allowed.</li> <li>• The non-occupant co-borrower must be included on title of the subject property.</li> </ul>   |
| <b>ITIN:</b>                      | <ul style="list-style-type: none"> <li>• Individual Taxpayer Identification Number (ITIN) borrowers are individuals with an ITIN who reside and work within the United States but do not possess U.S. citizenship.</li> <li>• All ITIN borrowers require ACC credit report</li> <li>• The following documentation is required for all ITIN borrowers:                         <ul style="list-style-type: none"> <li>✓ ITIN card or letter from IRS assigning the ITIN number to the borrower.</li> <li>✓ Unexpired government photo ID (driver's license, passport, visa, etc.)</li> </ul> </li> </ul> |
| <b>Perm Resident Alien:</b>       | <ul style="list-style-type: none"> <li>• A permanent resident alien is a non-U.S. citizen authorized to live and work in the U.S. on a permanent basis. Permanent resident aliens are eligible for financing.</li> <li>• Unexpired Green Card is required.</li> <li>• Expired Green Cards are permissible with documentation that the borrower has requested an extension.</li> <li>• Valid government issued photo ID required</li> </ul>  |
| <b>Non-Perm Resident Alien:</b>   | <ul style="list-style-type: none"> <li>• Lawful non-permanent residents are legally accorded the privilege of residing temporarily in the United States.</li> <li>• Unexpired Visa or EAD is required.</li> <li>• All Visa types are permissible outside of diplomatic status (A-1 or A-2)</li> <li>• Expired Visas or EADs are permissible with documentation that the borrower has requested an extension.</li> <li>• Valid government issued photo ID required</li> </ul>  |

## ASSETS

|                            |  |
|----------------------------|--|
| <b>Asset Verification:</b> | <ul style="list-style-type: none"> <li>• Assets must be seasoned for 30 days or sourced.</li> <li>• Assets must be verified with one of the following:                         <ul style="list-style-type: none"> <li>✓ Account statements for the most recent month or quarter indicating opening and closing balances.</li> <li>✓ Written Verification of Deposit (VOD) completed by the financial institution.</li> <li>✓ Statements provided by third-party asset verification companies (e.g., AccountChek, Finicity, Plaid) if the vendor participates in FNMA Day 1 Certainty.</li> </ul> </li> </ul>   |
| <b>Large Deposits:</b>     | <ul style="list-style-type: none"> <li>• Defined as follows:                         <ul style="list-style-type: none"> <li>✓ Bank Statement Doc Type: Any single deposit greater than 50% of the borrower's monthly gross qualifying income prior to reductions for ownership or expense factor.</li> <li>✓ All Other Doc Types: Any single deposit greater than 100% of the borrower's monthly qualifying income from page two of the 1003.</li> </ul> </li> <li>• Refinances: Not sourced.</li> <li>• Purchases: Sourced as follows:                         <ul style="list-style-type: none"> <li>✓ If personal accounts are used for assets, large deposits as defined above must be sourced.</li> <li>✓ If business accounts are used for assets and income, large deposits as defined above must be sourced.</li> <li>✓ If business accounts are used for assets but not used for income, large deposits as defined above do not need to be sourced.</li> </ul> </li> <li>• Unsourced assets, assets seasoned for less than 30 days, and unexplained deposits exceeding 100% of the borrower's qualifying monthly income are allowed if the total amount is less than or equal to 10% of the total funds required to close.</li> </ul> |

