



**Planet Home Lending**  
**CORRESPONDENT DIVISION**

## **SELLER GUIDE**

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## Introduction

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### Introduction

Planet Home Lending is a full service private mortgage banker with a wide variety of mortgage solutions. Planet is an approved Seller/Servicer for Fannie Mae and Freddie Mac, a Ginnie Mae Approved Issuer and is HUD approved.

At Planet we focus on professionalism and excellence in service to create long-term value added partnerships. We work with our partners to provide tailored business strategies to meet their specific needs and goals. Our team prides itself on developing trusted relationships and providing superior customer service that exceeds Seller expectations. Planet is committed to disciplined processes and industry best practices.

Planet programs include Fannie Mae Conforming and High Balance (fixed rate and ARM), DU Refi Plus (fixed rate), FHA Standard and Streamline (fixed and ARM), Freddie Mac Conforming and Super Conforming (Fixed rate), Prime Jumbo (Fixed/ARM), VA and VA IRRRL (fixed and ARM), and USDA Purchase and Non-Streamlined refinance, Streamlined, and Streamlined-Assist (30 year fixed rate).

Planet's centralized correspondent platform stream lines the loan delivery process and maximizes efficiency to increase our Seller's profitability.

Planet is an equal credit opportunity lender and adheres to all applicable federal and state fair housing and anti-predatory lending laws.

Planet has a **ZERO** tolerance fraud policy. A Seller will be terminated **immediately** if there is any evidence of Seller involvement in loan misrepresentation or fraudulent activities.

### Use of the Seller Guide

This Seller Guide contains confidential information and is the sole property of Planet. This Guide cannot be reproduced or used for any reason other than for doing business with Planet .

Information contained in the Seller Guide applies to both conventional and government program s unless otherwise denoted. Any topic not addressed in the individual program guidelines or on the Planet Overlay document, Sellers should follow the applicable Agency guidelines.

### Updates to the Seller Guide

Sellers are responsible for staying up-to-date on Planet's current loan program s and guidelines. All updates to the Planet Seller Guide and Planet Announcements are in writing and will be posted on the Planet website at [www.phlcorrespondent.com](http://www.phlcorrespondent.com). All updates to the Seller Guide and Announcements are effective as of the date stated on the update and/or Announcement.

It is the Sellers responsibility to address any and all questions regarding Planet 's policies and guidelines.



## Introduction

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Loan locks and commitments will be priced according to the effective date stated in the update and/or Announcement.

### **Planet Home Lending Funding Website**

The Planet website is [www.phlcorrespondent.com](http://www.phlcorrespondent.com). Upon Seller approval, a login and password will be assigned by the Client Management Department to allow Seller's access to the secure area of Planet's website.

### **Doing Business with Planet Home Lending**

Planet hours of operation are Monday through Friday 8:00am to 5:00pm PST. In addition, Sales Service Representatives are available from 6:30am to 5:30pm PST.

Planet will be closed for business in observance of the following holidays:

- New Year's Day
- Martin Luther King, Jr. Day
- President's Day
- Memorial Day
- Independence Day
- Labor Day
- Thanksgiving Day
- Christmas Day

## Directory

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### Planet Home Lending

1924 E. Deere Avenue, Suite 200

Santa Ana, CA 92705

Toll Free: 800-203-5719 Main Number: 949-860-1938

Hours of Operation:

8:00am – 5:00pm PST

#### Management Team

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**Sales Service Representative (cont.)**

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## Chapter 1 - Seller Eligibility

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### Correspondent Approval Overview

The Seller must meet certain qualifications before it may do business with Planet Home Lending, LLC (Planet). These eligibility requirements allow Planet to determine whether the prospective Seller operates in a manner consistent with our current practices and exercises prudent risk management.

Planet will review, among other things, the Seller's financial condition, mortgage banking experience, loan performance, and licensing. The first phase of the review process is conducted within Comergence, a risk management solution for the due diligence and ongoing monitoring of third-party vendors. Comergence provides Planet with background checks, licensing verifications, authentication of corporate filings and additional information. During the second phase, personnel from Planet's Legal and Compliance departments reviews the Seller's entire submission and determines whether the applicant should be approved as a Correspondent Seller. The ultimate decision rests with Planet's Chief Compliance Officer/Senior Counsel.

Loan submitted for purchase shall be subject to extensive Quality Assurance reviews. During the QA review, unsatisfactory loans may be returned to the Seller for correction or, depending on the nature of the defect, rejected outright.

A percentage of purchased loans will be reviewed by Planet's Quality Control Department. Correspondents will be obliged to respond in a timely manner to significantly adverse QC findings. Failure to do so may result in a demand for (1) repurchase, (2) indemnification, (3) refund of service release premium (SRP), or reimbursement of Planet's damages.

### Eligibility

Seller eligibility requirements include, but are not limited to the following:

#### Financial

The Seller must meet stated minimum net worth and liquidity requirements. At the time of application, the Seller must provide its most recent two (2) years of audited financial statements and year-to-date interim financials signed by the Seller's Chief Financial Officer (or equivalent). Seller will be required to provide current financial statements at the time of recertification. Seller is obliged to notify Planet immediately upon the event of a material change in the Seller's financial position.

#### Net Worth

A Seller must have a minimum tangible net worth (TNW) of \$1,000,000 calculated in accordance with generally accepted accounting principles (GAAP). Banks and Credit Unions must have a minimum capital ratio designated as "Well Capitalized. Sellers with TNW < \$2,000,000 are required to maintain a leverage of 15%, a repurchase rate  $\leq$  25% of TNW, net of reserves and the most recent audited year-end and quarterly financials must document profitability.



## Chapter 1 - Seller Eligibility

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### Experience

Mortgage lending or banking must be the Seller's primary business. It is required that there is a minimum of five (5) years' experience in operations management. It is required the Seller have qualified, experienced underwriting staff that is responsible for all underwriting decisions and evaluations including, but not limited to, compliance with the Seller Guide, updates, and Announcements. In addition, the Seller must have an adequate history of loan production to demonstrate the experience and capability of delivering closed loans to Planet.

### Fair Lending

The Seller must strictly comply with all applicable Fair Lending laws and regulations. All loans must be prudently originated. The Seller must treat each of its borrowers in a fair and consistent manner. Discrimination based on race, color, sex, sexual orientation, disability, national or ethnic origin, marital or familial status, religion, or age is unlawful and is not tolerated. Should a regulator cite the Seller for a Fair Lending violation, Planet shall exercise its right to terminate the relationship.

### Errors & Omissions / Fidelity Bond

The Seller is required to maintain Errors & Omissions (E&O) and Fidelity Bond coverage. A declaration of Fidelity Bond coverage must evidence that Seller has a minimum coverage of \$300,000 per occurrence. Seller's coverage must include incidences of injury or loss to third parties engaged in mortgage banking and/or brokers, directors, officers, and employees against claims of actual or alleged breach of duty, negligent acts, misstatements, misleading statements, errors, and omissions. The E&O coverage must include, among other things, negligence, errors, and omissions with regard to hazard and flood insurance, mortgage insurance, flood zone determinations, payment of real estate taxes, and compliance with regulatory reporting requirements. The E&O policy must set forth a deductible no greater than \$50,000.

### Litigation

The Seller is required to notify Planet of all material litigation and consumer complaints, including those filed by a regulator or the Better Business Bureau on a consumer's behalf.

### Delegation

#### Non-Delegation

The Seller must meet the following minimum eligibility requirements for a non-delegated approval:

Eligibility Requirements	Non-Delegated
Management Experience	5 years
Minimum Net Worth	\$1,000,000
Liquidity	20.00%

Additional eligibility requirements apply to a Seller submitting government loans for underwriting by Planet.



## Chapter 1 - Seller Eligibility

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### FHA Sponsored Third Party Originator (TPO)

A non-delegated approved Correspondent Seller that is also approved as a FHA Mortgagee, sponsorship as a Sponsored TPO is available. Seller must be expressly authorized by Planet to deliver loans for underwriting under the Sponsored TPO program.

### FHA Principal/Authorized Agent

A non-delegated approved Correspondent Seller that is a FHA Mortgage with unconditional Direct Endorsement (DE) authority has the option of being a Sponsored TPO or a Principal/Authorized Agent. Seller must be expressly authorized by Planet to deliver loans for underwriting under the Principal/Authorized Agent program.

### Underwriting Delegation

Seller must be expressly authorized by Planet to engage in delegated underwriting. Seller must underwrite all loans in accordance with industry accepted best practices. Delegated underwriting authority does not imply any agency relationship, partnership or joint venture between the Seller and Planet. Planet may terminate the Seller's delegated authority in writing at any time, with or without cause.

### Underwriting Delegation Eligibility

The Seller must meet the following minimum requirements for delegation authority:

Delegation Requirements	Delegated Level 1	Delegated Level 2
Delegated Underwriting Experience	5 years	5 years
Management Experience	5 years	5 years
Loan Amount	SFR to \$650,000 Units to Agency Conforming Limits	Up to Agency High Balance Limits
Minimum Net Worth	\$1,000,000	\$5,000,000
Liquidity	20.00%	20.00%

### TPO (Third Party Origination)

Minimum Requirements	
Delegated Underwriting Experience	5 years
Minimum Origination Experience	5 years
Minimum Net Worth	\$5,000,000



## Chapter 1 - Seller Eligibility

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### Government Loans

Additional eligibility requirements apply to a Seller submitting government loans. Seller must be expressly authorized by Planet to submit FHA, VA and USDA loans for purchase. Seller must be approved and have the ability to originate, process, and close FHA, VA and USDA loans using industry accepted best practices.

#### FHA Approval Request

The Seller must meet the following minimum requirements for submitting FHA loans for purchase:

Minimum Requirements	FHA Approval
Delegated Underwriting Experience	DE Approval Required
Management Experience	5 years
Neighborhood Watch Compare Ratio	Less than 150%

#### VA Approval Request

The Seller must meet the following minimum requirements for submitting VA loans for purchase:

Minimum Requirements	VA Approval
Delegated Underwriting Lender Approval	VA Automatic Lender Approval
Delegated Underwriting Approval	VA Underwriter SAR Approval
Delegated Underwriting Experience	5 years
Management Experience	5 years

#### USDA Approval Request

The Seller must meet the following minimum requirements for submitting USDA loans for purchase:

Minimum Requirements	USDA Approval
Delegated Underwriting Lender Approval	1980-16 or 3555-16
Delegated Underwriting Experience	5 years
Management Experience	5 years

### Application Process

Prospective Sellers will be directed to the Comerence website where they will complete the application form and upload all documents required by Planet. The use of Comerence is mandatory for the application and recertification processes. Under no circumstances will Planet accept paper applications.

The following documentation must be included in the application package submitted for approval consideration.





## Chapter 1 - Seller Eligibility

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1. Completed Correspondent Application ([www.comergence.com](http://www.comergence.com))
2. Executed Correspondent Agreement
3. Previous two (2) years' Audited Financial Statements
4. Most current year-to-date interim financial statements signed by CFO (Depository Institutions may provide the most current quarterly FDIC CALL/TFR report.)
5. List and resumes of key employees
6. Organizational Chart
7. Articles of Company Formation
8. Copy of Fidelity Bond Coverage (minimum \$300,000) and Errors & Omissions with deductible no greater than \$50,000
9. Appraisal Management Policy
10. Vendor Management Plan
11. Quality Control Plan
12. Most recent three (3) months' QC reports with management responses to adverse findings
13. Copies of Agency Approval Letters
14. Warehouse References - Evidence of minimum of two (2) warehouse lines of credit or alternative acceptable funding sources
15. Investor Scorecards, two (2) minimum
16. Authorization to Release Information
17. Mortgage Fraud Warning
18. Zero Tolerance Loan Fraud Policy
19. IRS Form W-9

### *Underwriting Delegation Approval (if applicable):*

20. Executed Delegated Underwriting Addendum
21. Copies of a minimum of two (2) Delegated Approvals from investors
22. Copy of all MI Master Policies

### *FHA Approval (additional items if applicable):*

23. Executed FHA Approval Addendum
24. Copies of DE Underwriter's resumes
25. Copy of Underwriters' DE Approval
26. Copy of FHA Lender Approval Letter

### *FHA 203(k) Delivery Approval*

1. Completed Questionnaire
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## Chapter 1 - Seller Eligibility

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*VA Approval* (additional items if applicable):

2. Copy of VA Automatic Lender Approval Letter
3. .Copy of VA Underwriters' SAR Approval
4. Copy of Resumes of VA Underwriters

*USDA Approval* (additional items if applicable):

5. Copy of fully-executed Form RD 3555-16 or Form 1980-16 (if approval proceeded December 1, 2014). "Lender Agreement for Single-Family Housing Guaranteed Loan Programs"
6. Copy of USDA Underwriter's resumes

**Comerence will perform the following tasks as to all of Seller's direct individual owners:**

- Last seven (7) years' State and Federal Civil Filings
- Validation of corporate NMLS ID and all NMLS ID's associated with the company
- Last seven (7) years' State and Federal Criminal Filings
- HUD Limited Denial Participation (LDP)
- Office of Foreign Assets Control (OFAC)
- Excluded Parties List System (EPLS)
- Last seven (7) years' Mortgage and Financial Sanctions
- Validation of Social Security Number
- Validation of status with Secretary of State of incorporation for all applicable institutional structures (if publicly available)
- DBA / Fictitious business names as reflected in NMLS.

**Comerence will perform the following tasks as to all banks and credit unions:**

- FDIC Certificate Number
- NCUA Charter Number
- Corporate NMLS ID and all NMLS ID's associated with the bank or credit union are validated
- Last seven (7) years' State and Federal Civil Filings as applicable
- HUD Limited Denial Participation List (LDP)
- Office of Foreign Assets Control (OFAC)
- Last seven (7) years' Mortgage and Financial Sanctions
- Validation of status with Secretary of State of incorporation (if publicly available)
- All state registrations that appear in NMLS
- DBA/Fictitious business names reflected in NMLS.



## Chapter 1 - Seller Eligibility

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**Comerence will perform constant monitoring of the following information:**

- Judgments and Tax Liens
- Bankruptcies
- UCC Liens
- LDP
- OFAC
- Information appearing in the NMLS database.

**A Planet analyst will verify that the file is complete, review the Comerence results, and perform the following tasks:**

- Review all applicable information contained in HUD's NeighborhoodWatch database. Sellers Compare Ratio may not exceed 150%
- Analyze historical loan production, financial statements, organizational structure, experience of key officers, etc.
- Confirm that Mortgage Loan Purchase Agreement and any addendums are entirely completed and fully executed

The analyst will offer a recommendation to Planet's Chief Compliance Officer/Senior Counsel who will issue the ultimate determination of Seller's application.

**NOTE: All inquiries relating to the approval process should be directed to the correspondent's Regional Sales Manager.**

### Approvals

#### Seller Approval

Seller will be informed of approval in writing. Upon approval, Planet will issue a Seller Identification Number and an administrative login granting access to the Planet CORE Seller Portal. Additional credentials will be issued upon request if so authorized.

#### Special Approvals

An approval letter will be issued by Planet, indicating the Sellers Underwriting Delegation Authority and approval to sell FHA, VA and USDA Loans.

#### Ongoing Requirements

Planet will utilize Correspondent Surveillance Services through Comerence. This service includes ongoing monitoring of all licenses in each state that the Seller is conducting business. Should we receive any potentially adverse data, it will be reviewed by Planet's Chief Compliance Officer/Senior Counsel.



## Chapter 1 - Seller Eligibility

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Furthermore, Planet shall review Seller's correspondent activity on a quarterly basis to determine if its current approval status should continue. If Seller failed to deliver any loans for purchase within the previous 90 days, its status may be changed to terminated or inactive. Relevant metrics are analyzed (i.e. volume, pull through percentage, and overall loan quality) to establish whether an adjustment has become necessary. Chief Compliance Officer/Senior Counsel will make the final decision as to Seller's status.

### **Annual Recertification (Seller Annual Renewal)**

Planet will send an initial "notification of renewal" to the Seller 60 days prior to their recertification date. If the Seller has not completed the recertification process within the allotted time frame, Planet will send a 2<sup>nd</sup> and final notification giving an additional 60 days to certify.

At the time of recertification, Correspondents will be required to update their information in Comergence. Correspondents must upload all mandatory documents and current information into the Comergence portal. The correspondent will be notified once the recertification is completed.

**NOTE:** Planet reserves the right to conduct this review on a quarterly basis if it should determine that correspondent's overall performance so warrants.

Failure to recertify within the allotted time frame may result in suspension.

Items required for annual recertification:

1. Completed Renewal Correspondent Application([www.Comergence.com](http://www.Comergence.com))
2. Previous two (2) years audited financial statements
3. Most recent year-to-date interim financial statements signed by CFO (Banks may provide the most current quarterly FDIC CALL/TFR report.)
4. List and resumes of key employees (if updates are needed)
5. Organizational Chart (if updates are needed)
6. Updated declaration pages of Fidelity Bond (minimum of \$300,000) and E&O coverage evidencing maximum deductible of \$50,000
7. Quality Control Plan (if updates are needed)
8. Most recent three (3) months' QC reports including management responses to adverse findings
9. Updated Warehouse References (Written statement from seller providing all warehouse banks and corresponding line limits and expiration dates of the line).

*Underwriting Delegation Approval* (additional items if applicable):

10. Updated declaration page of current MI Master Policy (if updates are needed)

*FHA Approval* (additional items if applicable):

11. Copies of DE Underwriter's resumes (if updates are needed)

*VA Approval* (additional items if applicable):

12. Copy of VA Underwriter's resumes (if updates are needed)

*USDA Approval* (additional items if applicable):



## Chapter 1 - Seller Eligibility

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### 13. Resumes of USDA Underwriters (if updates are needed)

Sellers formerly approved by HomeBridge Funding will also be required to provide:

#### 1. Copies of all Agency & GSE Approval letters

*FHA Approval* (additional items if applicable):

#### 2. Executed Planet FHA Addendum

### Maintaining Eligibility and Authorities

Correspondents must provide Planet with timely notification of events that materially impact their ownership, corporate structure, or financial status. Examples of such events are set forth below.

Notification of change in corporate structure or management personnel must be provided to Planet in writing to the Director of Third Party Production, and a copy shall be sent to the Legal Department (unless such disclosure is prohibited by law). Notification must include current organization charts and resumes of new officers and owners. Planet will review the circumstances and determine if the correspondent's status must be changed.

Examples of Significant Events:

- Material change in ownership; merger, consolidation, or reorganization. Notice must be given to Planet in advance of a corporate restructuring (except when such notice is prohibited by law or contract).
- Change in the name of the business
- Change in the address or main telephone number of headquarters
- Change in management
- Material adverse change in financial condition
- Rating agency downgrades the organization
- Any change in banking relationships including warehouse lines of credit and wiring instructions
- Any adverse action taken by a warehouse lender, FHA, VA del, HUD, USDA, Freddie Mac, Fannie Mae, state regulator, or any other regulatory agency
- Regulatory sanctions
- Judgments filed against the organization
- Termination or suspension by an agency or investor
- Discovery of any fact or circumstance rendering a loan sold to Planet to become ineligible for purchase
- An agency, regulatory or judicial finding, or other determination of noncompliance with Appraiser Independence Requirements (including, but not limited to, the Appraisal Independence Requirements set forth in Section 1472 of the Dodd-Frank Wall Street Reform and Consumer Protection Act)
- Any internal reviews that identify critical loan quality issues must be provided to Planet within 60 days of issuance
- Any extraordinary delay in the correspondent's quality control reporting



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### **Termination**

#### ***Termination with Cause***

Correspondent may be terminated with cause for reasons including, but not limited to:

- Fraud or misrepresentation of material facts
- Criminal conviction of organization, owner or executive officer
- Suspension or revocation of any of the correspondent's state lending licenses
- Breach of Representations, Warranties, or Covenants
- Excessive number of demands to repurchase
- Unacceptably low production level or pull-through percentages

A notice of termination for cause shall become effective immediately upon receipt. Correspondent's entire active pipeline shall be canceled unless doing so would cause irreparable harm to a consumer.

#### ***Termination without Cause***

The Correspondent can be terminated without cause upon 30-day written notice. Only loans locked prior to termination date will be eligible for purchase. A terminated Correspondent must close out its pipeline by the expiration date of the lock agreement or the termination date, whichever is sooner.

Termination (with or without cause) shall be effected as follows:

- Correspondent's termination will be documented within Planet's CORE Seller Portal
- Comerence shall be notified.
- Planet will contact by telephone a principal officer of the Correspondent to inform them of its decision
- Planet will issue a notice of termination in writing to the Correspondent



## Chapter 2 - Compliance

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### Compliance Overview

Seller has complied with all federal regulations and state laws in the origination, process and closing of mortgage loans.

**Planet requires strict compliance with all Federal Regulations, in addition to all state and local laws, rules and regulations. Sellers should contact their legal counsel for advice on complying with these regulations and laws.**

Loans submitted to Planet for purchase must comply with all Federal Regulations, including, but not limited to:

- Equal Credit Opportunity Act (ECOA, Regulation B), CFPB 12 CFR, Chapter X, Part 1002.
- Fair Credit Reporting Act (FCRA / FACTA, Regulation V), CFPB 12 CFR, Chapter X, Part 1022.
- Fair Housing Act, **FDIC regulation "Part 338--Fair Housing," which implements section 805 of title VIII (Fair Housing)** of the Civil Rights Act of 1968 (Pub. L. No. 90--284; 82 Stat. 81.)
- Home Mortgage Disclosure Act (HMDA, Regulation C), CFPB 12 CFR, Chapter X, Part 1003.
- Mortgage Disclosure Improvement Act (Amendment to Regulation Z) CFPB 12 CFR, Part 226.
- Privacy of Consumer Financial Information (Regulation P), CFPB 12 CFR, Chapter X, Part 1016.
- Real Estate Settlement and Procedures Act (RESPA, Regulation X), CFPB 12 CFR, Chapter X, Part 1024.
- S.A.F.E. Mortgage Licensing Act—Federal Registration of Residential Mortgage Loan Originators, (Regulation G), CFPB 12 CFR, Chapter X, Part 1007.
- S.A.F.E. Mortgage Licensing Act—State Compliance and Bureau Registration System, (Regulation H), CFPB 12 CFR, Chapter X, Part 1008.
- TILA-RESPA Integrated Disclosure rule (TRID Regulation X and Z), CFPB, 12 CFR, Chapter X, Part 1024, 1026.
- Truth-In-Lending Act (TILA, Regulation Z), CFPB 12 CFR, Chapter X, Part 1026, including Homeowners Protection Act (PMI Cancellation) and Home Ownership and Equity Protection Act.