## ASSETS

|                               |  |
|-------------------------------|--|
| <b>Seller Concessions:</b>    | <ul style="list-style-type: none"> <li>Percentage is based on of the lesser of the property's sales price or appraised value and may be applied towards the buyer's closing costs, prepaid expenses, discount points, and other financing concessions.</li> <li>Maximum 6%</li> </ul>  |
| <b>Borrower Contribution:</b> | <ul style="list-style-type: none"> <li>Primary with verified housing history: 5% of sales price.</li> <li>Primary with unverified housing history: 10% of sales price.</li> <li>Second Home: 10% of sales price.</li> <li>Gift of Equity transaction with verified housing history: No minimum.</li> <li>Gift of Equity transaction without verified housing history: 10% of sales price</li> </ul>  |
| <b>Gift Funds:</b>            | <ul style="list-style-type: none"> <li>Gift funds are allowed after the borrower has documented the minimum required borrower contribution.</li> <li>Gift funds must be from a relative and can be used for down payment, closing costs and reserves.</li> <li>A signed gift letter is required and must provide donor's name, address, phone, and relationship to borrower, dollar amount of gift, and donor's statement that no repayment is expected.</li> <li>Gift funds must be sent <i>prior to CTC</i> in the following scenarios:                         <ul style="list-style-type: none"> <li>✓ If borrower(s) are ITIN, and the gift may be sent to the borrower or title agent.</li> <li>✓ If being used for reserves, and the gift may only be sent to the borrower. Gifts needed for reserves may not be sent to the title agent.</li> </ul> </li> <li>Sufficient funds to cover the gift must be verified as either currently in the donor's account or evidence of transfer into the borrower's account. Acceptable documentation includes any of the following:                         <ul style="list-style-type: none"> <li>✓ Copy of the donor's check or withdrawal slip and the borrower's deposit slip</li> <li>✓ Copy of the donor's check to the closing agent</li> <li>✓ Evidence of wire transfer from donor to borrower</li> <li>✓ Settlement statement showing receipt of the donor's check</li> </ul> </li> <li>When the funds are not transferred prior to closing, it must be documented that the donor gave the closing agent the gift funds in the form of a certified check, a cashier's check, money order, or wire transfer.</li> </ul> |
| <b>Gift of Equity:</b>        | <ul style="list-style-type: none"> <li>Permitted for Primary Residence or Second Home non-arm's length transactions.</li> <li>The following requirements apply:                         <ul style="list-style-type: none"> <li>✓ Gift of equity must be from an immediate family member</li> <li>✓ Six months of reserves required of borrower's own funds is required</li> <li>✓ Non-arm's length criteria must be met</li> <li>✓ Signed gift letter is required</li> <li>✓ Gift of equity must be listed on the settlement statement</li> </ul> </li> </ul>  |
| <b>Reserves:</b>              | <ul style="list-style-type: none"> <li>Reserves are measured by the number of months of housing expense a borrower could pay using his or her financial assets.</li> <li>The highest reserve requirement, rather than a cumulative total, should be used when a transaction has multiple required reserves.</li> <li>Cash out proceeds can be used for reserve requirements.</li> <li>Second Home transactions require 2 months of additional reserves for each financed property.</li> </ul>  |
| <b>Spousal Accounts:</b>      | <ul style="list-style-type: none"> <li>Accounts held solely in the name of a non-borrowing spouse may be used for down payment and closing costs only and are subject to the standard seasoning requirements.</li> <li>Accounts held solely in the name of a non-borrowing spouse may not be used to meet reserve requirements.</li> </ul>   |

## FULL DOCUMENTATION

|                              |   |
|------------------------------|---|
| <p><b>Wage Earner:</b></p>   | <ul style="list-style-type: none"> <li>• Non-ITIN                             <ul style="list-style-type: none"> <li>✓ YTD Paystubs</li> <li>✓ 1 Year W-2</li> <li>✓ 1 Year IRS Wage &amp; Income Transcripts</li> <li>✓ Verbal VOE within 10 business days of closing</li> </ul> </li> <li>• ITIN                             <ul style="list-style-type: none"> <li>✓ YTD Paystubs</li> <li>✓ 1 Year W-2</li> <li>✓ Full Written VOE</li> <li>✓ 1 Year Personal Tax Returns</li> <li>✓ 1 Year IRS 1040 Transcripts</li> <li>✓ Verbal VOE within 10 business days of closing</li> </ul> </li> <li>• See Underwriting Guidelines for additional information.</li> </ul> |
| <p><b>Self Employed:</b></p> | <ul style="list-style-type: none"> <li>• 1 Year Personal Tax Returns</li> <li>• 1 Year Business Tax Returns (if applicable)</li> <li>• YTD Borrower Prepared P&amp;L</li> <li>• 1 Year IRS 1040 Transcripts</li> <li>• Business Return Transcripts are not required</li> <li>• Verification of business existence within 10 business days of closing.</li> <li>• See Underwriting Guidelines for additional information.</li> </ul>   |

## BANK STATEMENT DOCUMENTATION

|                                    |   |
|------------------------------------|---|
| <b>General Requirements:</b>       | <ul style="list-style-type: none"> <li>• Self Employed for a minimum of 1 year.</li> <li>• Business being used to source income must be in existence for a minimum of 1 year.</li> <li>• The borrower must be employed in the same line of work for at least two years.</li> <li>• See Underwriting Guidelines for additional information.</li> </ul>   |
| <b>Statement Types:</b>            | <ul style="list-style-type: none"> <li>• The first step in evaluating bank statements is determining which of these three classifications applies:</li> <li>• <u>Personal:</u> <ul style="list-style-type: none"> <li>✓ Used <b>exclusively</b> for personal banking and reflects the name of the borrower as completed on the URLA.</li> <li>✓ Evidence of business receipt and expense activity is not permitted in personal bank accounts. Evidence of such activity will require the loan to be qualified as a Co-Mingled Bank Statement Documentation loan.</li> <li>✓ In addition to 12 months consecutive personal statements, 2 months BUSINESS bank statements are required. The 2 months business statements must reflect activity to support business operations and transfers to the personal account being used for qualification. An inability to meet this requirement will require the loan to be qualified as a Co-Mingled Bank Statement Documentation loan.</li> </ul> </li> <li>• <u>Co-Mingled:</u> <ul style="list-style-type: none"> <li>✓ A co-mingled bank account is a personal account used by a borrower for <b>both</b> business and personal use.</li> <li>✓ Although the statement reflects the borrower’s name, these are treated as a business statements for qualification purposes.</li> </ul> </li> <li>• <u>Business:</u> <ul style="list-style-type: none"> <li>✓ A business bank account is used for ongoing operations of the business and reflects the name of the business as completed on the URLA.</li> </ul> </li> </ul> |
| <b>Minimum Business Ownership:</b> | <ul style="list-style-type: none"> <li>• <u>Personal &amp; Business:</u> <ul style="list-style-type: none"> <li>✓ 25% minimum borrower ownership percentage.</li> </ul> </li> <li>• <u>Co-Mingled:</u> <ul style="list-style-type: none"> <li>✓ Borrower must be sole owner of the business (borrower and spouse with combined 100% ownership eligible).</li> </ul> </li> </ul>   |
| <b>Jointly Owned Accounts:</b>     | <ul style="list-style-type: none"> <li>• <u>Personal &amp; Co-Mingled:</u> <ul style="list-style-type: none"> <li>✓ If the account is jointly owned, and the joint owner is not an owner of the business, deposits that are not readily identifiable as transfers from the business accounts or business deposits must be excluded unless sourced.</li> </ul> </li> <li>• <u>Business:</u> <ul style="list-style-type: none"> <li>✓ All other business owners who are not borrowers on the loan must provide a signed and dated letter acknowledging the borrower’s access to the business account for loan qualification.</li> </ul> </li> </ul>   |
| <b>Qualifying Income:</b>          | <ul style="list-style-type: none"> <li>• Gross qualifying income is calculated using total deposits from the statements, minus any inconsistent or large deposits not justified.</li> <li>• Net qualifying income is calculated using gross income multiplied by the borrower’s ownership percentage, then reduced by the applicable expense factor.</li> </ul>   |



## BANK STATEMENT DOCUMENTATION *(continued)*

|                        |  |
|------------------------|--|
| <b>Documentation:</b>  | <ul style="list-style-type: none"> <li>• 12 Months consecutive personal or business bank statements.</li> <li>• ACC Self-Employed Business Narrative form completed by the borrower.</li> <li>• ACC Tax Preparer Attestation form completed by a preparer holding one of these four license types:                         <ul style="list-style-type: none"> <li>✓ Preparer Tax Identification Number (PTIN), OR</li> <li>✓ Certified Public Accountant (CPA), OR</li> <li>✓ IRS Enrolled Agent (EA), OR</li> <li>✓ California Tax Education Council (CTEC).</li> </ul> </li> <li>• If the ACC Tax Preparer Attestation form cannot be obtained, borrower may provide acceptable entity documents such as an Operating Agreement, or equivalent.</li> <li>• ACC will perform an independent verification of the business existence within 10 business days of closing.</li> </ul> |
| <b>Expense Factor:</b> | <ul style="list-style-type: none"> <li>• Personal:                         <ul style="list-style-type: none"> <li>✓ An expense factor is not applied to files meeting the definition of a personal bank statement.</li> </ul> </li> <li>• Co-Mingled &amp; Business:                         <ul style="list-style-type: none"> <li>✓ A standard 50% expense factor will be applied to the total of eligible deposits.</li> </ul> </li> <li>• If necessary for qualification, an expense factor letter may be used to determine qualifying income.                         <ul style="list-style-type: none"> <li>✓ Underwriter will request the Expense Factor Statement of the ACC Tax Preparer Attestation Form be completed via the loan conditions.</li> </ul> </li> <li>• Minimum expense factor percentage is 10%.</li> </ul>   |