### Newly Enacted Laws and Acts

Seller has established and implemented policies and procedures that comply with any newly enacted Laws and/or Acts regarding the operations and disclosures with the mortgage industry, including, but not limited to:

- Ability to Repay (ATR) and Qualified Mortgage (QM),
- Anti-Money Laundering (AML) and Suspicious Activity Reporting (SARs),
- Appraisal Independence Requirements (AIR),
- Fair Lending,
- Net Tangible Benefit,



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- Patriot Act and OFAC,
- Red Flags,
- Risked-Based Pricing
- TRID.

### State Specific Requirements

Planet requires all state required disclosures be included in the loan files executed by the borrower(s) and will require all state restrictions of law to be applied to all of the loans submitted for purchase. Sellers should contact their legal counsel for advice on complying with all state disclosure requirements, laws and restrictions.

### *Planet Commonly Used Terms Defined*

Within the scope of the Planet's Seller Guide, the terms below will have the following meanings:

- **Closing:** Signing of Loan Documents
- **Closing Disclosure:** Replaces the HUD-1 and the final TIL effective with applications received on or after October 2, 2015).
- **Disbursement:** The Settlement Agent disburses the loan proceeds.
- **EOR (End of Rescission) Funding States:** Applies in states where, by law, the lender is required to fund the loan the day after the rescission period ends on owner-occupied refinance transactions.
- **Funding:** Lender wires funds to the Settlement Agent.
- **GFE:** Good Faith Estimate (N/A with applications received on or after October 3, 2015).
- **Impounds:** Monthly collection of 1/12<sup>th</sup> of the hazard insurance, flood insurance, taxes and mortgage insurance premiums.
- **Legal Docs:** The Note, Deed of Trust, Mortgage and lender required documents accompanying the Note.
- **Loan Estimate:** Replaces the GFE and initial TIL effective with applications received on or after October 2, 2015).
- **NORTC:** Notice of Right to Cancel (Rescission Notice).
- **TIL:** Truth-In-Lending Disclosure (N/A with applications received on or after October 3, 2015).
- **Wet Funding States:** On purchase and non-owner occupied transactions in states that require disbursement of funds at the closing table.

### Anti-Predatory Lending and Fair Lending Guidelines Policy

Many states and Federal Agencies have enacted laws and regulations devised to prevent abuses in the mortgage industry. Planet does not condone or knowingly engage in predatory lending or abusive lending practices. Planet will not enter into, or maintain any business relationships with any person or entity that participates in what it deems to be predatory lending practices. Planet requires and expects high ethical standards and practices from its Sellers at all times.

Planet requires its Sellers to comply with all of the requirements of the Equal Credit Opportunity Act (Regulation B) and all other anti-discriminatory regulations and laws. Planet shall only maintain business





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relationships with those persons and entities which provide credit services to all qualified individuals without discrimination on the basis of race, color, national origin, religion, gender, marital or familial status, age (ability to contract), handicap, receipt of income from a public assistance program, or good faith exercise of rights under the Consumer Credit Protection Act.

### **LDP and GSA List Verifications**

All parties on government transactions (FHA, VA, and USDA) should be checked against the FHA Limited Denials of Participation (LDP) and General Services Administration (GSA) exclusionary lists for matches. These parties may include, but are not limited to, borrower(s), closing attorney, escrow/settlement agent, loan officer, lender, processor, title, underwriter, appraiser, real estate agents, or seller(s). If any of the parties to the transaction are matched to an entity on the list, the match must be thoroughly reviewed to ensure the party is not one in the same.

The loan file should contain a printout from the exclusionary lists indicating either a match or no match. If the party to the transaction ends up being the same as the entity on the list, Planet will not purchase the loan. If there is strong evidence and/or documentation to show that the individual is not one in the same, the documentation must be provided from the Seller and included in the loan file. Purchase of the loan is subject to Planet review of the documentation.

The LDP and GSA lists can be accessed at:

**LDP:** [Limited Denials of Participation](#)

**GSA:** [Excluded Parties List System](#)

### **OFAC Specially Designated Nationals (SDN) List Verification**

All borrower(s) must be checked against the Office of Foreign Asset Control, Specially Designated Nationals List (OFAC SDN List). If any borrower is identified as a match, the data must be reviewed to ensure the individual is *not* the party associated with the transaction.

The loan file should contain documentation that the Seller completed a thorough review and the borrower(s) is not one and the same person. If the match had **not** been investigated, the loan is not eligible for purchase by Planet. If the match **has** been investigated and the loan file contains documentation of this process and the result is negative, the loan is eligible for purchase by Planet.

The OFAC SDN list can be accessed at:

[Office of Foreign Assets Control](#)

Additional information regarding the OFAC SDN List and instruction on when to call the OFAC SDN Hotline can be found at:

- [U.S. Department of the Treasury](#), or
- Call 1-800-540-6322.



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### Loan Estimate (LE)

A Loan Estimate must be provided within three (3) business days after receipt of a completed application. An application is complete upon receipt of the following six (6) items below.

- Borrower Name
- Borrower Income
- Borrower Social Security/ITIN
- The Subject Property Address
- An Estimate of the Property Value and
- The Loan Amount Requested.

The initial LE is binding and must reflect the fees and charges the borrower will be expected to pay at closing. Fees for appraisals and/or settlement services cannot be collected prior to receiving an intent to proceed from the borrower.

Increases in fees and/or charges from the initial LE and re-disclosure of these increases are only permitted with a valid changed circumstance and within three (3) business days of the change occurring. Sellers must provide, in addition to the re-disclosed LE, documentation for all changed circumstances to support the need to re-disclose.

In addition, the comparison page (page 3) of the CD Settlement Statement must be compared to the LEs being submitted with the loan file to ensure the numbers correspond to the submitted LE. Any amounts over the tolerances permitted by RESPA must be credited to the borrower and show as a “cure” on the second page of the CD in section J. If there is no “cure” on the CD, the Seller will be required to issue a check to the borrower to “cure” the RESPA violation.

### Closing Disclosure (CD)

Loan applications originated on or after October 3, 2015 require a Closing Disclosure (CD) must be prepared and delivered to the borrower no later than three (3) business days before consummation. The CD is considered to be received at the earliest of the following:

- The date of the borrower’s actual receipt evidenced by documentation received by Planet,
- If provided in person on the same date,
- If by U.S. mail or other form of delivery, and no evidence of earlier actual receipt; three (3) business days after it is placed into the mail or otherwise sent,
- If emailed and no evidence of earlier actual receipt; three (3) business days after it is emailed.

**Note:** if emailed, previous consent to receive documents electronically must be in the file.

When a loan includes more than one borrower and the transaction **is not** rescindable, the CD may be provided to only the primary borrower.

When a loan includes multiple borrowers and the transaction **is** rescindable, the Seller must provide the CD separately and meet the timing requirements for each borrower who has the right to rescind under the TIL Act and must also receive a copy of the CD three (3) business days prior to consummation.

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### Re-Disclosure

If a CD becomes inaccurate after it has been delivered, then a revised CD must be delivered. A change in circumstance resulting in re-disclosure will not trigger an additional three (3) business day waiting period. In those instances the Seller must provide the re-disclosed CD at or before consummation. However, the following change in circumstance will trigger an additional three (3) waiting period:

- The disclosed APR becomes inaccurate and exceeds tolerance,
- The loan product changes; or
- A prepayment penalty is added.

### APR, Finance Charge and Per Diem Interest Collection Cures

APR, Finance Charge and Per Diem Interest Collection Cures include, but are not limited to:

- A copy of cover letter sent to the borrower, and
- A copy of check sent to the borrower.
  - Refund of under-disclosed amount or “cure” will mean the last disclosed TIL was accurate and no additional disclosure will be required.
  - On CA loans, per diem interest may only be collected one (1) day prior to the disbursement date, if more was collected at closing, evidence of a refund must be in the loan file.
  - On FHA loans, per diem interest may only be collected from the day of disbursement, if more was collected at closing, evidence of a refund must be in the loan file.

### Notice of Borrower’s Right to Cancel (NORTC)

Refinance transactions that are subject to Notice of Right to Cancel (owner occupied and second homes) must contain a copy of all NORTC forms that were provided to each borrower. A copy of the two (2) NORTCs given to the borrower at closing, one for them to keep and one to send in if they wish to cancel (signed or unsigned), and the NORTC signed by the borrower for the Seller to keep.

Any changes made to the NORTC form must be initialed by all of the borrower(s). If the borrower inadvertently signed the “I wish to cancel” section, the NORTC will not be accepted and the loan document package must be dated (Note Date) after the date they signed this section, even if signed accidentally.

Other common NORTC issues include, but are not limited to:

- Corrections, changes to NORTC are not initialed by all of the borrowers.
- Loan funded within the required rescission period. Planet will not purchase loans that were funded within the rescission period, disclosed or actual. Files should not be delivered or shipped to Planet until the rescission period has expired.
- The “midnight of” date has not been calculated properly, including Saturdays or excluding Sundays and legal holidays.
- The “midnight of” date does not consider the “later of” the three specific instances per the regulation; the “transaction date”, the date the borrower received the TIL, or the date the borrower received the NORTC.
- There is no evidence that the borrower received three (3) copies of the NORTC at closing.
- Transaction date is not the same date as the borrower signed the loan documents, evidenced by

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the notary date on the Deed of Trust/Mortgage.

Planet will not purchase any loan that is in violation of the rescission provisions of the Truth-In-Lending Act (TILA, Regulation Z), CFPB 12 CFR, Chapter X, Part 1026.23 and re-disclosure of the NORTC after closing will not be an acceptable cure to this violation.

### Invoices

Invoices will be required for certain settlement services, (e.g. escrow, appraisal, and credit report). A breakdown of all fees and charges is required; if any charges on the invoice are “grouped” together, the entire charge will be placed in the finance charge calculation.

### Patriot Act – Mandatory Compliance

All persons and entities doing business with Planet must comply with certain criteria regarding the identity of their borrowers. The following shall be complied with one each loan:

- **Mandatory PhotoID**
  - All loans require the borrower(s) provide a government issued photo ID, passport, valid driver's license, or valid state or county identification card. Photo identification is **required** at the time of application for all loans.
  - The identity of the borrower must be verified as a condition to close; this is **mandatory** for all loans. If a borrower does not have a photo ID or any of the items listed above, the loan will not be purchased without specific, written approval from Planet's legal counsel.
- **Mandatory Birth Date**
  - The actual birth date of all borrowers, not just their age, is required for all loans. The birth date shall be printed on page one (1) of the 1003 application form.
- **Mandatory Check – OFAC Specially Designated Nationals List (OFAC SDN)**
  - All borrowers must be verified against the SDN list either via credit report, other electronic means, or may be verified manually. Evidence of verification must be in the loan file.

### Patriot Act Disclosure – Borrower Information

The Patriot Act Disclosure – Borrower Information form must be completed for each borrower and must be in the loan file to comply with Section 326 of the Patriot Act. The Patriot Act Disclosure document is used for borrower identification and the borrower is not on the OFAC SDN list.

### Data Collection of Information for Government Monitoring Purposes

Section X (Information for Government Monitoring Purposes) of the application (Fannie Mae Form 1003) must be completed for all applicants. If a face-to-face interview was conducted, the “I do not wish to furnish this information” is not an option. If the applicant does not wish to “furnish” the information, the interviewer must complete the information based on visual observations or the surname of the applicant.

### Loans Ineligible for Purchase

Planet will not purchase certain mortgage loans; these loans include, but are not limited to:

- Any loan originated by a loan originator not licensed or registered in accordance with S.A.F.E.

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Mortgage Licensing Act—Federal Registration of Residential Mortgage Loan Originators, (Regulation G), CFPB 12 CFR, Chapter X, Part 1007 or S.A.F.E. Mortgage Licensing Act—State Compliance and Bureau Registration System, (Regulation H), CFPB 12 CFR, Chapter X, Part 1008.

- High-Cost, Higher-Priced, “Covered” Loans, or those loans defined as Predatory, by any state or local government.
- High-Cost Mortgages as defined by the Truth-In-Lending Act (TILA, Regulation Z), CFPB 12 CFR, Chapter X, Part 1026, Section 32.
- Loan files that do not contain a FINAL CD Settlement Statement. This is necessary to ensure compliance with Regulation Z and RESPA.
- Loans originated using predatory or abusive lending practices, defined at the sole discretion of Planet.
- Loans that are funded during the rescission period.
- Loans that are not funded in accordance with state WET or EOR provisions.
- Loans that violate the tolerance provisions or other requirements of the Truth-In-Lending Act (TILA, Regulation Z), CFPB 12 CFR, Chapter X, Part 1026, including Homeowners Protection Act. Some cures may be acceptable.
- Loans that violate the TILA-RESPA Integrated Disclosure rule (TRID Regulation X and Z), CFPB, 12 CFR, Chapter X, Part 1024, 1026.
- Loans that violate the Real Estate Settlement and Procedures Act (RESPA, Regulation X), CFPB 12 CFR, Chapter X, Part 1024, specifically the disclosure of the Good Faith Estimate, re-disclosure of the Good Faith Estimate and Changed Circumstances.
- Loans that are submitted for purchase where the subject property is located in a state Planet is not licensed to do business.
- Texas Section 50 (a) (6) loans aka Texas cash-out.

### Higher Priced Mortgage Loans – Non QM Loans

Regulation Z Section 35 Higher Priced Mortgage Loans (HPML) defines an HPML as a loan secured by a **primary residence** where the APR exceeds the “average prime offer rate” (APOR) for a comparable transaction as of the date the interest rate is set by the following:

- 1.5% or more for a loan secured by a first lien, or
- 3.5% or more for a loan secured by a subordinate lien.

Section 35 applies to both conventional and government loans. Section 35 does not apply to second home or investment properties.

Planet will purchase Section 35 loans subject to the following:

- An escrow account must be established, no exceptions regardless of any state limitations.
- Any transaction where the borrower bought or refinanced the subject property within the previous 12 months a tangible net benefit must be established; and
- Evidence of the borrower’s ability to repay the debt using the full PITIA payment (principal, interest, taxes, insurance, and any related associations). The insurance must include hazard, flood and mortgage insurance as applicable.

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- Fixed rate or an ARM with an initial adjustment period > 5 years (i.e. 7/1 and 10/1 ARM).
- Maximum DTI < 50% regardless of DU Findings. A DTI ≥ 50% may be permitted subject to review by Planet. A Loan Exception Request Form, located under the “Resources” link on the Planet website, must be submitted.

NOTE: DU Refi Plus HPMLs the maximum DTI is 45%; **no exceptions will be granted**;

- The appraisal was delivered to the borrower at least three (3) days prior to close (appraisal delivery waiver is **not** eligible on higher priced mortgage loans).
- Verification and documentation of the borrower’s income, assets and credit required.

NOTE: Section 35 has specific requirements for loans with a prepayment penalty however Planet does **not permit** prepayment penalties.

Higher priced mortgage loans are not eligible for purchase as follows:

- ARM transactions with an initial adjustment period ≤ 5 years
- FHA no credit qualifying Streamline refinance transactions
- USDA Pilot Refinance program
- Any transaction where the borrower’s income, assets and credit were not verified and documented.

Planet will require Sellers to run an APR test on all owner-occupied transactions to determine if the loan is a Section 35 loan. The APR test should be run using the Federal Financial Institutions Examination Council Rate Spread Calculator at [FFIEC Rate Spread Calculator](#).

Planet will require a copy of the following in all loan packages submitted for purchase:

- A screenshot of the final APR test results from the FFIEC website, and
- Copies of the final rate lock confirmation (to confirm lock date).

Sellers are expected to be in full compliance with Regulation Z Section 35. Planet encourages Sellers to consult legal counsel for additional information and/or interpretation of Section 35 requirements.

### Ability to Repay/Qualified Mortgage

The Consumer Financial Protection Bureau (CFPB) issued the final regulations to implement the Ability to Repay (ATR) and Qualified Mortgage (QM) provisions under the Dodd-Frank Act.

Planet is providing general information on ATR/QM rules and Planet requirements. The information that follows does not cover all new ATR and Qualified Mortgage requirements under the CFPB’s final regulation nor is it intended as legal advice. Sellers are responsible to ensure all loans submitted for purchase to Planet are in compliance with existing state, federal and local laws and regulations in addition to ATR, QM and Planet guidelines.

Additionally, Sellers are responsible to ensure all applicable disclosures and documentation required under the ATR and QM provisions of the Dodd-Frank Act are provided. Sellers should consult with their own legal counsel to guarantee understanding and compliance of the ATR and QM rules.

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Transactions covered by ATR/QM rules are as follows:

- Purchase and refinance transactions secured by **owner-occupied and second homes**.

ATR/QM rules do **not** apply to the following:

- Investment property

NOTE: Investment properties that are for business purposes are exempt from QM rules.

If the borrower occupies any investment property for > 14 days in any given year the investment property is no longer considered for business purposes only and would be subject to ATR/QM rules.

Additionally, there can be no evidence that the borrower purchased/refinanced the investment property for personal rather than business reasons (e.g. property purchased for a family member). Any indication of personal reasons the loan is subject to ATR/QM rules.

- Construction loans (during the construction phase)

### QM APR Thresholds

All loans under QM are subject to an APR threshold in order to meet Safe Harbor protection including Section 35 loans subject to QM. APR thresholds are detailed below:

Planet Program	APR	Points and Fees Limits
<ul style="list-style-type: none"> <li>• <b>Fannie Mae</b> (All programs)</li> <li>• <b>Freddie Mac</b></li> <li>• <b>FHA</b> (All Programs)</li> <li>• <b>VA</b></li> </ul>	APR must be:  $< \text{APOR} + 1.50\%$	<ul style="list-style-type: none"> <li>• Loan amount <math>\geq</math> \$100,000 limited to 3% of the <b>total loan amount</b></li> <li>• Loan amount \$60,000 to \$99,999 <math>\leq</math> \$3,000 (flat fee)</li> </ul>
<b>FHA (HUD Temporary QM)</b>	APR must be: $< \text{APOR} + 1.15\% +$ applicable annual MIP	

Under ATR/QM rules loans that meet QM requirements, and are **not** a higher priced mortgage loan are entitled to Safe Harbor protection which means the lender has met the ATR requirements and has certain legal protection if the borrower goes into default/foreclosure in the future.

Under ATR/QM rules loans that **are** a higher priced mortgage loan (meaning they exceed the APR thresholds stated above) are entitled to Rebuttable Presumption protection assumes the lender complied with the ATR.

Rebuttable Presumption does not provide the same protection as Safe Harbor. Under Rebuttable Presumption if a borrower goes into default/foreclosure in the future, the borrower would be required to demonstrate that they did not have adequate residual income/assets to meet their debt obligations/living expenses at the time the loan closed.

### Points and Fees for QM loans

The points and fees for a QM loan are subject to the following:

- Loan amounts  $\geq$  \$100,000 are limited to 3% of the **total loan amount\***



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- Loans from \$60,000 to \$99,999 are limited to a \$3,000 flat fee

**\*NOTE:** For purposes of the points and fees calculation under the ATR/QM rule, the total loan amount is calculated by taking the amount financed, as determined according to § 1026.18(b), and deducting any cost listed in § 1026.32(b)(1)(iii) [real-estate related fees], §1026.32(b)(1)(iv) or (iv) [prepayment penalties when refinancing with the same creditor] that is both included as points and fees under § 1026.32(b)(1) and financed by the creditor.

The following is a basic list of what can be included and what is excluded from the points and fees test.

Points and Fees Test	
Included	Excluded
Loan origination fees	Prepaid interest
Commitment fees	Upfront and monthly FHA MIP
Lock fees	VA funding fee
Upfront conventional MI paid by the borrower	USDA guarantee fee
Excess discount points (greater than 2% bona fide) <b>OR</b> Any non-bona fide discount points	Bona fide discount points – maximum 2%
Fees normally considered APR fees under Truth-in-Lending/Reg Z unless a bona fide 3 <sup>rd</sup> party charge, provided no portion was retained by the Seller or Seller affiliate	Fees normally not considered APR fees under Truth-in-Lending/Reg Z
	Escrows for taxes and insurance
Fees paid to the Seller's affiliate and retained by the Seller	Bona fide 3 <sup>rd</sup> party charges, provided no portion of the fee retained by the lender, broker, or affiliate
Finance charges other than interest paid to the lender broker or affiliate	Compensation paid by the Lender to the loan originator/employee

Planet will require documentation indicating compliance with QM and how fees were applied including fees retained by the Seller. Planet will not mandate the use of a specific form; Sellers may utilize their own form, a compliance vendor report or an LOS generated form.

Loans that receive an “Approve/Eligible”, “Accept” AUS Finding or are manually underwritten (government loans only) to Agency and Planet guidelines will be considered as meeting QM rules if they pass the applicable points and fees test.

### ECOA Valuations Rule

- The borrower(s) must be notified within three (3) days of application of their right to receive a copy of the appraisal(s) or any other written valuation of the property (i.e. AVM, field review, desk review, second appraisal, and recertification of value).
- The borrower(s) must receive the appraisal(s)/valuations(s) promptly upon completion, or at least three (3) business days prior to closing. When counting business days, Saturday is included but Sunday and Federal holidays are not.

#### Emailed Appraisal Copy:

The three (3) business days period begins the day the appraisal(s)/valuation(s) were emailed to the borrower (timing **cannot be waived** on loans that are an HPML).



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### **Example:**

Loan is scheduled to close on Friday. The appraisal(s) and valuation(s) must be emailed to the borrower no later than Tuesday to be in compliance (Tuesday, W Wednesday, Thursday = 3 business days prior to close).

NOTE: The three (3) business day waiting period begins the day the appraisal/valuation was emailed to the borrower.

### **Mailed Appraisal Copy:**

The three (3) business day ECOA waiting period requirement begins three (3) business days **after** the appraisal(s)/valuation(s) were mailed to the borrower (timing **cannot be waived** on loans that are an HPML). **A total of six (6) business days prior to close is required for appraisal copies sent via USPS mail.**

### **Example:**

Loan is scheduled to close Friday. The appraisal(s) and valuation(s) must be mailed to the borrower no later than the previous Friday to be in compliance (Friday, Saturday, Monday, Tuesday, Wednesday, Thursday = 6 business days prior to close).

NOTE: The six (6) business day waiting period begins the day the appraisal/valuation was mailed to the borrower.

- The copy of the appraisal(s)/valuation(s) must be provided whether the loan is approved, denied, or withdrawn.

The waiver of the three (3) business day requirement is subject to the following:

### ***Non-Higher Priced Mortgage Loans***

If a loan is **not** a higher priced mortgage loan, the borrower may waive their right to receive the appraisal/valuation no more than three (3) business days prior to close, however **they are still required to receive a copy at closing. The Notice with the waiver selected must be signed and dated at least 3 business days prior to loan closing.**

### ***Higher Priced Mortgage Loans***

When a loan is determined to be a higher priced mortgage loan, the borrower **must** receive the appraisal(s)/valuation(s) three (3) days prior to close even if the borrower signed the waiver. There are **no exceptions to the 3 day requirement on HPMLs.**

### **HOEPA Counseling Disclosure**

- The borrower must be advised that homeownership counseling is available and provided a written list of homeownership counseling agencies near the borrower's current zip code within three (3) days of taking a loan application.

NOTE: Homeownership counseling is **not required** unless the loan does not meet ATR/QM requirements (high cost loans are ineligible for purchase by Planet).

To view the entire Bulletin click here: [CFPB Bulletin 2013-13](#).

## Chapter 2 - Compliance

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### NMLS Identification

The new rules requires both the loan originator name and NMLS ID number **and** the loan originator's company (employer) name and NMLS ID number, as listed in the National Mortgage Licensing System Registry (NMLSR) appear on the loan application, the Note and the Security Instrument (i.e. Mortgage or Deed of Trust)

### Disclosures/Documentation Required under ATR/QM

The following disclosures/documentation must be in the loan files submitted to Planet:

- **ECOA Valuations**
  - A Notice of Right to Receive a Copy of Appraisal (sample on Planet website) or similar document.
  - The waiver, if applicable.
  - Documentation that the appraisal(s)/valuation(s) was provided in compliance with the Valuations Rule (e.g. copy of email sent to borrower, notes indicating date documents mailed to borrower, etc.), and
  - Appraisal Acknowledgment Form.
- **HOEPA Counseling Disclosure**
  - Copy of disclosure provided to the borrower.
- **NMLS Identification**
  - The loan originator's name, NMLS ID number and the loan originator's company (employer) name and NMLS ID number as listed in the NMLS **must be included on all** of the following:
    - Loan application
    - Note
    - Security Instrument (i.e. Mortgage or Deed of Trust).
- Lender Fee Worksheet
- QM and HOEPA Loan Detail Worksheet
- Affiliate Disclosure Worksheet, if applicable
- Lender QM/HOEPA Points and Fees Test Results
- Copy of Undiscounted Lender Rate Sheet, if applicable
- Bona Fide Discount Point Worksheet, if applicable
- Lender Rate Lock Confirmation with Borrower



## Chapter 2 - Compliance

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### Quality Control Requirements

Planet requires evidence of a fraud check be included in every file submitted for purchase. Planet does not accept a social security number and an OFAC check alone to satisfy this requirement. A single or joint report must contain the debts of all parties.

At a minimum, the Seller must provide evidence that all high risk alerts have been reviewed and cleared.

The fraud check should include, but are not limited to:

- Borrower validation to include:
  - Address
  - Employment
  - Phone number
  - Property alerts
- Loan Officer NMLS ID number
- Seller
- Social security number verification
- MERS and property information to include a minimum 12 month chain of title

Planet will accept a fraud check which utilizes a specific combination of alerts, loan characteristics, known fraud schemes, and high-risk elements to identify loans requiring additional review. Planet will accept most standard electronic fraud detection reports including, but not limited to:

- CoreLogic Loan Safe
- Data Verify
- Interthinx FraudGUARD
- LexisNexis

In those cases where an initial file submission does not include a fraud report, Planet may at its option, run a fraud check. The file may be conditioned based upon the findings. Additionally, if Planet elects to run the report there will be a charge to the Seller collected through the Purchase Advice.



## Chapter 3 – Prior Approval

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### Loans Submitted for Prior Approval

The Seller must fully process the loan prior to submission to Planet. Loans must be electronically uploaded through the CORE Seller Portal located at [www.phlcorrespondent.com](http://www.phlcorrespondent.com)

All documents necessary for underwriting must be included at time of submission. Any file submitted with missing documentation will be placed in an “Incomplete” status. If the documentation required is not received by Planet within 5 days, Planet will cancel the loan.

If Planet underwrites a file that is returned to the Seller (i.e. status of the loan is canceled, withdrawn, denied, NOR, etc.), a fee of \$150 per file will be charged to the Seller. Once Planet issues an Underwriting Fee Notification, the Seller is required to pay the fee within 15 business days. If the underwriting fee is not paid, Planet may offset any fees due from any proceeds owed to the Seller by Planet.

### Delegated Sellers

The following require Planet prior approval:

- Loans that exceed their delegation authority or with a loan amount greater than \$850,000
- Loans with an appraisal with a condition and/or quality rating of C6 or Q6
- > 45% DTI on a VA loan with a 620-639 creditscore

Planet will purchase loans underwritten and closed by the delegated Seller in all states.

### Non-Delegated Sellers

Planet will purchase loans in all states. Sellers may submit all Fannie Mae, Freddie Mac and Jumbo products for prior approval. Additional approvals are required for Sellers to deliver FHA loans for prior approval. All loans delivered by a non-delegated Seller will be underwritten prior to purchase.

**As a reminder, VA and USDA products are not currently available for non-delegated Sellers.**

### FHA - Non-Delegated Underwriting

Products available FHA 203(b) and FHA 203(k), Conforming and High Balance, Fixed and ARMs, and manual downgrades as required.

Sellers with an FHA Mortgagee approval can request to be approved as a Sponsored Third-Party Originator (TPO). Sellers that are an FHA Mortgagee, and have Unconditional Direct Endorsement (DE) authority have the option of being a Sponsored TPO or a Principal/Authorized Agent with Planet.

### Sponsored Third-Party Originator Relationship

A Sponsor/Sponsored Third-Party Originator (TPO) relationship is one which Planet permits the Correspondent Seller to act as an originator and originate Mortgages on behalf of Planet. A Sponsored TPO is authorized to originate mortgages for sale to Planet.



## Chapter 3 – Prior Approval

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### Principal/Authorized Agent Relationship

Principal/Authorized Agent Relationship is one in which a Mortgagee with Unconditional DE Authority permits another Unconditional DE-approved Mortgagee to underwrite on its behalf. A Correspondent Seller with Unconditional DE authority can designate Planet to act as its “authorized agent” for the purpose of underwriting Mortgages. The Correspondent Seller must originate the Mortgage and Planet must underwrite the Mortgage.

### Loan Process

Loans should be submitted for Prior Approval through the CORE Seller Portal following the normal process.

#### Correspondent Seller Responsibilities

- Originate the Loan
- Obtain the FHA Case# with Planet shown as Sponsor/Authorized Agent
- Order the Appraisal and identify Planet as Sponsor/Authorized Agent
- Upload Appraisal in EAD and review FHA logging
- Run CAIVRS and LDP/SAM checks
- Run Total Scorecard
- Close and fund the loan
- Pay UFMIP

#### Planet Responsibilities

- Underwrite the loan
- Update FHAC appraisal logging
- Submit the loan HUD for insuring in the name of Planet.

#### Documentation

The forms required are the same for both Sponsored TPO and Principle/Authorized Agent relationship. Documents generated by Planet will be provided to the Seller when the loan is “Clear to Close” unless requested earlier.

- HUD 92900-A HUD Addendum to Uniform Residential Loan Application
  - Initial - Seller to provide initial pages 1 & 2 signed by the Borrower and MLO
  - Final - Planet will provide
- HUD 92900-LT FHA Loan Underwriting and Transmittal Summary
  - Planet will provide
- HUD 92800-56 Conditional Commitment Direct Endorsement Statement of Appraised Value
  - Planet will provide



## Chapter 4 - Mortgage Insurance

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### Overview

Planet requires all conventional loans with a loan-to-value (LTV) greater than 80% to have mortgage insurance (MI). It is the sole responsibility of the Seller to ensure all loans are in compliance with any state laws, MI regulations and the applicable MI Company guidelines.

### Eligible Mortgage Insurance Companies

Planet will accept mortgage insurance issued by any mortgage insurance (MI) company that is Fannie Mae or Freddie Mac approved. Fannie Mae approved MI companies can be viewed at [Fannie Mae.com](http://FannieMae.com) or [Freddie Mac.com](http://FreddieMac.com). The mortgage insurance coverage must meet the requirements detailed in the Coverage Requirements topic below.

### Eligible Types of Mortgage Insurance

Planet will accept the following MI products:

- Borrower paid mortgage insurance (BPMI) with a monthly premium.
- Borrower paid single premium may be financed into the loan subject to the following:
  - One unit owner occupied property or second home
  - Purchase and rate/term refinance transaction
  - Conforming and High Balance loan amounts on conventional transactions
  - A Financed Mortgage Insurance Premium Endorsement to the mortgage insurance policy is required. The endorsement must provide that the insurance benefit paid pursuant to the “percentage option” in satisfaction of a claim will be calculated as:
    - The claim amount minus the unamortized portion of the financed MI premium multiplied by the applicable coverage percentage, **plus**
    - The unamortized portion of the financed mortgage insurance premium.

Additionally, the following applies to financed MI:

- The amount of required mortgage insurance coverage is determined based on the LTV calculated without the financed premium.
  - To calculate the maximum LTV permitted for the transaction, divide the original loan amount, plus the financed mortgage insurance, by the lower of the sales price or current appraised value.
  - The loan amount, including the financed mortgage insurance premium, can never exceed the applicable loan or LTV limit.
- Lender paid mortgage insurance (LPMI) with a single premium only
  - Split Premium



## Chapter 4 - Mortgage Insurance

The following MI options are available:

- Non-refundable
- Refundable
- Level/constant renewal

### Ineligible Types of Mortgage Insurance

Planet will not accept the following type of MI:

- Reduced coverage
- Lender paid with monthly or annual premiums, and
- Declining/amortized renewal

### QM Points and Fees Test

The following applies to MI premiums regarding the QM 3% points and fees test:

- **Borrower paid single premium non-refundable:**
  - The entire single premium amount is included in the 3% points and fees test
- **Borrower paid single premium refundable:**
  - The amount of the premium > 1.75% is included in the 3% points and fees test

*Example:*

- Loan amount is \$100,000
- MI premium is 2.55%
- $\$100,000 \times 2.55\% = \$2,550.00$  (total amount of premium)
- $\$100,000 \times 1.75\% = \$1,750.00$
- $\$2,550 - \$1,750 = \$800.00$

The dollar amount of the premium greater than 1.75% is \$800.00, so \$800.00 is the amount entered for the 3% points and fees test.

- **Split premium:**
  - The entire single premium amount is included in the 3% points and fees test

### Coverage Requirements

Planet will require MI coverage on conventional loans as detailed below:

Mortgage Insurance Standard Coverage Requirements				
Transaction Type	LTV Range			
	80.01-85%	85.01- 90%	90.01 – 95%*	95.01 – 97%**
Fixed Rate: 10,15 and 20 year terms	6%	12%	25%	35%
Fixed Rate: 25 & 30 year terms; ARMs*	12%	25%	30%	35%

\*ARMs maximum LTV 90% on conforming loan amounts. **ARMs available on Fannie Mae products; Freddie Mac ineligible at this time.** \*\*Refer to [Fannie Mae Conforming](#) program guides for eligibility > 95% LTV.

## Chapter 5 - Products and Programs

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### Overview

Planet Home Lending follows the applicable Agency guidelines whenever a topic is not addressed in the specific program guide or on the Planet Overlay document.

Planet offers the following programs and products:

### Conventional Programs

#### Fannie Mae Conforming Program

- Fixed Rate: Fully amortizing 10, 15, 20, 25 and 30-year terms
- ARMs: 5/1, 7/1, and 10/1. LIBOR index; 5/2/5 caps; Margin/Floor: 2.25%
  - 5/1 ARM qualified at the greater of the fully indexed rate or the Note rate plus 2%
  - 7/1 and 10/1 ARM qualified at the greater of the fully indexed rate or Note rate

#### Fannie Mae High Balance Program

- Fixed Rate: Fully amortizing 15 and 30-year terms
- ARMs: 5/1, 7/1 and 10/1. LIBOR index; 5/2/5 caps; Margin/Floor: 2.25%
  - 5/1 ARM qualified at the greater of the fully indexed rate or the Note rate plus 2%
  - 7/1 and 10/1 ARM qualified at the greater of the fully indexed rate or Note rate

#### Fannie Mae DU Refi Plus Program

- First lien fully amortizing 10, 15, 20, 25 and 30-year terms
- Fixed rate only

#### Fannie Mae HomeReady

- Fixed Rate: 10, 15, 20 and 30-year terms
- ARM: 5/1 (2/2/5 caps only), 7/1 and 10/1, LIBOR index, Margin/Floor: 2.25%
  - 5/1 ARM qualified at the greater of the fully indexed rate or the Note rate plus 2%
  - 7/1 and 10/1 ARM qualified at the greater of the fully indexed rate or Note rate

#### Fannie Mae Texas 50(a)(6) and Texas 50(f)

- Fixed Rate: Fully amortizing 10, 15, 20, 25, and 30 year terms

#### Prime Jumbo Program

- Fixed Rate: 15, 20 and 30-year terms
- ARMs: 5/1 (2/2/25 Caps), 7/1 and 10/1 (5/2/5 Caps); LIBOR index, Margin/Floor: 2.25%
  - 5/1 ARM qualified at the Note rate plus initial cap
  - 7/1 and 10/1 ARM qualified Note rate



## Chapter 5 - Products and Programs

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### Freddie Mac

- Fixed Rate: Fully amortizing 10,15, 20, 25, and 30-year terms

### Freddie Mac Texas 50(a)(6) and Texas 50(f)

- Fixed Rate: Fully amortizing 10, 15, 20, 25, and 30 year terms

## Government Programs

### FHA Conforming and High Balance Program

- Fixed Rate: Fully amortizing 15, 20, 25, and 30-year terms
- ARMs: 3/1 and 5/1; 1-year Treasury index; 1/1/5 caps; Margin/Floor: 2.00
  - Qualified at the Noterate

### FHA Streamline Program – Conforming and High Balance

- Fixed Rate: Fully amortizing 15, 30-year terms
- ARMs: 3/1 and 5/1; 1-year Treasury index; 1/1/5 caps; Margin/Floor: 2.00
  - Qualified at the Noterate

### FHA 203(k) Program – Conforming and High Balance

- Standard and Limited
- Fixed Rate: Fully amortizing 30-year term

### FHA 203(h) Program – Presidentially-Declared Disaster Area Mortgage

- Fixed Rate: Fully amortizing 15, 20, 25 and 30-year terms
- ARMs: 3/1 and 5/1; 1-year Treasury index; 1/1/5 caps; Margin/Floor: 2.00
  - Qualified at the Note rate

### VA and VA IRRRL Programs – Conforming and High Balance

- Fixed Rate: Fully amortizing 15, 20, 25, and 30-year terms
- ARMs: 3/1 and 5/1; 1-year Treasury index; 1/1/5 caps; Margin/Floor: 2.00
  - Qualified at the Note rate

### USDA Purchase, Non-Streamlined, Streamlined and Streamlined Assist Refinance Programs

- Fixed Rate: Fully amortizing 30-year terms

### All Programs

- Assumptions: Allowed
- Buydowns: Permitted on FHA and VA only
- Interest-only: Not permitted

## Chapter 5 - Products and Programs

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- Prepayment penalty: Not permitted
- Escrow/Impound Accounts:

### **Conventional:**

- > 80% LTV impounds required unless prohibited by state law (> 90% LTV in CA)
- ≤ 80% LTV impounds not required
- Escrowed Flood Insurance premiums: required on loans closed after January 1, 2016.

### **FHA:**

- Required on all loans; no exceptions
- Escrowed Flood Insurance premiums: required on loans closed after January 1, 2016.

### **VA:**

- Required on all loans; no exceptions
- Escrowed Flood Insurance premiums: required on loans closed after January 1, 2016.

## **Loan Documents**

Planet accepts standard Agency loan documents. Sellers are responsible for providing all applicable documentation.

Planet's loan documents are available through DocMagic and DocuTech.

## Fannie Mae Conforming Program Guidelines

Owner-Occupied Primary Residence <sup>3</sup> Fixed Rate and ARM					
Transaction Type	Units	LTV <sup>1</sup>	CLTV	Loan Amount <sup>2</sup>	Credit Score
Purchase	1	97% <sup>8</sup>	97% <sup>8</sup>	Refer to Loan Amount	Per DU
		95%	95% <sup>6</sup>		
	2	85%	85% <sup>6</sup>		
	3-4	75%	75% <sup>6</sup>		
Limited Cash-Out	1	97%	97%		
		95%	95% <sup>6</sup>		
	2	85%	85% <sup>6</sup>		
	3-4	75%	75% <sup>6</sup>		
Cash-Out	1	80%	80%		
		80% <sup>7</sup>	80% <sup>7</sup>		
	2-4	75%	75%		
Second Home <sup>3,4</sup> Fixed Rate and ARM					
Transaction Type	Units	LTV <sup>1</sup>	CLTV	Loan Amount <sup>2</sup>	Credit Score
Purchase	1	90%	90%	Refer to Loan Amount	Per DU
Limited Cash-out	1	90%	90%		
Cash-Out	1	75%	75%		
Investment (Non-Owner Occupied) <sup>3,5</sup> Fixed Rate and ARM					
Transaction Type	Units	LTV	CLTV	Loan Amount <sup>2</sup>	Credit Score
Purchase	1	85%	85%	Refer to Loan Limits Below	Per DU
	2-4	75%	75%		
Limited Cash-Out	1-4	75%	75%		
Cash-Out <sup>6</sup>	1	75%	75%		
Cash-Out	2-4	70%	70%		
Texas 50(a)(6) <sup>9,10</sup> Fixed Rate only					
Cash-Out	1	80%	80%	Refer to Loan limits below	Per DU
Texas 50(f) <sup>10</sup> Fixed Rate only					
Rate Term Refinance	1	80%	80%	Refer to Loan limits below	Per DU

**Footnotes:**

- Loans >80% LTV require mortgage insurance and are subject to MI guidelines. The more restrictive minimum credit score requirement and guidelines apply. LTV/CLTV restrictions may apply for properties located in adverse markets. Refer to the [Mortgage Insurance](#) topic under the Program Guidelines for additional information
- Minimum loan amount \$60,000.
- New or newly converted condominium projects located in Florida require PERS approval. Established Condominium projects in FL with PERS approval or Full Review; **project review not required on detached condos**; no LTV restrictions; projects with a Limited/CPM Review:
  - Primary residence: Max 75/90/90% LTV/CLTV/HCLTV
  - Second home: Max 70/75/75% LTV/CLTV/HCLTV
  - Investment: Limited or CPM Review ineligible
- Second home and investment transactions, Borrowers with 5-10 financed properties, are subject to Fannie Mae guidelines for 5-10 financed properties. Refer to the [Financed Properties](#) topic for details.
- Refer to [Delayed Financing](#) topic for detailed requirements.
- Up to 105% CLTV allowed when using a Community Seconds that meets Fannie Mae guidelines.
- Maximum 80% LTV is effective with loans submitted to DU 9.2 on or after the weekend of December 13, 2014.
- Purchase transactions: Must be first time home buyer. Refinance transactions: Current loan Fannie Mae. Refer to the [95.01%-97% LTV](#) topic for complete must be owned/secured by requirements.
- Fee restrictions apply. Some third-party fees are allowed but Not included in the 2% fee cap. Refer to the [Loan Fees](#) sections for complete listings.**
- Conventional, FHA or VA Rate/Term Refinance allowed (Restrictions apply).**



## Fannie Mae Conforming Program Guidelines

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Fannie Mae Maximum Low and High-Cost Conforming Loan Limits			
<i>Contiguous States District of Columbia, and Puerto Rico</i>			<i>Alaska, Hawaii</i>
Unit	Low Cost	High Cost	
1	\$453,100	\$679,650	\$1,019,475
2	\$580,150	\$870,225	\$1,305,325
3	\$701,250	\$1,051,875	\$1,577,800
4	\$871,450	\$1,307,175	\$1,960,750