## 1099 DOCUMENTATION

|                              |   |
|------------------------------|---|
| <b>General Requirements:</b> | <ul style="list-style-type: none"> <li>• Permitted for individual(s) earning 100% commission, independent contractors and/or sole proprietors who receive IRS Form 1099.</li> <li>• Minimum 1 year self-employment history is required (e.g., 1099 income).</li> <li>• The borrower must be employed in the same line of work for at least two years.</li> </ul>  |
| <b>Documentation:</b>        | <ul style="list-style-type: none"> <li>• 1-year 1099(s). For ITIN borrowers, the 1099 must list their ITIN number.</li> <li>• Current YTD earnings must be documented to support the ongoing receipt of 1099 income with one of the following:                         <ul style="list-style-type: none"> <li>✓ YTD bank statements</li> <li>✓ Check stub(s) with YTD totals</li> </ul> </li> <li>• ACC Self-Employed Business Narrative form.</li> <li>• Tax returns and 4506-C transcripts are not required.</li> </ul> |
| <b>Qualifying Income:</b>    | <ul style="list-style-type: none"> <li>• A standard 10% expense factor will be applied.</li> <li>• Qualifying income is the 12-month 1099 average minus the expense factor .</li> <li>• The YTD earnings from the total of check stubs or the tally of deposits from bank statements must be within 10% or greater than prior year earnings.</li> </ul>   |

## P&L ONLY DOCUMENTATION

|                              |   |
|------------------------------|---|
| <b>General Requirements:</b> | <ul style="list-style-type: none"> <li>• Self Employed for a minimum of 1 year.</li> <li>• Business being used to source income must be in existence for a minimum of 1 year.</li> <li>• The borrower must be employed in the same line of work for at least two years.</li> <li>• 25% minimum borrower ownership percentage.</li> </ul>  |
| <b>Documentation:</b>        | <ul style="list-style-type: none"> <li>• ACC Self-Employed Business Narrative form.</li> <li>• A fully completed ACC P&amp;L Tax Preparer Packet containing:             <ul style="list-style-type: none"> <li>✓ Tax Preparer Questionnaire</li> <li>✓ Profit &amp; Loss Statement</li> </ul> </li> <li>• Most recent 2 months bank statements.</li> </ul>   |
| <b>Tax Preparer Packet:</b>  | <ul style="list-style-type: none"> <li>• Must be prepared by a tax preparer carrying one of these three license types:             <ul style="list-style-type: none"> <li>✓ Preparer Tax Identification Number (PTIN), OR</li> <li>✓ Certified Public Accountant (CPA), OR</li> <li>✓ IRS Enrolled Agent (EA), OR</li> <li>✓ California Tax Education Council (CTEC).</li> </ul> </li> <li>• The tax preparer must have reviewed and/or filed the borrower's self-employed tax returns for a minimum of 1 year.</li> <li>• Documentation showing the tax preparer is currently licensed is required.</li> <li>• The Profit &amp; Loss Statement must also be signed by the borrower at or before closing.</li> <li>• ACC will complete the P&amp;L Verification Form prior to closing.</li> </ul> |
| <b>PTIN Preparers:</b>       | <ul style="list-style-type: none"> <li>• PTIN preparers must document at least 2 years of tax preparation experience by providing one of the following:             <ul style="list-style-type: none"> <li>✓ PTIN license renewal documentation dating back 2+ years; OR</li> <li>✓ If preparer owns a tax preparation business, proof of 2+ years business existence; OR</li> <li>✓ If preparer works for a tax preparation business they do not own, letter from business owner verifying 2+ years employment.</li> </ul> </li> </ul>   |
| <b>Qualifying Income:</b>    | <ul style="list-style-type: none"> <li>• Files with 700 minimum score and LTV 70% or lower:             <ul style="list-style-type: none"> <li>✓ The monthly net income average from the P&amp;L may be used for qualifying income.</li> </ul> </li> <li>• Files with score below 700 and/or LTV over 70%:             <ul style="list-style-type: none"> <li>✓ The most recent 2 months bank statements are required, and the average deposits must support the P&amp;L Gross income within a 35% tolerance.</li> <li>✓ If validated within 35%, the monthly net income average from the P&amp;L may be used for qualifying income.</li> </ul> </li> </ul>   |