## Fannie Mae Conforming Program Guidelines

Topic	Guideline
4506-T	<ul style="list-style-type: none"> <li>All borrowers must sign 4506-T prior to loan closing</li> <li>Tax transcripts, both personal and/or business, must be provided when required per DU.</li> </ul> <p><b>Note:</b> In the event of past identity theft, Planet will accept transcripts that the borrower obtained from the IRS along with a certification that the returns are true and correct.</p>
95.01 %- 97 % LTV	<p>Purchase and rate/term refinance eligible as follows:</p> <ul style="list-style-type: none"> <li>Property is a 1-unit primary residence</li> <li>Fixed rate required</li> <li>DU Approve/Eligible is received</li> <li>Conforming loan amounts only</li> <li>Maximum 97% LTV/CLTV/HCLTV. CLTV may only exceed 97% if the second lien is a Community Seconds (maximum 105% CLTV)</li> <li>35% mortgage insurance coverage</li> <li>Standard minimum borrower contribution requirements apply (purchase transactions)</li> <li><b>Purchase transactions</b> at least one borrower is a first-time home buyer (defined as a borrower who has not had an ownership interest in a property in the previous 3years.)</li> <li><b>Refinance transactions</b> require documentation that the loan is currently owned/secured by Fannie Mae (e.g. screen shots from Fannie Mae's <a href="#">KnowYourOptions</a> website, documentation from loan service, etc.)</li> <li>Loan meets all other Planet guidelines.</li> </ul>
Ability to Repay/ Qualified Mortgage	<p>Planet requires all loans to be originated and closed in compliance with Agency and Planet guidelines. Planet will purchase owner-occupied and second home transactions as follows:</p> <ul style="list-style-type: none"> <li>Loans eligible under Temporary QM, and</li> <li>Loans that meet the Safe Harbor or Rebuttable Presumption provisions, and</li> <li>Pass the points and fees test, as applicable.</li> </ul> <p>Additionally, all disclosures and documentation required under the ATR/QM provisions of the Dodd-Frank Act must be provided.</p>
Affidavit of Identity	Planet may require an Affidavit of Identity if a borrower signature appears incomplete or illegible.
Age of Documents	<ul style="list-style-type: none"> <li>All credit and asset documentation must be the lesser of the expiration date noted per DU or ≤ 4 months from the Note date.</li> <li>Appraisal documents must be ≤ 4 months from the Note date or an appraisal update will be required. Appraisal updates must be ≤ 8 months or a new appraisal is required.</li> <li>The title commitment must be ≤ 90 days from the Note date</li> <li>VVOE requirements: <ul style="list-style-type: none"> <li>Wage earners: ≤ 10 business days from the Note date</li> <li>Self-employed: ≤ 120 calendar days</li> </ul> </li> <li>New construction requires all documentation to be ≤ 4 months from the Note date.</li> </ul>
Appraisals	<p>DU determines the level of appraisal on owner-occupied properties. If a reduced appraisal recommendation is received from DU, <b>it must be on the final DU.</b></p> <ul style="list-style-type: none"> <li>Appraisals must be Uniform Appraisal Data (UAD) compliant and meet Fannie Mae's Appraiser Independence Requirements (AIR).</li> <li>All appraisals must be submitted to the UCDP by the AMC or independent appraiser. A copy of the Fannie Mae Submission Summary Report (SSR), which include the Appraisal Finding Detail Report (AFDR) with a Document File Status of "Successful" and the ten (10) digits Doc File ID number, or a copy of the XMLfile must be provided.</li> <li>A Market Condition Addendum is required on all appraisals.</li> <li>Appraisal must identify and address properties located within a declining market.</li> <li>A full appraisal must provide legible interior and exterior photos. <ul style="list-style-type: none"> <li>The exterior photos must contain photos of the front, back and street scene of the subject property as well as the front of all comparable sales.</li> </ul> </li> </ul>

## Fannie Mae Conforming Program Guidelines

### Appraisals (cont.)

- The interior photos, at minimum, must include:
    - Kitchen, (free-standing stove/range or refrigerator not required)
    - Main living area
    - All bathrooms
    - Examples of physical deterioration, if present, and
    - Examples of recent updates (i.e. restoration, remodeling/renovation) if present.
  - Comparable sales used for new construction properties are subject to the following:
    - If all three of the comparable sales used to support the value of the subject property were obtained from one of the above sources (public source eligible in Vermont and Maine only) no further action is required.
    - If the comparable sales are not all obtained from an MLS, MRIS, MRED, NTREIS, or from an independent source (Vermont and Maine only), the appraiser must comment that the subject property development is being marketed in an “open” or “public” environment (i.e. newspaper advertisements, billboard signs, website, etc.).
  - Additionally, the following applies:
    - One of the comparable sales must be outside the project the subject property is located in and be from an MLS, MRIS, MRED, NTREIS, SABOR, GeoData, or Comps Inc. or public source (public source Vermont/Maine only).
    - Two of the comparable sales must be from sources other than the subject property Builder.
- NOTE: The appraiser is always allowed to provide more than three comparable sales to support the property value.
- Planet requires properties to be, at minimum in average condition. Additionally the following applies:
    - A conventional heat source with the ability to maintain a temperature of 50° in areas of the property where there is plumbing
    - Any broken glass that is a health hazard must be removed, and the opening closed.
  - Properties with a Condition Rating of C6 or Quality Rating of Q6 require Planet prior approval.
  - An appraisal update will be required when the appraisal is dated more than 4 months from the Note date. The update must be completed prior to the expiration of the appraisal. The appraisal update must include a photo of the front of the subject property. If the appraiser indicates a decline in value, a new appraisal is required. A new appraisal will be required when the appraisal with an update is > 8 months from the Note date.
  - A transferred appraisal is acceptable when the following is provided:
    - A copy of the Fannie Mae Submission Summary Report (SSR) with a Document File Status of “Successful” and a PDF version of the appraisal report,
    - An appraisal transfer letter and
    - Confirmation that the appraisal is A.I.R. compliant.
  - Properties located in a FEMA Disaster Declaration area will be subject to additional appraisal review. Refer to [Chapter 8 Loan Purchasing](#) for detailed requirements.

Refer to the Fannie Mae Selling Guide for complete appraisal requirements.

## Fannie Mae Conforming Program Guidelines

<p><b>Assets</b></p>	<p>Documentation requirements per DU.</p> <ul style="list-style-type: none"> <li>• All funds used to close the transaction must be disclosed on the 1003 and input into DU.</li> <li>• The borrower must provide evidence that the earnest money deposit came from an acceptable source and that they have sufficient assets to cover the down payment, closing costs, prepaids and reserve requirements. Evidence required:             <ul style="list-style-type: none"> <li>– Two months most recent bank or financial statements, all pages. If a copy of the canceled deposit check is used to document the source of funds, the bank statements must cover the period up and including the date, the earnest money check cleared the bank.</li> <li>– Sellers who are also the depository for the borrower's account may provide a printout or other alternative verification of the borrower's bank account assets produced directly from the bank or credit union's system in lieu of bank statement(s).</li> </ul> </li> <li>• A Verification of Deposit (VOD) is acceptable as the primary source of verification.</li> <li>• Business funds of a self-employed borrower may be used for down payment, closing costs and/or reserve requirements subject to the following:             <ul style="list-style-type: none"> <li>– The borrower must be listed as an owner on the account. If the borrower's name is not listed on the business account statement, documentation that the borrower is an authorized signer on the account is required. This applies to all business accounts, including sole proprietorships, when business account funds are being utilized for down payment, closing costs and/or reserves. Examples of acceptable documentation:                 <ul style="list-style-type: none"> <li>o Letter from the bank confirming borrower is an authorized signer, or</li> <li>o Online documentation that confirms borrower is an authorized signer.</li> </ul> </li> <li>– If the account is held jointly, an access letter, stating the borrower has access to 100% of the business funds are required when the business funds are being used for down payment and/or costs. An access letter is <b>not required</b> if business funds are being used to satisfy reserve requirements, however, at Seller discretion, may be requested.</li> </ul> </li> <li>• A cash flow analysis, based on 3 months business bank statements, dated within 60 days of the closing date, is required. The cash flow analysis must indicate the following:             <ul style="list-style-type: none"> <li>– The average running balance in the account for the previous 3 months stayed the same or was better, <b>and</b></li> <li>– The monthly business expenses were analyzed and documented (i.e. rent, payroll, lease of equipment, etc.), as applicable for the type of business. The Seller is responsible for determining the withdrawal will not have a negative impact on the business.</li> </ul> </li> <li>• Cash on hand, unsecured borrowed funds or unverified funds are ineligible sources for assets.</li> <li>• Verification of assets from foreign sources:             <ul style="list-style-type: none"> <li>– Funds that a borrower (either U.S. citizen or non- U.S. citizen) has deposited into a U.S. depository institution are acceptable provided all of the following requirements are met:                 <ul style="list-style-type: none"> <li>o Documentation of the transfer of funds from the borrower's country of origin is provided, and</li> <li>o It can be established that the funds belonged to the borrower before the date of transfer, and</li> <li>o The source of all funds used for closing can be verified following the same requirements for U.S. citizens.</li> </ul> </li> </ul> </li> <li>• Payout from a life insurance policy is acceptable for down payment or closing costs. A copy of the check or payout statement, issued by the insurance company is required. If the cash value is being used for reserves, documentation of the cash value is required however the policy does not need to be liquidated.</li> <li>• Proceeds from the sale of a currently owned property are eligible for down payment and closing costs. The final Settlement/CD for the existing property (not required to be fully executed) must be provided before or at closing to show sufficient net cash proceeds to close the purchase.</li> <li>• Large deposits are considered to be a single deposit where any <b>unsourced</b> portion of the deposit exceeds 50% of the combined gross monthly income of the borrower(s). If the deposit includes both sourced and unsourced funds, only the unsourced portion is used to calculate whether the deposit meets the 50% definition. Direct deposits, such as IRS or state income tax refunds, transfer of funds between verified accounts, that are easily identified on the account statement(s), do not require documentation. Requirements for documenting large deposits are as follows:             <ul style="list-style-type: none"> <li>– <b>Refinance transactions:</b> Large deposits are not required to be explained however it must be determined if the deposit represents borrowed funds, which would require any payment.</li> </ul> </li> </ul>
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## Fannie Mae Conforming Program Guidelines

<b>Assets (cont.)</b>	<ul style="list-style-type: none"> <li>– <b>Purchase transactions:</b> If the funds from a large deposit are needed for the down payment closing costs or reserves on the transaction documentation must be provided that the funds are from an acceptable source. Any large undocumented deposit will be deducted from the amount of verified funds, and the reduced asset amount will be used for qualification.</li> </ul> <p><i>Examples:</i></p> <ol style="list-style-type: none"> <li>1. The borrower has a monthly income of \$4,000 and a bank account with a balance of \$20,000. A deposit of \$3,000 was made, but \$2,500 of the deposit is documented as the borrower's tax refund (sourced).  In this example, only the \$500 is considered "unsourced" (\$3000 total deposit minus \$2500 tax refund) and is included in the large deposit calculation.  The unsourced \$500.00 is only 12.5% of the borrower's monthly income; therefore, it does not meet the large deposit definition (50% of the borrower's total monthly qualifying income). In this example, documentation is not required and the entire \$20,000 balance in the borrower's bank account may be used for underwriting purposes.</li> <li>2. The same borrower has a deposit of \$3,000 but only \$500 is documented as the borrower's tax refund (sourced) leaving \$2,500 has unsourced.  In this example, the unsourced \$2,500 is 63% of the borrower's \$4,000 monthly income which does meet the definition of a large deposit. The unsourced \$2,500 must be deducted from the borrower's \$20,000 bank account balance leaving \$17,500 that may be used for underwriting purposes.</li> <li>3. The same borrower has 3 separate unsourced deposits of \$1800 which technically does not meet the 50% of the borrower's gross monthly income requirement since each deposit is less than \$2,000 (50% of \$4,000) however at underwriter discretion sourcing/documentation may be required.</li> </ol>
<b>Assumptions</b>	Planet follows Fannie Mae Guidelines.
<b>AUS</b>	DU "Approve/Eligible" results required. Manual underwriting is ineligible.
<b>Available Markets</b>	<ul style="list-style-type: none"> <li>• <b>Delegated Sellers</b> Planet will purchase loans underwritten and closed by the delegated Seller in <b>all</b> states.</li> <li>• <b>Non-Delegated Sellers</b> Planet will purchase loans from non-delegated Sellers in all states on Fannie Mae products.</li> <li>• The U.S. territories of Guam, Puerto Rico, and the Virgin Islands are ineligible regardless of Delegation.</li> </ul>
<b>Borrowers - Eligible</b>	<ul style="list-style-type: none"> <li>• A natural person</li> <li>• U.S. citizens</li> <li>• Permanent resident aliens:               <ul style="list-style-type: none"> <li>– Permanent resident alien borrowers must hold an unexpired "Green Card" issued by the U.S. Citizenship and Immigration Services (USCIS). A copy of both the front and back of the card is required.</li> </ul> </li> <li>• Revocable Inter vivos trust that meets Fannie Mae guidelines</li> <li>• Non-permanent resident aliens:               <ul style="list-style-type: none"> <li>– Non-permanent resident aliens are temporary residents who are eligible to live/work in the United States for a specific period of time. Acceptable documentation of their work authorization is:                   <ul style="list-style-type: none"> <li>○ An unexpired Employment Authorization Document (EAD) by the USCIS, or</li> <li>○ An unexpired visa. Eligible types are E-1, G series, H series, or TN.</li> </ul> </li> <li>– If the authorization for temporary residency will expire within one year of closing and a prior history of residency status renewals exists, continuation may be assumed. If there are no prior renewals, the likelihood the authorization will be renewed must be determined based on information received from the USCIS.</li> </ul> </li> <li>• All borrowers are required to have a social security number.</li> </ul>
<b>Borrowers – Ineligible</b>	<ul style="list-style-type: none"> <li>• Foreign Nationals</li> <li>• Borrowers with diplomatic immunity and IMF employees</li> <li>• Borrowers without a social security number</li> </ul>



## Fannie Mae Conforming Program Guidelines

<b>Borrower Types</b>	<ul style="list-style-type: none"> <li>• <b>Co-Borrower:</b> An individual, who applies jointly with the applicant, takes title to the property and is liable for the debt. The co-borrower signs all documents.</li> <li>• <b>Non-Occupant Co-Borrower:</b> An individual, who applies with the applicant, May or may not takes title to the property and is liable for the debt but does not live in the property. <ul style="list-style-type: none"> <li>– DU determines the risk factor without the non-occupant co-borrowers income.</li> <li>– Non-occupant co-borrowers assets may be used to meet the 5% borrower contribution requirement (as applicable). The total liquid assets for both the occupying and non-occupying borrower must be entered in DU to ensure an accurate DU calculation of total available assets.</li> </ul> </li> <li>• <b>Co-Signer:</b> An individual who has no ownership interest in the property, but is liable for the debt. Assets are always used for qualification. Income and debt are only considered when the co-signer occupies the subject property.</li> <li>• <b>Non-Borrowing/Non-Purchasing Spouse</b> <ul style="list-style-type: none"> <li>– Generally have no ownership interest in the property and are not liable for the debt. In community property/marital rights states the non-borrowing spouse does have an interest in the property and is required to execute the security instrument and all applicable documents as determined by state law.</li> </ul> </li> </ul> <p>NOTE: Community property states: Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington and Wisconsin.</p> <p><b>Down Payment and Qualifying Ratio requirements</b></p> <ul style="list-style-type: none"> <li>• When a non-occupant co-borrower or cosigner is on the loan, the occupying borrower must make a minimum 5% of the down payment from their own funds unless: <ul style="list-style-type: none"> <li>– The LTV/CLTV ratio is <math>\leq 80\%</math> and</li> <li>– The occupying borrower is purchasing a 1-unit principal residence and meets the requirements of gifts to pay for some or all of the borrower's minimum contribution.</li> </ul> </li> </ul>
<b>Chain of Title</b>	<p>A 12-month chain of title is required for all loans. Title must include all transfers in the previous 12 month period including copies of all recorded deed(s). More than one transfer in previous 12 months <b>or</b> property has significant increase in value since prior transfer an appraisal addendum addressing all transfers required. The addendum must include dates of sales, sales price and the Note if the sale was through an MLS or was a non-arm's length transaction.</p>
<b>Community Seconds</b>	<p>Community Seconds, meeting Fannie Mae requirements, are eligible for fixed rate purchase or rate/term refinance the 1-4 unit owner-occupied property.</p>
<b>Construction-to-Perm</b>	<p>The conversion of construction-to-permanent financing involves the granting of a long-term mortgage to a borrower for the purpose of replacing interim construction financing that the borrower has obtained to fund the construction of a new residence.</p> <ul style="list-style-type: none"> <li>• Construction-to-permanent financing can be structured as a transaction with one or two separate closings, and both single closing and two closing transactions are eligible for purchase.</li> <li>• All construction work, including any work that could entitle a party to file a mechanics' lien or material lien, must be completed and paid for, and all mechanics' liens and any other liens and claims that could become liens relating to the construction must be satisfied before the loan is closed with Planet. Planet will retain the appraiser's certificate of completion and a photograph of the completed property in the loan file. When a construction-to- perm mortgage loan provides funds for acquisition or refinancing of an unimproved lot and the construction of a residence on the loan, Planet will retain a certificate of occupancy or an equivalent from the applicable government authority.</li> <li>• Units in a condo project are not eligible for construction-to-permanent financing.</li> <li>• <b>Detached condos allowed.</b></li> </ul> <p><b>Single-Closing Transactions</b></p> <ul style="list-style-type: none"> <li>• Single-closing transactions may be closed as either a purchase or limited cash-out refinance.</li> <li>• Transactions structured as a purchase; the borrower is not the owner of the lot prior to the loan application. Purchase LTV/CLTV limits apply</li> <li>• Transactions structured as a rate/term refinance the borrower holds legal title to the lot prior to applying for the interim construction financing. Limited cash-out (rate/term) LTV/CLTV limits apply.</li> </ul>



## Fannie Mae Conforming Program Guidelines

<b>Construction-to-Perm (cont.)</b>	<p><b>Two-Closing Transactions</b></p> <ul style="list-style-type: none"> <li>Two-closing construction-to-perm transactions utilize two separate loan closings with two separate sets of legal documents. A modification may not be used to update the original Note; a new Note must be completed and signed by the borrowers. The first closing is to obtain the interim construction financing (and may include the purchase of the lot) and the second closing is to obtain the permanent financing upon completion of the improvements.</li> <li>The borrower is underwritten based on the terms of the permanent mortgage.</li> <li>Transactions are subject to the limited cash-out and cash-out refinance maximum LTV/CLTV/HCLTV ratios, as applicable.</li> <li>Cash-out refinance transactions require the borrower to have held legal title to the lot for at least 6 months prior to the closing of the permanent mortgage.</li> <li>All other standard cash-out refinance eligibility and underwriting requirements apply.</li> </ul> <p>Refer to the <a href="#">Fannie Mae Selling Guide</a> Chapter B5-3 for complete guidelines.</p>
<b>Contingent Liabilities</b>	<ul style="list-style-type: none"> <li><b>Business Debt</b> <ul style="list-style-type: none"> <li>Business debt that appears on a self-employed borrower's personal credit report requires documentation that the debt is paid from company funds and considered in the cash flow analysis for the borrower's business.</li> <li>Business debt does <b>not</b> need to be considered as part of the borrower's individual recurring monthly debt when: <ul style="list-style-type: none"> <li>The account does not have a history of delinquency, <b>and</b></li> <li>Documentation is provided that the debt was paid from the borrower's business funds (e.g. 12 months canceled business checks), <b>and</b></li> <li>The cash-flow analysis of the business took payment of the obligation into consideration. If documentation of payment from the business funds cannot be provided, or there is a history of delinquency on the account, the debt must be considered as part of the borrower's individual recurring debt obligation.</li> </ul> </li> </ul> </li> <li><b>Co-Signed Debt (aka Contingent Liability)</b> <ul style="list-style-type: none"> <li>Co-signed debt is <b>not required</b> to be included in the borrower's DTI calculation if all of the following applies: <ul style="list-style-type: none"> <li>Documentation that the party making the payment is obligated on the mortgage/debt</li> <li>No delinquent payments in the most recent 12 month history</li> <li>Most recent consecutive canceled checks are provided documenting the primary party obligated on the debt has been making the payments (the checks cannot be from an account co-owned with the borrower).</li> </ul> </li> <li>Co-signed debt must <b>be included</b> in the borrower's DTI calculation if: <ul style="list-style-type: none"> <li>It cannot be properly documented that the primary party obligated on the loan is making the payments, <b>or</b></li> <li>A 12 month pay history, by the primary party, cannot be established, <b>or</b></li> <li>The credit report indicates there have been late payments on the debt, <b>or</b></li> <li>Another party is making the payments, but the borrower is the individual responsible for the debt.</li> </ul> </li> </ul> </li> </ul>
<b>Conversion of Principal of Residence or Pending Sale</b>	<p><b>Pending Sale:</b> If the borrower is purchasing a new primary residence, and the current primary residence is pending sale, and the transaction will not close prior to the new transaction, the following is required:</p> <ul style="list-style-type: none"> <li>The borrower is qualified using their current PITA and the proposed PITIA (principal, interest, taxes, insurance and other assessments).</li> <li>The borrower must have 6 months PITIA in reserves for both properties.</li> <li>Two months reserves for each property will be allowed if 30% equity can be documented by an appraisal.</li> <li>The borrower's PITIA payment on their current residence will not be required when qualifying the borrower if <b>all</b> of the following applies: <ul style="list-style-type: none"> <li>The borrower meets the 6 months reserve requirement (or 2 months with documented equity) for both properties, and</li> <li>A copy of the executed sales contract is provided, and</li> <li>Documentation is provided confirming all financing contingencies have been cleared.</li> </ul> </li> </ul> <p><b>Conversion of Second Residence or Principal Investment Property:</b> Follow <a href="#">Fannie Mae Selling Guide</a>.</p>



## Fannie Mae Conforming Program Guidelines

<b>Credit History</b>	<ul style="list-style-type: none"> <li>• Tradelines requirements per DU.</li> <li>• Authorized user tradelines require underwriter review to ensure the tradelines are an accurate reflection of the borrower's credit history.</li> </ul>
<b>Credit - Installment/Revolving Accounts</b>	<p>All debts must be run through DU to ensure accurate DU results.</p> <ul style="list-style-type: none"> <li>• <b>Installment Debt</b> <ul style="list-style-type: none"> <li>– All Installment debts, including garnishments are considered recurring monthly debt obligations and must be included in the borrower's long-term debt for qualifying purposes if there are more than 10 months payments remaining.</li> <li>– Installment debt with <math>\leq 10</math> months remaining will be considered as a recurring monthly debt obligation if it significantly affects the borrower's ability to meet their credit obligations.</li> </ul> </li> <li>• <b>Revolving Debt</b> <ul style="list-style-type: none"> <li>– Revolving debt is considered part of the borrower's recurring monthly debt. Revolving debt includes credit cards and personal lines of credit (equity lines, secured by real estate, are included in the housing expense). Revolving debt is subject to the following: <ul style="list-style-type: none"> <li>○ If the monthly payment is not included on the credit report, the underwriter will use the greater of \$10 or 5% of the outstanding balance to determine the monthly payment.</li> </ul> </li> </ul> </li> <li>• <b>Payoff or Pay down debt before qualification</b> <ul style="list-style-type: none"> <li>– Payoff or pay down of a debt solely to qualify the borrower is carefully evaluated and will be considered in the overall loan analysis by the underwriter. Generally the following applies: <ul style="list-style-type: none"> <li>○ Revolving accounts that will be paid off at or prior to closing, a monthly payment is not required to be included in the debt ratio. Documentation that the account was paid off must be provided and verified prior to loan disbursement, or the payoff must be shown on the Settlement/CD.</li> <li>○ Installment loans that are being paid off or paid down to 10 or fewer remaining monthly payments do not need to be included in the borrower's long-term debt. Such accounts do not need to be closed as a condition of excluding the payment from the DTI ratio.</li> </ul> </li> </ul> </li> <li>• Open 30-day charge accounts require sufficient assets to pay off the debt to be excluded from the debt ratio.</li> <li>• <b>Student Loans</b> <p>Payments evidenced on credit reports can be used to qualify the borrower. When the credit report does not reflect the correct monthly payment amount:</p> <ul style="list-style-type: none"> <li>– Planet may use the most recent monthly payment reflected on the student loan documentation.</li> </ul> <p>When the credit report does not reflect a monthly payment amount or shows a \$0 amount as the monthly payment, one of the following options must be used when determining the qualifying monthly payment:</p> <ul style="list-style-type: none"> <li>– Planet may qualify borrowers on income driven payment plans using the \$0 as a monthly payment amount with evidenced documentation.</li> <li>or</li> <li>– For loans that are deferred loans or in forbearance, Planet may calculate: <ul style="list-style-type: none"> <li>○ A payment equal to 1% of the outstanding student loan balance (even if this amount is lower than the actual fully amortizing payment), or</li> <li>○ A fully amortizing payment using the documented loan repayment terms.</li> </ul> </li> </ul> </li> <li>• <b>Alimony Child Support/Separate Maintenance Payments</b> <p>Alimony/child support or separate maintenance payments that are required to be paid due to a divorce decree, separation agreement or another legal document may be:</p> <ul style="list-style-type: none"> <li>– Included in the borrower's monthly debt obligations if they will continue for &gt; 10 months</li> <li>– Deducted from the monthly base income</li> <li>– Voluntary payments are <b>not required</b> to be considered in the DTI calculation.</li> </ul> </li> </ul>



## Fannie Mae Conforming Program Guidelines

<p><b>Credit - Installment/Revolving Accounts (cont.)</b></p>	<p><b><u>Alimony Treatment</u></b></p> <p>There are now two options available with regard to alimony paid by the borrower as summarized below.</p> <ol style="list-style-type: none"> <li>1. The borrowers monthly qualifying income can be reduced by the amount of the monthly alimony payment, or</li> <li>2. Included as a monthly payment in the DTI calculation. <ul style="list-style-type: none"> <li>– <b>Lenders utilizing option 1</b> <ul style="list-style-type: none"> <li>o Must enter the adjusted income figure as the income amount in DU</li> <li>o Disregard the DU message requiring the inclusion of the alimony obligation as a monthly liability that is issued whenever the borrower declares on the loan application that they are obligated to pay alimony.</li> </ul> </li> <li>– <b>Lenders utilizing option 2</b> <ul style="list-style-type: none"> <li>o Follow the standard requirements as outlined in the <i>Monthly Debt Obligations</i> section of the Selling Guide.</li> </ul> </li> </ul> </li> </ol> <p><b>Note:</b> Lenders must continue to obtain documentation confirming the amount of the alimony obligation.</p>
<p><b>Credit Report/Scores</b></p>	<ul style="list-style-type: none"> <li>• Credit score per DU.</li> <li>• All borrowers are required to have a credit score (see exceptions below).</li> <li>• Planet will accept a credit report, in the Seller's name, from any Fannie Mae acceptable credit vendor.</li> <li>• A tri-merged credit report is required for all borrowers.</li> <li>• The representative credit score is determined as follows: <ul style="list-style-type: none"> <li>– If there are three (3) valid scores, the middle score is used. If two of the three scores are a duplicate, the duplicate score is used.</li> <li>– If there are two (2) valid scores, the lower of the two is used</li> <li>– If there is one (1) valid score, that score is used</li> </ul> </li> </ul> <p>The representative score for the loan is the lowest representative score of all borrowers.</p> <ul style="list-style-type: none"> <li>• The borrower(s) must address <b>all</b> credit inquiries indicated on the credit report within the previous 120 days and indicate the reason for and result of the inquiry (i.e. was new credit obtained or not).</li> <li>• Sellers are required to document that the borrower did not incur any new debt from the time the credit used to make the credit decision was pulled to the time of loan closing. Any of the following is acceptable documentation: <ul style="list-style-type: none"> <li>– A "soft pull" credit report, or</li> <li>– An affidavit, signed by the borrower(s) (sample form is on the Planet website under "Forms and Resources"), or</li> <li>– A letter, written and signed by the borrower(s) stating no new credit was obtained.</li> <li>– The credit report must be ≤ 4 months from the Note date</li> </ul> </li> </ul> <p><b>Frozen Credit</b></p> <p>If one of the three credit repositories display a frozen credit report the borrower may still qualify if:</p> <ul style="list-style-type: none"> <li>• Credit data is available from the other two repositories</li> <li>• A credit score is provided by at least one repository, and</li> <li>• Proof that lender requested a tri-merge credit report is evidenced in the file</li> </ul> <p>If credit data is frozen at two or more of the credit repositories the loan will not be eligible.</p> <p><b>Credit Report – Fraud Alert</b></p> <p>When a fraud alert, active duty alert or freeze is included with a credit report, additional steps are required to verify the borrower's identity and documentation must be provided. Documentation should include, but is not limited to:</p> <ul style="list-style-type: none"> <li>• A letter of explanation from the borrower, and</li> <li>• A copy of the identity theft report, and</li> <li>• An additional form of identity verification, and</li> <li>• If the credit alert contains a phone number for a verbal verification prior to credit being issued, documentation must be provided that the borrower was contacted.</li> </ul>



## Fannie Mae Conforming Program Guidelines

Credit Report/Scores (cont.)	<p><b>Credit Exceptions/Non-traditional Credit</b></p> <p>Planet will not require all borrowers on the loan to have a credit score subject to the following requirements:</p> <ul style="list-style-type: none"><li>• DU "Approve/Eligible" results</li><li>• 1-unit, primary residence</li><li>• All borrowers will occupy the property</li><li>• Purchase or LCOR transactions only</li><li>• Conforming Loan Limits only (High Balance amounts not permitted)</li><li>• Fixed Rate mortgage</li><li>• The maximum LTV, CLTV, and HCLTV ratios are 90%</li><li>• DTI must be less than 40%</li><li>• Reserves as required per DU</li><li>• Self-employed income permitted</li><li>• When no borrower has a credit score a non-traditional credit history must be documented for each borrower</li><li>• When one or more borrower(s) has a credit score and other borrower(s) do not:<ul style="list-style-type: none"><li>– If the borrower(s) with the credit score contributes ≤ 50% of the qualifying income, a non-traditional credit history must be documented for all borrower(s) without a credit score, and</li><li>– If the borrower(s) with the credit score contributes more than 50% of the qualifying income), there is no need to document a non-traditional credit history for borrower(s) without a credit score.</li></ul></li></ul> <p>Note: Refer to Fannie Mae Selling Guide section for complete details.</p>												
Deed/Resale Restrictions	Properties with age-related restrictions (55+ communities) are eligible subject to Fannie Mae requirements. All other properties subject to deed/resale restrictions are ineligible.												
Derogatory Credit	<p><b>Bankruptcy</b></p> <table><tr><th>Derogatory Event</th><th>Waiting Period</th><th>Extenuating Circumstance</th></tr><tr><td>Chapter 7 or 11 BK</td><td>4 years from discharge date to the disbursement date of the new loan.</td><td>2 years from discharge. The maximum LTV is the lesser of the 90% LTV or maximum LTV allowed for the program.</td></tr><tr><td>Chapter 13 BK</td><td><ul style="list-style-type: none"><li>• 2 years from discharge date to the disbursement date of the new loan, or</li><li>• 4 years from dismissal date the disbursement date of the new loan.</li></ul></td><td>2 years from discharge. The maximum LTV is the lesser of the 90% LTV or maximum LTV allowed for the program.</td></tr><tr><td>Multiple BK Filing*</td><td>5 years if more than one filing in the previous 7 years.</td><td>3 years from discharge dismissal.</td></tr></table> <p>*NOTE: Two or more borrowers with individual bankruptcies are not cumulative and are not considered multiple bankruptcies (e.g. the borrower has a bankruptcy and the co-borrower has a bankruptcy; Fannie Mae does not consider this multiple BKs).</p> <ul style="list-style-type: none"><li>• Extenuating circumstances are considered isolated events that are beyond the borrower's control that result in a sudden, significant and prolonged reduction in income or a large increase in the borrower's financial obligations (e.g. death of a borrower, layoff, serious illness, divorce, etc.).<ul style="list-style-type: none"><li>– Acceptable documentation to support extenuating circumstances and that illustrate factors that contributed to the borrower's inability to resolve the problem is required (e.g. copy of divorce decree, layoff notice, death certificate, medical bills, tax returns, property listing agreements, etc.).</li><li>– Additionally a letter of explanation from the borrower explaining the relevance of the documentation is required.</li></ul></li></ul> <p>NOTE: An "Approve/Eligible" results are still required even when considering extenuating circumstances; manual underwriting is not allowed on Agency loans.</p>	Derogatory Event	Waiting Period	Extenuating Circumstance	Chapter 7 or 11 BK	4 years from discharge date to the disbursement date of the new loan.	2 years from discharge. The maximum LTV is the lesser of the 90% LTV or maximum LTV allowed for the program.	Chapter 13 BK	<ul style="list-style-type: none"><li>• 2 years from discharge date to the disbursement date of the new loan, or</li><li>• 4 years from dismissal date the disbursement date of the new loan.</li></ul>	2 years from discharge. The maximum LTV is the lesser of the 90% LTV or maximum LTV allowed for the program.	Multiple BK Filing*	5 years if more than one filing in the previous 7 years.	3 years from discharge dismissal.
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Multiple BK Filing*	5 years if more than one filing in the previous 7 years.	3 years from discharge dismissal.											





## Fannie Mae Conforming Program Guidelines

### Derogatory Credit (cont.)

#### Collections/Charge-offs/Judgments

The following applies to collection and charge-off accounts:

- Past-due accounts (that have not gone to collection) must be brought current.
- **One Unit Owner-Occupied Primary Residence:**
  - The borrower is not required to pay off outstanding collections or charge-offs regardless of the amount.
- **Two-to-Four Unit Owner-Occupied Primary Residence and Second Home**
  - If the combined total of collections and charge-offs accounts is greater than \$5,000, the accounts must be paid in full prior to or at closing.
- **Investment Property**
  - Individual accounts greater than or equal to \$250.00 or, if the combined balance of all accounts is greater than \$1000.00; the accounts must be paid in full prior to or at closing.

NOTE: At underwriter discretion payoff of collection accounts may be required.

#### Mortgage Charge-offs

If the charge-off account was a mortgage, a 4 year waiting period (2 years with extenuating circumstances) applies. Refer to the [Deed-In-Lieu/Pre-Foreclosure](#) topic for requirements.

- If mortgage debt was discharged through the bankruptcy, even if there was a subsequent completed foreclosure action to reclaim the property, bankruptcy waiting periods may be applied, not foreclosure waiting periods if documentation is provided to verify the mortgage was discharged in the bankruptcy. If documentation cannot be provided, the greater of the applicable bankruptcy or foreclosure waiting period is applied.

#### Judgments/Tax Liens

Open judgments and all outstanding liens appearing in the Public Records section of the credit report must be paid off prior to or at closing. Documentation of sufficient funds to satisfy these obligations must be obtained.

#### Consumer Credit Counseling

Follow DU Findings

#### Foreclosure

A previous foreclosure is subject to the following:

- A 7 year waiting period from completion date to credit report date is required
- A 3 year waiting period with documented circumstances. The following also applies:
  - Maximum LTV/CLTV is the lesser of 90% or the program maximum
  - Borrower must be purchasing a primary residence, or
  - A limited cash-out refinance is permitted on all property types subject to eligibility requirements.

#### Deed-in-Lieu/Pre-Foreclosure (Short Sale/Short Pay-off)

- A 4 year waiting period is required regardless of the LTV (measured by event date to new loan disbursement date)
- A 2 year waiting period may be considered with acceptable documented extenuating circumstances\*.

NOTE: Disbursement date is defined as the date the loan funds are disbursed for the subject mortgage. The disbursement date may occur on or after the Note date.

#### \*Extenuating Circumstances

An extenuating circumstance is defined by Fannie Mae as a non-recurring event that was beyond the borrower's control that resulted in a sudden, significant and prolonged significant reduction in income (e.g. job loss, divorce, serious illness, etc.) or a catastrophic increase in financial obligations (e.g. large medical bills).



## Fannie Mae Conforming Program Guidelines

<b>Derogatory Credit</b> (cont.)	<p>An extenuating circumstance must be fully documented. Copies of any paperwork substantiating the event such as divorce decree, job layoff notice, severance papers, medical bills, etc. must be provided.</p> <p>Additionally copies of any documents substantiating the borrower's inability to resolve the problems resulting from the event such as insurance claims, unemployment paperwork, listing agreements, tax returns (covering the period of the event; before, during and immediately after), etc., are required.</p> <p>A letter of explanation from the borrower, explaining the event and documentation provided is also required.</p> <p><b>Disputed Accounts</b></p> <ul style="list-style-type: none"><li>• Disputed accounts are subject to DU Findings.</li><li>• If DU Findings do not indicate any action required none is required, however, the payment for the tradeline, if any, must be included in the DTI ratio if the account belongs to the borrower.</li><li>• If DU requires action on a disputed account the loan cannot close until the dispute has been resolved and an updated credit report, without the disputed account, is submitted to DU.</li></ul> <p>NOTE: An "Approve/Eligible" results must be received from DU after the updated credit report has been submitted.</p> <p><b>Delinquent Child Support</b></p> <p>Delinquent child support must be paid current or in a payment plan.</p> <p><b>Re-established Credit Requirements</b></p> <ul style="list-style-type: none"><li>• After a foreclosure, bankruptcy, deed-in-lieu, or pre-foreclosure borrowers are required to have re-established good traditional credit.</li><li>• Re-established credit is met if all of the following are met:<ul style="list-style-type: none"><li>– The above detailed waiting periods and additional related requirements are met</li><li>– The loan receives an "Approve/Eligible" Finding from DU</li><li>– The borrower has established new traditional credit (non-traditional credit or "thin files" are <b>not</b> acceptable).</li></ul></li></ul>
<b>DTI</b>	<ul style="list-style-type: none"><li>• Per DU</li><li>• Business debt may only be excluded from the DTI calculation if satisfactory documentation of the following is provided:<ul style="list-style-type: none"><li>– The account in question does not have a history of delinquency.</li><li>– The debt(s) are paid through the business verified with 12 months canceled business account checks.</li><li>– A cash-flow analysis of the business took the payment obligation into consideration.</li></ul></li><li>• Debt that has been assigned by order of the court is not required to be included in the borrower's DTI calculations; however the payment history for the debt prior to its assignment must be reviewed.</li></ul>
<b>Employment</b>	<ul style="list-style-type: none"><li>• A two-year employment history is recommended.</li><li>• Wage earner borrowers may be considered with a shorter employment history as long as the employment profile demonstrates positive factors to offset the shorter income history reasonably.</li><li>• Borrowers relying on overtime and/or bonus income for qualifying purposed must have a minimum 12 months history to be considered stable.</li><li>• Self-employed borrowers may be considered with a 12 to 24 month self-employment history when:<ul style="list-style-type: none"><li>– The borrower's most recent signed federal tax returns reflect the receipt of income at the same or greater level from a field that provides the same products/services as the current business, or</li><li>– Reflects income from an occupation in which the borrower had similar responsibilities as those undertaken in the current business.</li><li>– Seller's must thoroughly review and consider the borrower's level of experience and the amount of debt the business has.</li></ul></li><li>• A verbal verification of employment (VVOE) is required within 10 business days of the Note date for salaried borrowers and within 120 calendar days for self-employed borrowers. A sample VVOE form is posted on the Planet Home Lending website under "Forms and Resources." Sellers are not required to utilize this exact form. However, any form used, must provide the information contained on the Planet Home Lending form.</li></ul>



## Fannie Mae Conforming Program Guidelines

<b>Employment (cont.)</b>	<ul style="list-style-type: none"> <li>• A current paystub with YTD income and most recent W -2s are required.</li> <li>• Sellers must independently obtain the phone number, and when possible, the address of the wage earner borrower's employer using directory assistance/internet/phone book, etc.</li> <li>• Self-employed borrowers require verification of the business by a third party source (e.g. CPA, Federal Tax ID Certificate, Business License, and 411/Reverse Look-up). Self-employed borrowers are individuals who have 25% or greater ownership interest in a business.</li> </ul>
<b>Escrow Holdbacks</b>	<p>Loans with an escrow holdback are eligible for purchase when all funds are disbursed prior to the loan being purchased by Planet except as noted below. Loans must meet Planet's loan seasoning requirements detailed in <a href="#">Chapter 8 – Loan Purchasing</a>. Loans with holdback funds not disbursed prior to purchase are eligible as follows:</p> <ul style="list-style-type: none"> <li>• <b>Newly constructed properties – weather related</b> <ul style="list-style-type: none"> <li>– Funds held for completion of grading of yard/driveway, pouring concrete for driveway/sidewalks</li> <li>– Seller must provide proof of completion and release of funds post-purchase</li> </ul> </li> <li>• <b>Newly constructed properties with city held bond –weather related</b> <ul style="list-style-type: none"> <li>– Eligible for purchase with temporary Certificate of Occupancy when a city bond is held for completion of roads and/or driveways</li> </ul> </li> <li>• <b>New construction – non-weather related</b> <ul style="list-style-type: none"> <li>– Funds held for completion of landscaping</li> <li>– Seller must provide proof of completion and release of funds post-purchase.</li> </ul> </li> </ul> <p>Note: Existing properties with new renovations allowed on a case by case basis.</p>
<b>Escrow/Impound Account</b>	<ul style="list-style-type: none"> <li>• &gt;80% LTV required unless prohibited by state law</li> <li>• &lt; 80% LTV not required; refer to rate sheet for pricing adjustment</li> </ul> <p><b>Escrowed Flood Insurance Premiums</b></p> <p>Escrowed flood insurance premiums are required on all loans closed on or after January 1, 2016, including but not limited to Higher Priced Mortgage Loans (HPML). The Seller must provide the following prior to purchase by Planet:</p> <ul style="list-style-type: none"> <li>• Evidence that all flood insurance premiums have been escrowed (regardless of any other fees and charges associated with the loan).</li> <li>• The seller must use Standard Flood Hazard Determination Form (SFHDF) on all properties.</li> </ul> <p>Note: Planet will not waive the escrow for flood insurance premiums on loans secured by 1-4 unit properties (including PUDs and site condos). Loans closed on or after January 1, 2016, where flood insurance is required, and no flood escrow has been established are not eligible for purchase.</p>
<b>Financed Properties</b>	<ul style="list-style-type: none"> <li>• Owner-occupied properties: Unlimited</li> <li>• Second home and investment: Maximum 10 residential properties may be financed, including the borrower's principal residence. Borrowers with 7-10 properties must have a minimum credit score of 720; all other standards apply.</li> </ul> <p>Note: See <a href="#">reserves</a> topic for additional information</p> <p><b>Calculating the Number of Financed Properties</b></p> <p>Types of property ownership <b>included</b> in the calculation of financed properties:</p> <ul style="list-style-type: none"> <li>– Joint ownership of residential real estate</li> <li>– Property held in the name of a trust</li> <li>– Joint or total ownership of property held in the name of a corporation or S corp., even if the borrower is the owner of the corporation and the financing is in the name of the borrower</li> <li>– Borrower is obligated on the mortgage debt for a residential property regardless of whether or not the borrower is an owner of the property</li> <li>– Property is owned in the name of an LLC or partnership, and the individual or combined ownership is &gt; 25% regardless of the entity or borrower that is obligated on the mortgage</li> <li>– The property is owned in the name of an LLC or partnership where the borrower(s) have an individual or combined ownership in the LLC or partnership &lt; 25% and the financing are in the name of the borrower.</li> <li>– Ownership of a manufactured home and the land on which it sits is titled as real property.</li> </ul>