**SUBJECT PROPERTY**

| <b>Eligibility:</b>                | <b>Property Type</b>  | <b>Eligible?</b> | <b>Property Type</b>   | <b>Eligible?</b> |
|------------------------------------|---|------------------|--|------------------|
|                                    | SFR Attached or Detached  | Yes              | Assisted living facilities   | No               |
|                                    | PUD Attached or Detached  | Yes              | Boarding houses or bed/breakfast properties  | No               |
|                                    | Warrantable Condominium   | Yes              | Properties with a C5 or C6 condition rating  | No               |
|                                    | Non-Warrantable Condominium   | Yes              | Properties with zoning violations  | No               |
|                                    | Townhomes   | Yes              | Vacant land or land development properties   | No               |
|                                    | 2-4 Unit  | Yes              | Homes on Native American Land (Reservations)   | No               |
|                                    | Rural Properties  | Yes              | Hawaii properties in lava zones 1 and/or 2   | No               |
|                                    | Log Homes   | Yes              | Houseboats   | No               |
|                                    | Modular   | No               | Fractional ownership   | No               |
|                                    | Condotel  | No               | Agricultural properties (including farms, ranches, or orchards)                      | No               |
|                                    | Manufactured or Mobile homes  | No               | Properties used for the cultivation, distribution, manufacture, or sale of marijuana | No               |
|                                    | Co-op/timeshare hotels  | No               | Properties not readily accessible by roads that meet local standards                 | No               |
|                                    | Cooperative share loans   | No               | Properties not suitable for year-round occupancy, regardless of location             | No               |
|                                    | Dome or geodesic homes  | No               |  |                  |
| <b>Acreage:</b>                    | <ul style="list-style-type: none"> <li>• Max 15 Acres</li> </ul>  |                  |  |                  |
| <b>Properties Listed for Sale:</b> | <ul style="list-style-type: none"> <li>• To be eligible for either a rate/term or a cash-out refinance, the subject property must be taken off the market on or before application date.</li> <li>• The borrower must confirm in writing the reason for the prior listing and intent to occupy the subject property.</li> <li>• For cash-out refinances, 6 months seasoning from listing contract expiration date to application date is required.                             <ul style="list-style-type: none"> <li>✓ A listing expiration of less than 6 months is permitted with a 5% LTV reduction.</li> </ul> </li> <li>• For rate-term refinances, no seasoning requirement is necessary.</li> <li>• For both types of refinances, the lesser of the most recent list price or the current appraised value must be used to determine LTV.</li> </ul> |                  |  |                  |