## Fannie Mae Conforming Program Guidelines

Financed Properties (cont.)	<p>Types of property ownership <b>not included</b> in the calculation of financed properties:</p> <ul style="list-style-type: none"><li>Commercial real estate</li><li>Multifamily property consisting of more than 4 dwelling units</li><li>Joint or total ownership of a property held in the name of a corporation or S corp., even if the borrower is the owner of the corporation and the financing is in the name of the corporation or S corp.</li><li>Timeshare</li><li>Vacant lot</li><li>Ownership of a manufactured home on a leasehold estate not titled as real property.</li></ul> <p>Planet limits its exposure to a maximum of 2 loans per borrower, and one must be a primary residence.</p>											
Gift Funds	<p>Gift funds from an acceptable donor, may be used for all or part of the down payment, closing costs, or reserve requirements as long as the borrower meets the minimum contribution requirements below.</p> <table><tr><th>LTV/CLTV</th><th>Property Type</th><th>Minimum Contribution from Borrower Own Funds</th></tr><tr><td rowspan="2">≥ 80.01%</td><td>1 unit primary residence</td><td>Not required if MI Certificate confirms coverage; otherwise 5% borrower's own funds required.</td></tr><tr><td>2-4 units, second home</td><td>5% borrower contribution required. Gifts may be used after the borrower own funds contribution is met.</td></tr><tr><td>≤ 80%</td><td>1-4 primary, second home</td><td>Not required. All funds may come from a gift.</td></tr></table> <ul style="list-style-type: none"><li>Gift funds are not allowed on investment transactions.</li><li>Gift funds may be provided by any of the following:<ul style="list-style-type: none"><li>A relative, defined as the borrower's spouse, child, or other dependent, or by another individual who is related to the borrower by blood marriage, adoption or legal guardianship, or</li><li>A fiancé or fiancée, or domestic partner.</li></ul></li><li>The gift must be evidenced by a gift letter, signed by the donor and it must:<ul style="list-style-type: none"><li>Specify the dollar amount,</li><li>Be signed by the donor and the borrower,</li><li>Specify the date the funds were transferred,</li><li>Indicate the donor(s) name, address, phone number, and relationship to the borrower, and</li></ul></li><li>Include a statement by the donor that no repayment of the gift funds is expected.</li><li>The transfer of the gift funds must be documented. Acceptable documentation includes:<ul style="list-style-type: none"><li>Copy of the donor's canceled check and the borrower's deposit slip</li><li>Copy of the donor's withdrawal slip and the borrower's deposit slip</li><li>Copy of the donor's check to the closing agent, or</li><li>The settlement statement showing receipt of the donor's check.</li><li>If funds not transferred prior to settlement, documentation the donor gave the closing agent the gift funds in the form of a certified/cashier's check or other official check.</li></ul></li></ul> <p>Refer to the <a href="#">Fannie Selling Guide</a> for complete details.</p>	LTV/CLTV	Property Type	Minimum Contribution from Borrower Own Funds	≥ 80.01%	1 unit primary residence	Not required if MI Certificate confirms coverage; otherwise 5% borrower's own funds required.	2-4 units, second home	5% borrower contribution required. Gifts may be used after the borrower own funds contribution is met.	≤ 80%	1-4 primary, second home	Not required. All funds may come from a gift.
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≤ 80%	1-4 primary, second home	Not required. All funds may come from a gift.										
Gift Equity	<ul style="list-style-type: none"><li>Allowed from an immediate family member only.</li><li>Eligible on a primary residence and second home purchase transactions.</li><li>A gift letter must be provided (refer to gift funds above for giftletter requirements).</li><li>The Closing Disclosure must indicate "gift of equity".</li><li>The current property owner must be current on payments.</li></ul> <p>If the above requirements are met, the gift of equity is not subject to the interested party contribution requirements.</p>											
Income	<p>Income documentation is determined per DU, however, at underwriter discretion, additional documentation may be required. Unless addressed below follow Fannie Mae guidelines for income requirements.</p> <ul style="list-style-type: none"><li>Wage earner borrowers:<ul style="list-style-type: none"><li>At minimum, a current paystub with YTD earnings and the most recent W -2. The paystub must be dated within 30 days of the initial loan application date.</li></ul></li><li>Self-employed borrowers:<ul style="list-style-type: none"><li>Copy of the most recent 2-years signed federal individual and business tax returns with all schedules. If DU requires business returns, business tax transcripts will be required.</li></ul></li></ul>											



## Fannie Mae Conforming Program Guidelines

### Income (cont.)

- The requirement for business tax returns **maybe waived** if:
  - The borrower is using personal funds for down payment, closing costs and to satisfy applicable reserve requirements,
  - The borrower has been self-employed in the same business for a minimum of 5 yrs.
  - The borrower's individual tax returns show an increase in self-employment income over the past 2-years.
- When the co-borrowers self-employment income is not used for qualifying purposes; no documentation or evaluation of income or losses is required. However, all borrowers will continue to be evaluated for creditworthiness.
- Permitted for non-traditional credit qualifying transactions
- Business income may only be used to qualify the borrower when there is a history of income distribution to the borrower consistent with the level being used to qualify.

Note: Refer to the Fannie Mae Selling Guide for additional details.

- Other sources of income:
  - DU determines the documentation, verification and continuation requirements for other sources of income.
  - Social Security income for retirement or long-term disability that the borrower is drawing from his /or her own account/work record will not have a defined expiration date and must be expected to continue.

Note: An SSA Award letter may be used to document the income if the borrower is receiving Social Security payments or if the borrower will begin receiving payments on or before the first payment date of the subject mortgage as confirmed by a recently issued award letter.

- Schedule KI Income:
  - Borrower (s) with less than 25% ownership of a partnership, S corporation or limited liability company reported on form 1065 or IRS form 1120S must have adequate liquidity to support the withdrawal of earnings. Refer to the [Fannie Mae Seller Guide](#) for complete or complete details.

#### – Employment offers or contracts:

If the borrower is scheduled to begin employment after the loan closes borrowers may qualify using one of the options below.

#### 1. Loan delivered after borrower starts employment

- Mortgage loan file must include:
  - A copy of the executed employment contract, and
  - A paystub which includes sufficient information to support the income used to qualify the borrower based on the offer contract.

#### 2. Loan delivered prior to borrower starting employment are limited to the following requirements:

- Purchase Transaction only
- 1 unit principal residence
- Borrower is not employed by a family member or by an interested party to the transaction
- Borrower is qualified using only fixed base income
- Employment start date must be within 90 days of the note date
- The employment offer or contract must:
  - Clearly identify the employer and the borrower
  - Be signed by the employer, and
  - Be accepted and signed by the borrower
  - Clearly identify the terms of employment, including position, type and rate of pay, and start date; and
  - Be non-contingent.
  - Review of all conditions of employment (if applicable) must be evidenced in the file.

Note: Refer to [Fannie Mae Seller Guide](#) for complete income requirements.



## Fannie Mae Conforming Program Guidelines

Income- Rental	<ul style="list-style-type: none"><li>Planet follows Fannie Mae guidance regarding the use of rental income.</li><li>First-time homebuyer: Rental income <b>not</b> eligible for qualifying when purchasing an investment property.</li><li>Sellers are encouraged to utilize the Fannie Mae rental income worksheetswhen calculating rental income. The worksheets (Form 1037, 1038, and 1039) are located on <a href="#">Fannie Mae's website</a> under “Guide Forms &amp; Legal Docs”.</li></ul>													
Inspection	<ul style="list-style-type: none"><li>Septic inspections are only required when the appraiser indicates there is evidence the septic system is failing.</li><li>Termite inspections are only required when the purchase contract requires one, or the appraiser indicates there is evidence of active infestation.</li><li>Well inspections are only required when state or local regulations require, or if there is an indication the well may be contaminated.</li></ul>													
Interested Party Contributions	<p>Interested party contributions (IPC) pay for costs that are normally charged to the buyer of the property (borrower) and are provided by a party that has a financial interest in, or can influence the terms and sale/transfer of the subject property such as:</p> <ul style="list-style-type: none"><li>Seller</li><li>Builder/developer</li><li>Real estate agent</li><li>Broker, or</li><li>Any affiliate of the above that will benefit from the sale of the property and/or at the highest possible sales price.</li></ul> <p>IPC's can be either financing concessions or sales concessions and include:</p> <ul style="list-style-type: none"><li>Funds paid directly from the interested party to the borrower</li><li>Funds that flow from an interested party through a third- party organization, including nonprofit entities, to the borrower,</li><li>Funds that flow to the transactions on the borrower's behalf from an interested party, (includes third party organization and nonprofit agency),</li><li>Funds donated to a third party who provides the funds to pay some or all of the closing costs for the transaction.</li></ul> <p>Interested party contributions are limited as follows:</p> <table><tr><th>Occupancy Type</th><th>LTV/CLTV</th><th>Maximum Allow able Contribution</th></tr><tr><td rowspan="3">Primary Residence* or Second Home</td><td>&gt; 90%*</td><td>3%</td></tr><tr><td>75.01- 90%</td><td>6%</td></tr><tr><td>75% or less</td><td>9%</td></tr><tr><td>Investment Property</td><td>All</td><td>2%</td></tr></table> <p>NOTE: *If the subject property is a primary residence and the property is a Fannie Mae REO identified on the HomePath website the maximum allowable contribution &gt; 90% is 6%.</p> <ul style="list-style-type: none"><li>IPC's cannot be used to make the borrower's down payment, reserve requirements or to meet the minimum borrower contribution requirement.</li><li>Sales concessions items such as furniture, automobiles, decorator allowances, cash, etc. and financing concessions that exceed the limits above <b>must be</b> deducted from the sales price when calculating the LTV/CLTV ratios.</li></ul> <p>Financing concessions are subject to the IPC limits noted above. Financing concessions include:</p> <ul style="list-style-type: none"><li>Financial contributions from an interested party that benefits the borrower in the financing transaction</li><li>Payments or credits related to acquiring the property, and</li><li>Payments or credits for financing term, including prepaids.</li><li>An origination fee</li><li>Discount points</li><li>Commitment fee</li><li>Appraisal cost</li><li>Transfer taxes</li><li>Attorney's fees</li><li>Title insurance premiums.</li></ul>	Occupancy Type	LTV/CLTV	Maximum Allow able Contribution	Primary Residence* or Second Home	> 90%*	3%	75.01- 90%	6%	75% or less	9%	Investment Property	All	2%
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## Fannie Mae Conforming Program Guidelines

Interested Party Contributions (cont.)	<p>They may also include:</p> <ul style="list-style-type: none"><li>– Prepaid items such as interest charges (no more than 30 days)</li><li>– Real estate taxes covering any period after the settlement date</li><li>– Hazard insurance premiums (≤ 14 months), HOA dues (≤ 12 months)</li><li>– Mortgage insurance premiums, and</li><li>– Escrow accruals for borrower paid MI.</li></ul> <p>NOTE: Fees and/or closing costs paid by the seller that are considered common and customary are not subject to IPC limits e.g. owner's title and transfer tax.</p> <p>Undisclosed IPCs are ineligible i.e. borrower paid closing costs moved to the seller side of the CD.</p>																																																
Investment Property Requirements	<p>Investment property files regardless of whether or not income is used to qualify must contain <b>one</b> of the following documents at closing:</p> <ul style="list-style-type: none"><li>– If the property is vacant, verification from the appraiser that all units are currently vacant (can be noted in the appraisal report), <b>or</b></li><li>– If the property has any tenants, verification from the title company that they will not have “Tenants in Possession” exception in the title policy. Specific verification from the title company is required; the title company must provide written documentation that they will now have a “tenants in possession” exception, <b>or</b></li><li>– A copy of the lease documentation that specifically indicates:<ul style="list-style-type: none"><li>o The lease is subordinate to any mortgage, or</li><li>o Any tenant’s right to purchase the property or any rights that could affect Planet’s interest has been formally waived by all tenants of the property.</li></ul></li></ul>																																																
Mortgage Insurance	<ul style="list-style-type: none"><li>• Loans with &gt;80% LTV, mortgage insurance is required and are subject to MI guidelines.</li><li>• Eligible MI products:<ul style="list-style-type: none"><li>– Borrower paid mortgage insurance (BPMI). Monthly or single premium are eligible. The single premium may be financed. Refer to <a href="#">Chapter 4 – Mortgage Insurance</a> for detailed requirements.</li><li>– Lender paid mortgage insurance (LPMI). Single premium only</li><li>– Split Premium.</li></ul></li><li>• Eligible MI options:<ul style="list-style-type: none"><li>– Non-refundable</li><li>– Refundable</li><li>– Level/constant renewal type (as applicable)</li></ul></li></ul> <p>Planet will accept mortgage insurance issued by MI companies that are Fannie Mae approved.</p> <p>Mortgage insurance coverage is determined by LTV and loan term as detailed below:</p> <table><tr><th colspan="5">Required MI</th></tr><tr><th rowspan="2">Loan Terms</th><th colspan="4">LTV</th></tr><tr><th>80.01 - 85%</th><th>85.01 – 90%</th><th>90.01% - 95%</th><th>95.01 – 97%**</th></tr><tr><td>Fixed Rate: 10,15,20</td><td>6%</td><td>12%</td><td>25%</td><td>35%</td></tr><tr><td>Fixed Rate: 25,30 year term and ARMs*</td><td>12%</td><td>25%</td><td>30%</td><td>35%</td></tr></table> <p>*ARM maximum LTV 95%</p> <p>** &gt;95% see <a href="#">95.01-97%</a> topic for restrictions.</p> <table><tr><th colspan="5">LPMI Adjustments (No Single Premium BPMI Allowed)</th></tr><tr><th colspan="5">LTV and Coverage</th></tr><tr><th rowspan="2">Fixed Rate</th><th>80.01 - 85%</th><th>85.01%-90%</th><th>95%-90.01%</th><th>95.01 – 97%</th></tr><tr><td>12%</td><td>25%</td><td>30%</td><td>35%</td></tr><tr><td>ARMs</td><td>12%</td><td>25%</td><td>30%</td><td></td></tr></table>	Required MI					Loan Terms	LTV				80.01 - 85%	85.01 – 90%	90.01% - 95%	95.01 – 97%**	Fixed Rate: 10,15,20	6%	12%	25%	35%	Fixed Rate: 25,30 year term and ARMs*	12%	25%	30%	35%	LPMI Adjustments (No Single Premium BPMI Allowed)					LTV and Coverage					Fixed Rate	80.01 - 85%	85.01%-90%	95%-90.01%	95.01 – 97%	12%	25%	30%	35%	ARMs	12%	25%	30%	
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## Fannie Mae Conforming Program Guidelines

<b>Mortgage/Rental History</b>	<p>Per DU, however, the mortgage/rental rating cannot have any <math>\geq 60</math>-day lates in the previous 12 months.</p> <p>NOTE: If DU allows any delinquencies a satisfactory explanation of the delinquency is required and is subject to underwriter review and acceptance.</p> <ul style="list-style-type: none"> <li>The credit report must reflect the most recent 12 months activity.</li> <li>Mortgage must be current for the month closing.</li> <li>Copies of rent checks are required to document rental payment history per DU results. in lieu of rent checks, at the underwriter's discretion the following may be acceptable: <ul style="list-style-type: none"> <li>A direct verification of rent (VOR) provided by a professional management company, or</li> <li>Copies of money orders.</li> </ul> </li> </ul>
<b>Non-Arm's Length or Identity of Interest Transactions</b>	<ul style="list-style-type: none"> <li>A non-arm's length transaction is a purchase transaction where there is a relationship or business affiliation between the buyer and seller of the property</li> <li>Non-arm's length transactions are eligible for resale properties</li> <li>When a non-arm's length transaction occurs on a property that is new construction, the property must be a primary residence only. Non-arm's length transactions are ineligible if the property is a second home or investment.</li> <li>An identity of interest transaction involves parties who are not related and do not have close Personal ties, however, they have a strong interest in the transaction (i.e. broker acting for buyer and seller, the broker is both realtor and mortgage broker, the realtor is selling own property, etc.). Additional review will be required to ensure validity of the transaction, value, etc. which may include additional documentation and/or a desk review or second appraisal.</li> </ul>
<b>Occupancy</b>	<ul style="list-style-type: none"> <li>Owner-occupied</li> <li>Second home</li> <li>Investment (non-owner occupied)</li> </ul>
<b>Power of Attorney</b>	<p>A Power of Attorney (POA) is allowed on a case-by-case basis on purchase and rate/term refinance transactions subject to all of the following:</p> <ul style="list-style-type: none"> <li>For extenuating circumstances, active military personnel or individuals with a documented medical condition that prevents them from attending the closing or performing borrower requirements</li> <li>Must be specific to the transaction</li> <li>Must include the borrower name, property address and loan amount</li> <li>The POA must be fully executed and notarized</li> <li>The borrower must sign the application and disclosures</li> <li>Planet to review and approve prior to loan closing</li> <li>The POA must be recorded along with the mortgage(certified copy required)</li> <li>POA is eligible on purchase and rate/term refinance transactions only; cash-out is ineligible.</li> <li>If there are two or more borrowers on the loan, at least one borrower must be present for the closing and sign for the absent borrower (as their attorney-in-fact).</li> </ul>
<b>Prepayment Penalty</b>	Not permitted
<b>Products</b>	<p>Fixed Rate: 10, 15, 20, 25, and 30 year</p> <p>ARM: 5/1, 7/1, or 10/1 LIBOR index; Caps: 5/2/5; Margin/Floor: 2.25%</p> <p>Qualifying: 5/1 qualified at the greater of the fully indexed rate or the Note rate plus 2%</p> <p>7/1 and 10/1 qualified at the greater of the fully indexed rate or the Note rate</p>
<b>Properties – Eligible</b>	<ul style="list-style-type: none"> <li>Single family residences</li> <li>2-4 units</li> <li>PUDs (attached/detached) <ul style="list-style-type: none"> <li>Note: Attached PUDs require a signed Condo/PUD Warranty form. A Questionnaire is not required. Detached PUDs <b>do not</b> require a Warranty form, a Questionnaire, <b>or a project review.</b></li> </ul> </li> <li>Condominiums (attached/detached ,live-work) that are FannieMae warrantable <ul style="list-style-type: none"> <li><b>Litigation</b> <ul style="list-style-type: none"> <li>Projects where the HOA is a party to litigation are eligible under the following circumstances: <ul style="list-style-type: none"> <li>Non-monetary litigation including, but not limited to neighbor disputes or rights of quiet enjoyment</li> <li>The insurance carrier has agreed to provide the defense, and the amount is covered by the HOA's insurance</li> </ul> </li> </ul> </li> </ul> </li> </ul>



## Fannie Mae Conforming Program Guidelines

<b>Properties – Eligible</b> (cont.)	<ul style="list-style-type: none"> <li>○ The HOA is the plaintiff in the litigation and upon investigation and analysis the matter is minor and will result in an insignificant impact to the financial stability of the project</li> <li>○ The anticipated damaged and legal fees must not exceed expected to exceed 10% of the project's funded reserves</li> <li>○ The HOA is named as the plaintiff in a foreclosure action, or as a plaintiff in an action for past due HOA or co-op assessments</li> </ul> <p><b>Note:</b> Please refer to the <a href="#">Fannie Mae Selling Guide</a> for complete requirements.</p> <ul style="list-style-type: none"> <li>• Rowhouse</li> <li>• Modular, prefabricated panelized or sectional housing (must have like comparables and property must be legally classified as real property)</li> <li>• Leaseholds meeting Fannie Mae guidelines.</li> <li>• Mixed use eligible subject to Fannie Mae guidelines</li> <li>• Rural properties.</li> <li>• Owner-occupied SFR</li> <li>• Properties owned free and clear properties (no existing lien). A copy of the tax transcript indicating no mortgage interest is required. If the borrower owns multiple properties, a 1098 is required matching the lien(s) on the 1003 with the 1098 and <b>one</b> of the following:               <ul style="list-style-type: none"> <li>○ Copy of the hazard insurance declaration page with no mortgagee listed, <b>or</b></li> <li>○ Copy of the MERS report for the property showing no mortgage listed, <b>or</b></li> <li>○ Copy of the Data Verify report showing no mortgage listed.</li> </ul> </li> <li>• <b>Agricultural properties (allowed for Texas 50(a)(6) and Texas 50(f) transactions only).</b></li> </ul>
<b>Properties - Ineligible</b>	<ul style="list-style-type: none"> <li>• Agricultural-type properties <b>(allowed on Texas 50 (a)(6) and Texas 50(f) transactions only)</b></li> <li>• Farms</li> <li>• Orchards</li> <li>• Ranches</li> <li>• Bed and Breakfast</li> <li>• Boarding houses</li> <li>• Builder bailout properties</li> <li>• Commercial property</li> <li>• Condo Hotels or Timeshares</li> <li>• Industrial zoned property</li> <li>• Incoming producing properties (e.g. adult care facilities, bed &amp; breakfast, etc.)</li> <li>• Log Homes</li> <li>• Kiddie Condos</li> <li>• Manufactured/mobile homes (any property that had/has wheels, axles, towing hitch, etc.)</li> <li>• Multi-family dwellings &gt; 4 units</li> <li>• New or newly converted condominium projects in Florida without a PERS approval</li> <li>• Non-warrantable condominiums</li> <li>• Properties located on Tribal Lands Properties not suitable for year-round occupancy, regardless of location</li> <li>• Properties with an Assignment of Contract</li> <li>• Properties located in the Hawaiian Islands in lava zones one (1) or two(2)</li> <li>• Unique properties (geodesic domes, earth barn homes, log homes, etc.)</li> <li>• Vacant land is ineligible for refinance transactions</li> <li>• Properties with problem drywall (aka Chinese drywall). Evidence of complete remediation must be provided if property previously contained Chinese drywall.</li> <li>• Texas 50(a)(6) and Texas 50(f)</li> </ul>
<b>Properties with an Accessory Unit</b>	Eligible subject to Fannie Mae guidelines.
<b>Property with an Addition without Permits</b>	If the appraiser identifies an addition that does not have the required permits the following is required: <ul style="list-style-type: none"> <li>• The appraiser must comment on the quality and appearance of the work, and</li> <li>• The impact the addition might have, if any, on the market value of the subject property.</li> </ul>
<b>Property Flips</b>	Property flips are subject to: <ul style="list-style-type: none"> <li>• Appraisal must support any value increases. Additional documentation may be required and a desk review or second appraisal may be required at underwriter discretion.</li> <li>• Borrower has excellent credit history, employment history, savings pattern, etc.</li> </ul>





## Fannie Mae Conforming Program Guidelines

<b>Property with Solar Panels</b>	<ul style="list-style-type: none"> <li>Properties with solar panels that are owned by the borrower are eligible without additional requirements.</li> <li>Properties with solar panels that are not owned by the borrower are eligible subject to Fannie Mae guidelines.</li> </ul>
<b>Purchase Agreement Amended/Re-negotiated</b>	<ul style="list-style-type: none"> <li>Not eligible if the sales price was increased <b>after</b> the original appraisal was completed if: <ul style="list-style-type: none"> <li>The appraised value is higher than the originally contracted sales price that was provided to the appraiser, <b>and</b></li> <li>The new purchase agreement and/or addendum to the purchase agreement is dated after the appraisal, <b>and</b></li> <li>The only change to the purchase agreement was the sales price.</li> </ul> </li> <li>If the purchase agreement was renegotiated after the completion of the appraisal, the LTV would be based on the <b>lower</b> of the original purchase price or the appraised value, unless: <ul style="list-style-type: none"> <li>The re-negotiation was only for seller paid closing costs and/or pre-pays where the seller paid closing costs/pre-pays are common and customary for the area and are supported by the comparables, or</li> <li>The purchase contract was amended for a new construction property due to improvements made that impact the tangible value of the property. An updated appraisal report must be obtained to validate the value of the improvements.</li> </ul> </li> <li>Assignment of the purchase contract is not allowed.</li> </ul>
<b>Refinance Transactions</b>	<p>Properties that were listed for sale in the previous 12 months must be taken off the market prior to the disbursement date and borrowers must provide written confirmation of their intent to occupy the property.</p> <p><b>Cash-out</b></p> <ul style="list-style-type: none"> <li>Cash-out transactions for properties listed for sale in the six months preceding the disbursement date of the new mortgage loan are limited to 70% LTV, CLTV, and HCLTV ratios (or less if mandated by the specific product, occupancy, or property type).</li> <li>Cash-out transactions require a minimum 6 months title seasoning (6 months from close date of the previous transaction to the disbursement date of the new mortgage) except as follows: <ul style="list-style-type: none"> <li>Delayed financing guidelines are met (refer to the <a href="#">Delayed Financing</a> topic), <b>or</b></li> <li>The borrower inherited or was legally awarded the property (divorce, separation or dissolution of domestic partnership). The property must have cleared probate and be vested in the borrower's name.</li> </ul> </li> </ul> <p><b>Rate/Term Refinance</b></p> <p>Student loans can be paid off through a rate/term refinance without being considered cash-out transactions when the following requirements are met:</p> <ul style="list-style-type: none"> <li>Per DU only</li> <li>Proceeds from transaction must be used to pay off at least one student loan</li> <li>Payoff must be paid directly to the servicer at closing</li> <li>One borrower must be obligated on the loans being paid off, and</li> <li>Loan must be paid in full (partial payments not allowed)</li> </ul> <p>Transaction may also be used to pay off:</p> <ul style="list-style-type: none"> <li>An existing first mortgage loan (including HELOCs in first lien position), or</li> <li>Single-closing construction to Perm loan to cover cost to build the home, which may include paying off an existing mortgage.</li> </ul> <p>Subordinate liens used to purchase property. Financing is allowed to secure:</p> <ul style="list-style-type: none"> <li>The payment of closing costs</li> <li>Points, and</li> <li>Prepaid items.</li> <li>Financing is <b>not allowed</b> when the property taxes are more than 60 days delinquent <ul style="list-style-type: none"> <li>The borrower can include property taxes in the new loan amount as long as an escrow account is established, subject to applicable law or regulation.</li> </ul> </li> </ul> <p>Cash back to the borrower may not exceed the lesser of 2% of the new refinance loan amount or \$2,000.</p> <p>Note: Refer to the Fannie Mae Selling guide for complete details.</p>



## Fannie Mae Conforming Program Guidelines

<b>Refinance Transactions (cont.)</b>	<p><b>Delayed Financing</b></p> <p>Borrowers who purchased the subject property within the past six months are eligible for a cash-out refinance when no financing was obtained for the purchase transaction, and <b>all</b> of the following requirements are met:</p> <ul style="list-style-type: none"> <li>– The borrower must have initially purchased the property as one of the following: <ul style="list-style-type: none"> <li>o A natural person</li> <li>o An eligible Inter Vivos Revocable Trust, where the borrower established that trust and is the beneficiary of the trust</li> <li>o An eligible land trust where the borrower is the beneficiary of the land trust, or</li> <li>o An LLC or partnership in which the borrower(s) have 100% ownership individual or joint, <b>and</b></li> </ul> </li> <li>– The new loan amount cannot exceed the actual documented amount of the borrower's initial investment to purchase the property plus the financing of closing costs, prepaid fees, and points (subject to the maximum LTV/CLTV ratios for a cash-out transaction based on the current appraised value), <b>and</b></li> <li>– The purchase transaction was an arms-length transaction, <b>and</b></li> <li>– The CD from the original transaction is required to confirm that there was no mortgage financing used to obtain the property, <b>and</b></li> <li>– The source of the funds used to purchase the property can be documented (i.e. bank statements, personal loan documents, HELOC against another property) and were the borrower's own funds, <b>and</b></li> </ul> <p>NOTE: If gift funds were used to purchase the property, they may not be reimbursed with the proceeds from the new loan.</p> <ul style="list-style-type: none"> <li>– The preliminary title documentation must not indicate any existing liens on the subject property. If the source of the funds to acquire the property was an unsecured loan or secured by an asset other than a subject property (e.g. HELOC), the settlement/CD for the refinance transaction must reflect that <b>all</b> cash-out proceeds be used to pay off or pay down, as applicable, the loan used to purchase the property; <b>and</b></li> <li>– An "Approve/Eligible" result from DU is required, and the transaction must meet all other cash-out eligibility requirements.</li> </ul>
<b>Rent Back</b>	<p>Seller allowed to rent back property from buyer (borrower) for a maximum of 30 days after closing.</p>
<b>Reserves</b>	<ul style="list-style-type: none"> <li>• Per DU</li> <li>• Borrowers financing a second home or investment property must meet Fannie Mae's Reserve Requirements. <p><b>Example:</b> A lender is simultaneously processing two refinance applications for two investment properties owned by the borrower. The application for property A requires reserves of \$5,000. The application for property B requires reserves of \$10,000. Because the reserves are covering the same properties, the lender does not have to verify \$15,000 in reserves, but only those required per each application.</p> </li> <li>• Reserves for multiple financed properties are a percentage of unpaid principal balance of all mortgages: 2% for 1-4 properties owned, 4% for 5-6 properties owned, 6% for 7-10 properties owned.</li> <li>• Premium pricing or lender credits not allowed.</li> </ul> <p><b>Acceptable Sources of Reserves:</b></p> <ul style="list-style-type: none"> <li>• Checking/savings accounts,</li> <li>• Investments in stocks, bonds, mutual funds, certificates of deposit, money market funds, and trust accounts</li> <li>• Vested amount in retirement accounts, and</li> <li>• Cash value of a vested life insurance policy.</li> </ul> <p><b>Unacceptable Sources of Reserves</b></p> <ul style="list-style-type: none"> <li>• Cash-out proceeds from a cash-out refinance transaction on the subject property</li> <li>• Interested party contributions</li> <li>• Personal unsecured loans</li> <li>• Stock options and non-vested restricted stock</li> <li>• Stock held in an unlisted corporation</li> <li>• Funds that have not been vested</li> <li>• Funds that cannot be withdrawn under circumstances other than the account owner's retirement, employment termination or death.</li> </ul>
<b>Seller Contribution</b>	<p>Refer to the <a href="#">Interested Party Contributions</a> topic for seller contribution limits.</p>





## Fannie Mae Conforming Program Guidelines

<b>Subordinate Financing</b>	<ul style="list-style-type: none"> <li>• Eligible subject to the CLTV limits on the matrix located on page 1. MaxCLTV is 105% for a fixed rate owner occupied 1-4 unit property with a CommunitySecond.</li> <li>• If existing subordinate financing is an HELOC, the full amount of the available credit must be used to determine the HCLTV.</li> <li>• Unacceptable subordinate financing terms include: <ul style="list-style-type: none"> <li>– Mortgages with negative amortization (except employer subordinate financing that has deferred payments).</li> <li>– Subordinate financing that does not fully amortize under a level monthly payment plan where the maturity or balloon payment date is less than 5 years after the Note date of the new first mortgage.</li> </ul> </li> <li>• Subordinate financing that has a prepayment penalty. (Does not apply to HELOC early termination fees).</li> </ul>
<b>Temporary Buydown</b>	Not available
<b>Texas 50(a)(6)</b>	<p style="text-align: center;"><b>This section is specific to Texas 50(a)(6) Transactions.</b> <b>Planet follows Freddie Mac guidelines for any topic not addressed in this section.</b></p> <p>A Texas Section 50(a)(6) loan is a loan originated in accordance with and secured by a lien permitted under the provisions of Article XVI, Section 50(a)(6), of the Texas Constitution, which allow a borrower to take equity out of a homestead property under certain conditions. The transaction must meet all the eligibility criteria specified in the Texas Constitution. Please note the following Planet requirements:</p> <ul style="list-style-type: none"> <li>• Borrower Eligibility <ul style="list-style-type: none"> <li>– Owner-occupied properties only.</li> <li>– No power of attorney permitted.</li> <li>– Inter vivo revocable transactions must meet the qualifying trust requirements under Texas law for purposes of owning residential property that qualifies for the homestead exemption.</li> </ul> </li> <li>• Collateral Eligibility <ul style="list-style-type: none"> <li>– Property must be borrower's Urban Homestead (Rural Homesteads are not allowed).</li> <li>– Eligible properties are limited to a single unit, principal residence consisting of: an attached or detached dwelling, a unit in a Planned Unit Development (PUD), or a unit in a Condominium Project.</li> <li>– Manufactured housing is ineligible.</li> <li>– Property must be residential in nature and zoning; not a farm or ranch.</li> <li>– Property site must not exceed 10 acres (actual size of property; larger parcels may not be valued considering only 10 acres).</li> <li>– Full appraisal with both interior and exterior inspection is required.</li> <li>– Survey or other acceptable evidence that the homestead property and any adjacent land are separate parcels and the homestead property is a separately platted and subdivided lot for which full ingress and egress is available</li> <li>– Max 80.00% LTV/CLTV.</li> </ul> </li> <li>• Transaction Details <ul style="list-style-type: none"> <li>– An existing Texas Section 50(a)(6) first or second mortgage on the homestead must have a minimum of 12 months seasoning prior to the new loan closing date.</li> <li>– An existing Texas Section 50(a)(6) second mortgage may not be re-subordinated to a new Texas Section 50(a)(6) first mortgage. Only one Texas Section 50(a)(6) lien is allowed at a time.</li> <li>– New mortgage may not be assumable.</li> <li>– Fixed rate only.</li> <li>– LPA Eligible/Accept required</li> <li>– FICO per LPA</li> <li>– Temporary interest rate Buydowns are ineligible</li> </ul> </li> </ul>



## Fannie Mae Conforming Program Guidelines

### Texas 50(a)(6) (cont.)

- Planet requires the Seller to provide a copy of the Attorney Representation letter as evidence that the closing documents were prepared or reviewed by a Texas licensed attorney prior to closing. Planet will only purchase Texas 50(a)(6) loans where the closing documents were reviewed and/or prepared by one of the following attorneys:
  - o Gregg & Valby
  - o Black, Mann & Graham
  - o Pierson & Patterson
  - o MRG – Mortgage Resource Group
  - o McGlynchey, Stafford
    - No exceptions to the Attorney list above at this time.
    - The Texas Attorney Response Letter must be in the loan file as evidence of the approving attorney and to confirm the attorney's conditions have been met.
- **Loan Fees**
  - Loan fees paid by the borrower may not exceed 2% of the loan amount. There is a 2% fee Cap for all closing cost, fees and charges except the following:
  - Discount Points (if bona fide and documented)
  - Flood Insurance
  - Hazard Insurance
  - HOA Maintenance Fees/Dues
  - Late Charges
  - Prepaid Per Diem Interest Property Tax
  - Appraisal fees paid to a third party appraiser (AMC is not excluded)
  - Survey Fees
  - Title Premiums, or
  - Title Examination charges if less than the title premium
  - Title Endorsements
- **Title Insurance**
  - Policy must be written on Texas Land Title Association forms (standard or short form), supplemented by an *Equity Loan Mortgage Endorsement* (Form T-42) and a *Supplemental Coverage Equity Loan Mortgage Endorsement* (Form T-42.1), is required.
  - The title insurance policy cannot include language that:
    - o Excludes coverage for a title defect that arises because financed origination expenses are held not to be "reasonable costs necessary to refinance", or
    - o Defines the "reasonable costs necessary to refinance" requirement as a "consumer credit protection" law since the standard title policy excludes coverage when lien validity is questioned due to a failure to comply with consumer credit protection laws.
    - o The endorsements may have no exceptions or deletions.
  - Closing must take place in the office of an attorney. Closing at the borrower's residence is prohibited.
- **Forms**
  - **Note**
    - o Texas Home Equity Note (Fixed Rate - First Lien)- Uniform Instrument form 3244.1 01/01 (rev. 1/18)
  - **Security Instrument**
    - o Texas Home Equity Security Instrument (First Lien) - Fannie Mae/Freddie Mac UNIFORM INSTRUMENT Form 3044.1 01/01 (rev. 01/18)
  - **Borrower Affidavit**
    - o Texas Home Equity Affidavit and Agreement (First Lien) - Fannie Mae/Freddie Mac UNIFORM INSTRUMENT Form 3185 01/01 (rev. 01/18).
      - The affidavit must be recorded together with the Security Instrument and any applicable riders.
  - **Condominium Rider**
    - o Texas Home Equity Condominium Rider - Fannie Mae/Freddie Mac UNIFORM INSTRUMENT Form 3140.44 01/01
      - If the property is a Condominium Unit.
  - **Planned Unit Development (PUD) Rider**
    - o Texas Home Equity Planned Unit Development Rider - Fannie Mae/Freddie Mac UNIFORM INSTRUMENT Form 3150.44 01/01
      - If the property is in a PUD.



## Fannie Mae Conforming Program Guidelines

<b>Texas 50(a)(6) (cont.)</b>	<ul style="list-style-type: none"> <li>- Notice Concerning Extensions of Credit Defined by Section 50(a)(6), Article XVI, Texas Constitution (12-day notice). Must be revised version dated 11-17 <ul style="list-style-type: none"> <li>o <b>Per Texas Law, all borrowers must receive a copy of the signed 12 day notice, and</b></li> <li>o <b>Loan cannot close until the 13th day of application submission date.</b></li> </ul> </li> <li>- Texas Home Equity Receipt of Copies</li> <li>- Texas Home Equity Election Not to Rescind <ul style="list-style-type: none"> <li>o Document must be signed 3 business days after rescission date as expired</li> </ul> </li> <li>- Acknowledgement as to Fair Market Value of Homestead Property <ul style="list-style-type: none"> <li>o This document must accompany the appraisal</li> </ul> </li> <li>- Texas Home Equity Loan/HELOC Closing Instructions Addendum</li> <li>- File must evidence a copy of closing instructions and acknowledgment receipt.</li> <li>- Texas Home Equity Certificate from Originating Lender Regarding Compliance with Section 50(a)(6) Article XVI of the Texas Constitution.</li> <li>- Owner's Affidavit Acknowledging Lender's Compliance with Constitutional Requirements to Provide Owner Early Final Itemized Disclosure of Actual Fees and Charges</li> <li>- Owner's Affidavit of Compliance</li> </ul> <p>Refer to the State of Texas Constitution for complete Texas 50(a)(6) laws.</p>
<b>Texas 50(f)</b>	<p><b>Texas 50 (f) or Rate/Term Refinance</b></p> <p>Texas borrowers may refinance an existing Texas 50(a)(6) loan to a Non-Equity refinance product if the following criteria is met:</p> <ul style="list-style-type: none"> <li>- 12-month seasoning at closing is evidenced in the file</li> <li>- Borrower receives no-cash-out at closing</li> <li>- No additional advances allowed with the exception of refinancing the existing lien and actual closing costs and reserves.</li> <li>- CLTV does not exceed 80%</li> <li>- Borrower must sign the Notice of Refinance of Texas Home Equity within 3 business days of loan application (12-day notice).</li> <li>- Texas Home Equity Refinance Affidavit executed at closing</li> </ul> <p>Note: Refer to the <a href="#">Refinance Transactions</a> topic in this guide for conventional refinance requirement details.</p> <ul style="list-style-type: none"> <li>- Refer to the State of Texas Constitution for complete Texas 50(a)(6) laws.</li> </ul>
<b>Transactions Eligible</b>	<ul style="list-style-type: none"> <li>• 1031 Exchange</li> <li>• Cash-out</li> <li>• Land contracts subject to Fannie Mae guidelines</li> <li>• Limited cash-out refinance (rate/term)</li> <li>• New York CEMAs allowed on refinance transactions. CEMA not eligible on purchase transactions. Planet does not accept Lost Note Affidavits. Use Fannie Mae Form 3172. Sellers must include the recorded original CEMA, including Exhibits A-D and all mortgage assignments.</li> <li>• Purchase. The assignment of a purchase contract is not allowed.</li> </ul>
<b>Transaction – Ineligible</b>	<ul style="list-style-type: none"> <li>• Any transaction without a DU “Approval/Eligible” Finding</li> <li>• Community Land Trusts</li> <li>• Fannie Mae My Community, Community Solutions, and Community Home Choice</li> <li>• Fannie Mae Homestyle</li> <li>• Interest-only</li> <li>• Lease option to purchase</li> <li>• Loans with tutorship lien</li> <li>• Non-traditional credit (see <a href="#">Credit Report/Scores</a> topic for exceptions)</li> <li>• Non-arm's length transaction that involves new construction and the loan is secured by a second home or investment property</li> <li>• Properties in the “Right of Redemption Period” as applicable state law allows</li> <li>• Refinance transactions where the subject property is listed for sale at time of disbursement of the new loan</li> <li>• Restructured mortgages that do not meet Fannie Mae guidelines</li> <li>• Third party originated (TPO)</li> <li>• <b>Transactions using Mortgage Credit Certificates (MCC) may be considered with approval from the Planet Credit Risk Officer.</b></li> <li>• Transactions where the property securing the loan is subject to a private transfer fee covenant created on or after February 8, 2011, and fee collect does not directly benefit the property.</li> </ul>



## Fannie Mae Conforming Program Guidelines

### Version History

Version	Date	Description of Change
1.0	01/2018	<ul style="list-style-type: none"><li>• Fannie Mae Loan Limits updated to reflect 2018 limits.</li><li>• <b>Credit Installment/Revolving Accounts</b><ul style="list-style-type: none"><li>– <b>Student Loans</b> Two options available for dealing with borrower If a payment amount is provided on the credit report, that amount can be used for qualifying purposes. If the credit report does not identify a payment amount (or reflects \$0), the lender can use either 1% of the outstanding student loan balance, or a calculated payment that will fully amortize the loan based on the documented repayment terms.</li></ul></li></ul>
1.2	02/2018	<ul style="list-style-type: none"><li>• Added Texas 50(a)(6) ratios to the Matrix Grid</li><li>• Updated 4506-T requirements</li><li>• Added Texas 50 (a)(6) requirements</li><li>• Property Flips &lt; 90% LTV do no longer require prior approval.</li><li>• Eligible properties added:<ul style="list-style-type: none"><li>– Texas 50(a)(6)</li><li>– Agricultural properties (allowed for Texas 50(a)(6) transactions only)</li></ul></li><li>• Transaction Type: added MCC allowed with Credit officer approval</li><li>• Removed Texas 50 from the Ineligible property type list.</li><li>• Added Student Loan cash-out requirements.</li><li>• Added Employment and Contract income update.</li></ul>
1.3	3/24/2018	<ul style="list-style-type: none"><li>• Updated footnote 3: project review not required for detached condos</li><li>• Replaced all instances of “PHL” with “Planet”</li><li>• Replaced all instances of “HUD-1” with “Settlement”</li><li>• Added detached condos to the construction to perm section.</li><li>• Added Frozen credit update to the credit report/sections</li><li>• Added project review to the note in properties eligible</li><li>• Removed site condo from condominium statement in properties eligible.</li><li>• Added Litigation topic to properties eligible section.</li><li>• Added premium credit statement to reserves section.</li><li>• Removed Field review requirement from appraisal section.</li></ul>



## Fannie Mae High Balance Program Guidelines

Owner-Occupied Primary Residence <sup>3,4</sup> Fixed Rate & ARM					
Transaction Type	Units	LTV <sup>1</sup>	CLTV	Loan Amount <sup>2</sup>	Credit Score
Purchase	1	95%	95% <sup>7</sup>	Refer to Loan Limits Below	Per DU
	2	85%	85% <sup>7</sup>		
	3-4	75%	75%		
Limited Cash-Out	1	95%	95% <sup>7</sup>		
	2	85%	85% <sup>7</sup>		
	3-4	75%	75%		
Cash-Out <sup>6</sup>	1	80%	80%		
	2-4	75%	75%		
Second Home <sup>3,4,5</sup> Fixed Rate & ARM					
Transaction Type	Units	LTV <sup>2</sup>	CLTV	Loan Amount	Credit Score
Purchase and Limited Cash-Out	1	90%	90%	Refer to Loan Limits Below	Per DU
Cash-Out	1	75%	75%		
Investment (Non-Owner Occupied) <sup>3,4,5</sup> Fixed Rate & ARM					
Transaction Type	Units	LTV	CLTV	Loan Amount	Credit Score
Purchase	1	85%	85%	Refer to Loan Limits Below	Per DU
Limited Cash-Out	1	75%	75%		
Purchase and Limited Cash-Out	2-4	75%	75%		
Cash-Out	2-4	70%	70%		

**Footnotes:**

- Loans > 80% LTV requires mortgage insurance and are subject to MI guidelines. The more restrictive minimum credit score and guideline requirements apply. LTV/CLTV restrictions may apply for properties located in adverse markets. Refer to the [Mortgage Insurance](#) topic in the Program Guidelines for additional information.
- Minimum loan amount \$679,650 Maximum loan amount is determined by county. Refer to [Federal Housing Finance Agency](#) high-cost area summary for loan amounts that may be lower than the maximum stated below.
- New or newly converted condominium projects located in Florida require PERS approval. Established Condominium projects in FL with PERS approval or Full Review; **project review not required on detached condos**; no LTV restrictions; projects with a Limited/CPM Review:
  - Primary residence: Max 75/90/90% LTV/CLTV/HCLTV
  - Second home: Max 70/75/75% LTV/CLTV/HCLTV
  - Investment: Limited or CPM Review ineligible
- Manufactured housing ineligible
- Second home and investment transactions, Borrowers with 5-10 financed properties, are subject to Fannie Mae guidelines for 5-10 financed properties. Refer to the [Financed Properties](#) topic for details.
- Refer to [Delayed Financing](#) topic for detailed requirements
- Up to 105%, CLTV allowed when using a Community Seconds that meets Fannie Mae guidelines.