**SUBJECT PROPERTY (continued)**

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| <p><b>Appraisal Review:</b></p>                         | <ul style="list-style-type: none"> <li>• All loans require an appraisal review product as follows:             <ul style="list-style-type: none"> <li>✓ Loan Amount &lt;= \$2M: FNMA Collateral Underwriter (CU) score of 2.5 or less or a Collateral Desktop Analysis (CDA).</li> <li>✓ Loan Amount &gt; \$2M: Second 2nd full appraisal.</li> </ul> </li> <li>• If the CDA reflects a value more than 10% below the appraised value or cannot provide a validation, the file must include either a field review or a second appraisal. These may not be from the same appraiser or appraisal company as the original report.</li> <li>• If two appraisals are required, the lower of the two values or the purchase price must be used.</li> </ul>  |
| <p><b>Appraisal Delivery/Receipt:</b></p>               | <ul style="list-style-type: none"> <li>• Primary Residence Non-HPML and Second Homes are exempt. Note, HPML cannot be determined until the rate is locked.             <ul style="list-style-type: none"> <li>✓ Appraisal Waiver of 3-day Delivery will be executed at closing.</li> </ul> </li> <li>• Primary Residence HPML transactions are subject to the following.             <ul style="list-style-type: none"> <li>✓ Evidence of appraisal delivery and/or receipt is necessary.</li> <li>✓ If file contains Proof of Delivery only (not receipt), the soonest the file may close is 6 business days later excluding weekends and holidays. The day delivery occurred is Day One.</li> <li>✓ If file contains Proof of Receipt, the soonest the file may close is 3 business days later excluding weekends and holidays. The day delivery occurred is Day One.</li> <li>✓ The file may never close less than 3 business days from borrower receipt, the Appraisal Waiver of 3-day Delivery is not eligible for usage.</li> </ul> </li> <li>• Please note this is a Federal regulatory compliance requirement, subsequently exceptions may not be made.</li> </ul>  |
| <p><b>Property Flips &amp; HPML Appraisal Rule:</b></p> | <ul style="list-style-type: none"> <li>• Primary Residence Non-HPML and Second Homes are exempt. Note, HPML cannot be determined until the rate is locked.</li> <li>• Primary Residence HPML transactions are subject to the following.</li> <li>• A property is considered a “flip” if either of the following are true:             <ul style="list-style-type: none"> <li>✓ The price in the borrower’s purchase agreement exceeds the property Seller’s acquisition price by more than 10% if the property Seller acquired the property 90 or fewer days prior to the date of the borrower’s purchase agreement.</li> <li>✓ The price in the borrower’s purchase agreement exceeds the property Seller’s acquisition price by more than 20% if the property Seller acquired the property 91-180 days prior to the date of the borrower’s purchase agreement.</li> </ul> </li> <li>• The acquisition date is the day the seller became the legal owner. The purchase date is the day the borrower and the seller sign the home purchase agreement. Start with the day after the acquisition date and count up to and including the purchase date.</li> <li>• Time period is measured from the date the seller became legal owner of the property to the date all parties executed the current sales contract.</li> <li>• If the property is a “flip” as defined above, the following additional requirements apply:             <ul style="list-style-type: none"> <li>✓ A second appraisal must be obtained.</li> <li>✓ A copy of the second appraisal must be provided to the borrower in compliance with the federal HPML requirements.</li> <li>✓ The second appraisal must be dated prior to the loan consummation/note date.</li> <li>✓ The property Seller on the purchase contract must be the owner of record.</li> <li>✓ Increases in value should be documented with commentary from the appraiser and recent comparable sales.</li> <li>✓ Sufficient documentation to validate the actual cost to construct or renovate (e.g., purchase contracts, plans and specifications, receipts, invoices, lien waivers, etc.) must be provided, if applicable.</li> </ul> </li> </ul> |

**SUBJECT PROPERTY** *(continued)*

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| <p><b>Determining LTV:</b></p>  | <ul style="list-style-type: none"> <li>• Purchase – Lesser of appraised value or purchase price.</li> <li>• Rate/Term Refinance – Current appraised value is used.</li> <li>• Cash Out Refinance – Property acquired &gt; 12 months from application date:             <ul style="list-style-type: none"> <li>✓ Current appraised value is used.</li> </ul> </li> <li>• Cash Out Refinance – Property acquired 6 - 12 months from application date:             <ul style="list-style-type: none"> <li>✓ Lesser of current appraised value or the previous purchase price plus documented improvements (if any) is used. The purchase settlement statement and any invoices for materials/labor will be required.</li> </ul> </li> </ul>   |
| <p><b>Non-Arm's Length:</b></p> | <ul style="list-style-type: none"> <li>• Non-Arm's length transactions involve a direct relationship outside of the subject transaction between a borrower and a party to the loan.</li> <li>• The appraiser must be informed of the relationship and address any impact on market value.</li> <li>• Examples of Non-Arm's length transactions include, but are not limited to, the following:             <ul style="list-style-type: none"> <li>✓ Family member sales.</li> <li>✓ Renters purchasing from current landlord.</li> <li>✓ Buyer trading properties with the seller.</li> <li>✓ Property seller foreclosure bailouts.</li> <li>✓ Existing buyer relationship with loan officer, real estate agents, closing agent, appraiser, builder, or developer.</li> </ul> </li> <li>• Non-Arm's length transactions are subject to all the following requirements:             <ul style="list-style-type: none"> <li>✓ Relationship must be fully disclosed.</li> <li>✓ Borrower to provide a written explanation stating relationship to the seller and reason for purchase.</li> <li>✓ Borrower to provide a copy of the canceled earnest money check paid to the property seller.</li> <li>✓ ACC must be satisfied that the transaction makes sense.</li> <li>✓ All liens on title to be paid in full and reflected on the settlement statement.</li> <li>✓ Lesser of sales price or current appraised value to be used to calculate the LTV.</li> <li>✓ Borrowers cannot provide services on transaction (closing agent, title agent, appraiser, etc.)</li> <li>✓ The borrower may not be an owner of a business entity selling the subject property.</li> </ul> </li> <li>• The following additional requirements apply only to family sales:             <ul style="list-style-type: none"> <li>✓ Payment history for the seller's mortgage on the subject property must be obtained and show no pattern of delinquency within the past 12 months (if applicable)</li> <li>✓ Verification that the borrower has not been in title to the property in the past 24 months.</li> </ul> </li> </ul> |

## MISCELLANEOUS

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|--|---|
| <b>Document Expiration:</b>                  | <ul style="list-style-type: none"> <li>• Measured to closing date:                             <ul style="list-style-type: none"> <li>✓ Assets 60 days</li> <li>✓ Income 60 days</li> <li>✓ Appraisal 120 days</li> <li>✓ ACC Credit Report 120 days</li> <li>✓ Title Commitment and CPL 120 days</li> </ul> </li> </ul>  |
| <b>Multiple Properties and ACC Exposure:</b> | <ul style="list-style-type: none"> <li>• There is no limit on the number of other properties borrowers may currently have financed.</li> <li>• ACC Mortgage exposure may not exceed \$5M aggregate for each individual borrower. Exceptions to this policy will be reviewed on a case-by-case basis.</li> </ul>   |
| <b>Acceptable Vesting Structures:</b>        | <ul style="list-style-type: none"> <li>• Acceptable forms of vesting are:                             <ul style="list-style-type: none"> <li>✓ Individuals</li> <li>✓ Joint Tenants</li> <li>✓ Tenants in Common</li> <li>✓ Inter Vivos Revocable Trust</li> </ul> </li> <li>• Note: Only individuals can act as borrowers. The other entities listed above relate only to an ownership interest in the subject property.</li> </ul>  |
| <b>Limited Power of Attorney:</b>            | <ul style="list-style-type: none"> <li>• A Limited Power of Attorney (POA) is acceptable when all the following requirements are met:                             <ul style="list-style-type: none"> <li>✓ It is specific to the transaction.</li> <li>✓ It is recorded with the Mortgage/Deed of Trust.</li> <li>✓ It contains an expiration date.</li> <li>✓ It is used to execute only the final loan documents.</li> <li>✓ The Borrower who executed the POA signed the initial 1003.</li> <li>✓ An interested party to the transaction (such as seller, broker, loan officer, realtor, etc.) may not act as Power of Attorney.</li> <li>✓ Not eligible for cash-out transactions.</li> <li>✓ Not eligible for foreign national borrowers.</li> </ul> </li> </ul> |
| <b>Escrows:</b>                              | <ul style="list-style-type: none"> <li>• Escrow funds/impound accounts can be waived (except for Flood Insurance Premium) when the following requirements are met:                             <ul style="list-style-type: none"> <li>✓ Loan is not HPML</li> <li>✓ LTV less than 80%</li> <li>✓ Minimum decision credit score of 720</li> <li>✓ Minimum 12-months of reserves</li> </ul> </li> <li>• Pricing adjustment may apply, see applicable loan program rate sheet.</li> </ul>  |
| <b>Prepayment Penalty:</b>                   | <ul style="list-style-type: none"> <li>• Not Eligible</li> </ul>  |
| <b>ACC Licensed States:</b>                  | <ul style="list-style-type: none"> <li>• AL, AR, AZ, CA, CO, CT, DE, DC, FL, GA, ID, IL, IN, KS, KY, LA, MD, MI, MN, MS, NC, NJ, NM, NV, OH, OK, OR, PA, SC, TN, TX, UT, VA &amp; WA</li> </ul>   |