<b>Maximum Loan Limits for High Cost Areas for 2018</b>		
<b>Units</b>	<b>Contiguous States, District of Columbia</b>	<b>Alaska, Hawaii</b>
1	\$679,650	\$1,019,475
2	\$870,225	\$1,305,325
3	\$1,051,875	\$1,577,800
4	\$1,307,175	\$1,960,750

## Fannie Mae High Balance Program Guidelines

Topic	Guideline
4506-T	<ul style="list-style-type: none"> <li>All borrowers must sign 4506-T prior to loan closing</li> <li>Tax transcripts, both personal and/or business, must be provided when required per DU.</li> </ul> <p><b>Note:</b> In the event of past identity theft, Planet will accept transcripts that the borrower obtained from the IRS along with a certification that the returns are true and correct.</p>
Ability to Repay/QM	<p>Planet requires all loans to be originated and closed in compliance with Agency and Planet guidelines. Planet will purchase owner-occupied and second home transactions as follows:</p> <ul style="list-style-type: none"> <li>Loans eligible under Temporary QM, and</li> <li>Loans that meet the Safe Harbor or Rebuttable Presumption provisions, and</li> <li>Pass the points and fees test, as applicable.</li> </ul> <p>Additionally, all disclosures and documentation required under the ATR/QM provisions of the Dodd-Frank Act must be provided.</p>
Affidavit of Identity	Planet may require an Affidavit of Identity if a borrower signature appears incomplete or illegible.
Age of Documents	<ul style="list-style-type: none"> <li>All credit and asset documentation must be the lesser of the expiration date noted per DU or ≤ 4 months from the Note date.</li> <li>Appraisal documents must be ≤ 4 months from the Note date or an appraisal update will be required. Appraisal updates must be ≤ 8 months or a new appraisal is required.</li> <li>The title commitment must be ≤ 90 days from the Note date</li> <li>VVOE requirements: <ul style="list-style-type: none"> <li>Wage earners: ≤ 10 business days from the Note date</li> <li>Self-employed: ≤ 120 calendar days</li> </ul> </li> </ul>
Appraisals	<p>DU determines the level of appraisal on owner-occupied properties. If a reduced appraisal recommendation is received from DU, <b>it must be on the final DU.</b></p> <ul style="list-style-type: none"> <li>Appraisals must be Uniform Appraisal Data (UAD) compliant and meet Fannie Mae's Appraiser Independence Requirements (AIR).</li> <li>All appraisals must be submitted to the UCDP by the AMC or independent appraiser. A copy of the Fannie Mae Submission Summary Report (SSR), which include the Appraisal Finding Detail Report (AFDR) with a Document File Status of "Successful" and the ten (10) digits Doc File ID number, or a copy of the XML file must be provided.</li> <li>A Market Condition Addendum is required on all appraisals.</li> <li>Appraisal must identify and address properties located within a declining market.</li> <li>A full appraisal must provide legible interior and exterior photos. <ul style="list-style-type: none"> <li>The exterior photos must contain photos of the front, back and street scene of the subject property as well as the front of all comparable sales.</li> <li>The interior photos, at minimum, must include: <ul style="list-style-type: none"> <li>Kitchen, (free-standing stove/range or refrigerator not required)</li> <li>Main living area</li> <li>All bathrooms</li> <li>Examples of physical deterioration, if present, and</li> <li>Examples of recent updates (i.e. restoration, remodeling/renovation) if present.</li> </ul> </li> </ul> </li> <li>Comparable sales used for new construction properties are subject to the following: <ul style="list-style-type: none"> <li>If all three of the comparable sales used to support the value of the subject property were obtained from one of the above sources (public source eligible in Vermont and Maine only) no further action is required.</li> <li>If the comparable sales are not all obtained from an MLS, MRIS, MRED, NTREIS, or from an independent source (Vermont and Maine only), the appraiser must comment that the subject property development is being marketed in an "open" or "public" environment (i.e. newspaper advertisements, billboard signs, website, etc.).</li> </ul> </li> </ul>



## Fannie Mae High Balance Program Guidelines

<b>Appraisals (cont.)</b>	<p>Additionally, the following applies:</p> <ul style="list-style-type: none"> <li>One of the comparable sales must be outside the project the subject property is located in and be from an MLS, MRIS, MRED, NTREIS, SABOR, GeoData, or Comps Inc. or public source (public source Vermont/Maine only).</li> <li>Two of the comparable sales must be from sources other than the subject property Builder.</li> </ul> <p>NOTE: The appraiser is always allowed to provide more than three comparable sales in order to support the property value.</p> <ul style="list-style-type: none"> <li>Planet requires properties to be, at minimum in average condition. Additionally the following applies: <ul style="list-style-type: none"> <li>A conventional heat source with the ability to maintain a temperature of 50° in areas of the property where there is plumbing</li> <li>Any broken glass that is a health hazard must be removed, and the opening closed.</li> </ul> </li> <li>Properties with a Condition Rating of C6 or Quality Rating of Q6 require Planet prior approval.</li> <li>An appraisal update will be required when the appraisal is dated more than 4 months from the Note date. The update must be completed prior to the expiration of the appraisal. The appraisal update must include a photo of the front of the subject property. If the appraiser indicates a decline in value, a new appraisal is required. A new appraisal will be required when the appraisal with an update is &gt; 8 months from the Note date.</li> <li>A transferred appraisal is acceptable when the following is provided: <ul style="list-style-type: none"> <li>A copy of the Fannie Mae Submission Summary Report (SSR) with a Document File Status of "Successful" and a PDF version of the appraisal report,</li> <li>An appraisal transfer letter and</li> <li>Confirmation that the appraisal is A.I.R. compliant.</li> </ul> </li> <li>Properties located in a FEMA Disaster Declaration area will be subject to additional appraisal review. Refer to <a href="#">Chapter 8 Loan Purchasing</a> for detailed requirements.</li> </ul> <p>Refer to the <a href="#">Fannie Mae Selling Guide</a> Section B4-1 for complete appraisal requirements.</p>
<b>Assets</b>	<p>Documentation requirements per DU.</p> <ul style="list-style-type: none"> <li>All funds used to close the transaction must be disclosed on the 1003 and input into DU.</li> <li>The borrower must provide evidence that the earnest money deposit came from an acceptable source and that they have sufficient assets to cover the down payment, closing costs, prepaids and reserve requirements. Evidence required: <ul style="list-style-type: none"> <li>Two months most recent bank or financial statements, all pages. If a copy of the canceled deposit check is used to document the source of funds, the bank statements must cover the period up and including the date, the earnest money check cleared the bank.</li> <li>Sellers who are also the depository for the borrower's account may provide a printout or other alternative verification of the borrower's bank account assets produced directly from the bank or credit union's system in lieu of bank statement(s).</li> </ul> </li> </ul> <p>A Verification of Deposit (VOD) is acceptable as the primary source of verification. Business funds of a self-employed borrower may be used for down payment, closing costs and/or reserve requirements subject to the following:</p> <ul style="list-style-type: none"> <li>The borrower must be listed as an owner on the account. If the borrower's name is not listed on the business account statement, documentation that the borrower is an authorized signer on the account is required. This applies to all business accounts, including sole proprietorships, when business account funds are being utilized for down payment, closing costs and/or reserves. Examples of acceptable documentation: <ul style="list-style-type: none"> <li>Letter from the bank confirming borrower is an authorized signer, or</li> <li>Online documentation that confirms borrower is an authorized signer.</li> </ul> </li> <li>If the account is held jointly, an access letter, stating the borrower has access to 100% of the business funds are required when the business funds are being used for down payment and/or costs. An access letter is <b>not required</b> if business funds are being used to satisfy reserve requirements, however, at Seller discretion, may be requested.</li> <li>A cash flow analysis, based on 3 months business bank statements, dated within 60 days of the closing date, is required. The cash flow analysis must indicate the following: <ul style="list-style-type: none"> <li>The average running balance in the account for the previous 3 months stayed the same or was better, <b>and</b></li> </ul> </li> </ul>

## Fannie Mae High Balance Program Guidelines

<b>Assets (cont.)</b>	<ul style="list-style-type: none"> <li>– The monthly business expenses were analyzed and documented (i.e. rent, payroll, lease of equipment, etc.), as applicable for the type of business. The Seller is responsible for determining the withdrawal will not have a negative impact on the business.</li> <li>• Cash on hand, unsecured borrowed funds or unverified funds are ineligible sources for assets.</li> <li>• Verification of assets from foreign sources:             <ul style="list-style-type: none"> <li>– Funds that a borrower (either U.S. citizen or non- U.S. citizen) has deposited into a U.S. depository institution are acceptable provided all of the following requirements are met:                 <ul style="list-style-type: none"> <li>○ Documentation of the transfer of funds from the borrower's country of origin is provided, and</li> <li>○ It can be established that the funds belonged to the borrower before the date of transfer, and</li> <li>○ The source of all funds used for closing can be verified following the same requirements for U.S. citizens.</li> </ul> </li> </ul> </li> <li>• Payout from a life insurance policy is acceptable for down payment or closing costs. A copy of the check or payout statement, issued by the insurance company is required. If the cash value is being used for reserves, documentation of the cash value is required however the policy does not need to be liquidated.</li> <li>• Proceeds from the sale of a currently owned property are eligible for down payment and closing costs. The final Settlement/CD for the existing property (not required to be fully executed) must be provided before or at closing to show sufficient net cash proceeds to close the purchase.</li> <li>• Large deposits are considered to be a single deposit where any <b>unsourced</b> portion of the deposit exceeds 50% of the combined gross monthly income of the borrower(s). If the deposit includes both sourced and unsourced funds, only the unsourced portion is used to calculate whether the deposit meets the 50% definition. Direct deposits, such as IRS or state income tax refunds, transfer of funds between verified accounts, that are easily identified on the account statement(s), do not require documentation. Requirements for documenting large deposits are as follows:             <ul style="list-style-type: none"> <li>– <b>Refinance transactions:</b> Large deposits are not required to be explained however it must be determined if the deposit represents borrowed funds, which would require any payment.</li> <li>– <b>Purchase transactions:</b> If the funds from a large deposit are needed for the down payment closing costs or reserves on the transaction documentation must be provided that the funds are from an acceptable source. Any large undocumented deposit will be deducted from the amount of verified funds, and the reduced asset amount will be used for qualification.</li> </ul> </li> </ul> <p><i>Examples:</i></p> <ol style="list-style-type: none"> <li>1. The borrower has a monthly income of \$4,000 and a bank account with a balance of \$20,000. A deposit of \$3,000 was made, but \$2,500 of the deposit is documented as the borrower's tax refund (sourced). In this example, only the \$500 is considered "unsourced" (\$3000 total deposit minus \$2500 tax refund) and is included in the large deposit calculation.  The unsourced \$500.00 is only 12.5% of the borrower's monthly income; therefore, it does not meet the large deposit definition (50% of the borrower's total monthly qualifying income). In this example, documentation is not required and the entire \$20,000 balance in the borrower's bank account may be used for underwriting purposes.</li> <li>2. The same borrower has a deposit of \$3,000 but only \$500 is documented as the borrower's tax refund (sourced) leaving \$2,500 has unsourced. In this example, the unsourced \$2,500 is 63% of the borrower's \$4,000 monthly income which does meet the definition of a large deposit. The unsourced \$2,500 must be deducted from the borrower's \$20,000 bank account balance leaving \$17,500 that may be used for underwriting purposes.</li> <li>3. The same borrower has 3 separate unsourced deposits of \$1800 which technically does not meet the 50% of the borrower's gross monthly income requirement since each deposit is less than \$2,000 (50% of \$4,000) however at underwriter discretion sourcing/documentation may be required.</li> </ol>
<b>Assumptions</b>	Planet follows Fannie Mae Guidelines.
<b>AUS</b>	DU "Approve/Eligible" results required. Manual under writing is ineligible.
<b>Available Markets</b>	<ul style="list-style-type: none"> <li>• <b>Delegated Sellers</b> Planet will purchase loans underwritten and closed by the delegated Seller in <b>all</b> states.</li> </ul>





## Fannie Mae High Balance Program Guidelines

<b>Available Markets</b> (cont.)	<ul style="list-style-type: none"> <li>• <b>Non-Delegated Sellers</b> Planet will purchase loans from non-delegated Sellers in all states on Fannie Mae products. <b>All</b> loans require Planet underwriting approval.</li> <li>• The U.S. territories of Guam, Puerto Rico, and the Virgin Islands are ineligible regardless of Delegation.</li> </ul>
<b>Borrower's - Eligible</b>	<ul style="list-style-type: none"> <li>• A natural person</li> <li>• U.S. citizens</li> <li>• Permanent resident aliens:               <ul style="list-style-type: none"> <li>– Permanent resident alien borrowers must hold an unexpired "Green Card" issued by the U.S. Citizenship and Immigration Services (USCIS). A copy of both the front and back of the card is required.</li> </ul> </li> <li>• Revocable Inter vivos trust that meets Fannie Mae guidelines</li> <li>• Non-permanent resident aliens:               <ul style="list-style-type: none"> <li>– Non-permanent resident aliens are temporary residents who are eligible to live/work in the United States for a specific period of time. Acceptable documentation of their work authorization is:                   <ul style="list-style-type: none"> <li>○ An unexpired Employment Authorization Document (EAD) by the USCIS, or</li> <li>○ An unexpired visa. Eligible types are E-1, G series, H series, or TN.</li> </ul> </li> <li>– If the authorization for temporary residency will expire within one year of closing and a prior history of residency status renewals exists, continuation may be assumed. If there are no prior renewals, the likelihood the authorization will be renewed must be determined based on information received from the USCIS.</li> </ul> </li> <li>• All borrowers are required to have a social security number.</li> </ul>
<b>Borrowers – Ineligible</b>	<ul style="list-style-type: none"> <li>• Foreign Nationals</li> <li>• Borrowers with diplomatic immunity and IMF employees</li> <li>• Borrowers without a social security number</li> </ul>
<b>Borrowers Types</b>	<ul style="list-style-type: none"> <li>• <b>Co-Borrower:</b> An individual, who applies jointly with the applicant, takes title to the property and is liable for the debt. The co-borrower signs all documents.</li> <li>• <b>Non-Occupant Co-Borrower:</b> An individual, who applies with the applicant, May or may not takes title to the property and is liable for the debt but does not live in the property.               <ul style="list-style-type: none"> <li>– DU determines the risk factor without the non-occupant co-borrowers income.</li> <li>– Non-occupant co-borrowers assets may be used to meet the 5% borrower contribution requirement (as applicable). The total liquid assets for both the occupying and non-occupying borrower must be entered in DU to ensure an accurate DU calculation of total available assets.</li> </ul> </li> <li>• <b>Co-Signer:</b> An individual who has no ownership interest in the property, but is liable for the debt. Assets are always used for qualification. Income and debt are only considered when the co-signer occupies the subject property.</li> <li>• <b>Non-Borrowing/Non-Purchasing Spouse</b> <ul style="list-style-type: none"> <li>– Generally have no ownership interest in the property and are not liable for the debt. In community property/marital rights states the non-borrowing spouse does have an interest in the property and is required to execute the security instrument and all applicable documents as determined by state law.</li> </ul> </li> </ul> <p>NOTE: Community property states: Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington and Wisconsin.</p> <p><b>Down Payment and Qualifying Ratio requirements</b></p> <ul style="list-style-type: none"> <li>• When a non-occupant co-borrower or cosigner is on the loan, the occupying borrower must make a minimum 5% of the down payment from their own funds unless:               <ul style="list-style-type: none"> <li>– The LTV/CLTV ratio is <math>\leq 80\%</math> and</li> <li>– The occupying borrower is purchasing a 1-unit principal residence and meets the requirements of gifts to pay for some or all of the borrower's minimum contribution.</li> </ul> </li> </ul>

## Fannie Mae High Balance Program Guidelines

<b>Chain of Title</b>	A 12-month chain of title is required for all loans. Title must include all transfers in the previous 12 month period including copies of all recorded deed(s). More than one transfer in previous 12 months <b>or</b> property has significant increase in value since prior transfer an appraisal addendum addressing all transfers required. The addendum must include dates of sales, sales price and the Note if the sale was through an MLS or was a non-arm's length transaction.
<b>Community Seconds</b>	Community Seconds, meeting Fannie Mae requirements, are eligible for fixed rate purchase or rate/term refinance the 1-4 unit owner-occupied property.
<b>Construction-to-Perm</b>	<ul style="list-style-type: none"> <li>The conversion of construction-to-permanent financing involves the granting of a long-term mortgage to a borrower for the purpose of replacing interim construction financing that the borrower has obtained to fund the construction of a new residence.</li> <li>Construction-to-permanent financing can be structured as a transaction with one or two separate closings, and both single closing and two closing transactions are eligible for purchase.</li> <li>All construction work, including any work that could entitle a party to file a mechanics' lien or material lien, must be completed and paid for, and all mechanics' liens and any other liens and claims that could become liens relating to the construction must be satisfied before the loan is closed with Planet. Planet will retain the appraiser's certificate of completion and a photograph of the completed property in the loan file. When a construction-to- perm mortgage loan provides funds for acquisition or refinancing of an unimproved lot and the construction of a residence on the loan, Planet will retain a certificate of occupancy or an equivalent from the applicable government authority.</li> <li>Units in a condo project are not eligible for construction-to-permanent financing.</li> <li><b>Detached condos allowed.</b></li> </ul> <p><b>Single-Closing Transactions</b></p> <ul style="list-style-type: none"> <li>Single-closing transactions may be closed as either a purchase or limited cash-out refinance.</li> <li>Transactions structured as a purchase; the borrower is not the owner of the lot prior to the loan application. Purchase LTV/CLTV limits apply</li> <li>Transactions structured as a rate/term refinance the borrower holds legal title to the lot prior to applying for the interim construction financing. Limited cash-out (rate/term) LTV/CLTV limits apply.</li> </ul> <p><b>Two-Closing Transactions</b></p> <ul style="list-style-type: none"> <li>Two-closing construction-to-perm transactions utilize two separate loan closings with two separate sets of legal documents. A modification may not be used to update the original Note; a new Note must be completed and signed by the borrowers. The first closing is to obtain the interim construction financing (and may include the purchase of the lot) and the second closing is to obtain the permanent financing upon completion of the improvements.</li> <li>The borrower is underwritten based on the terms of the permanent mortgage.</li> <li>Transactions are subject to the limited cash-out and cash-out refinance maximum LTV/CLTV/ HCLTV ratios, as applicable.</li> <li>Cash-out refinance transactions require the borrower to have held legal title to the lot for at least 6 months prior to the closing of the permanent mortgage.</li> <li>All other standard cash-out refinance eligibility and underwriting requirements apply.</li> </ul> <p>Refer to the <a href="#">Fannie Mae Selling Guide</a> Chapter B5-3 for complete guidelines.</p>
<b>Contingent Liabilities</b>	<ul style="list-style-type: none"> <li><b>Business Debt</b> <ul style="list-style-type: none"> <li>Business debt that appears on a self-employed borrower's personal credit report requires documentation that the debt is paid from company funds and considered in the cash flow analysis for the borrower's business.</li> <li>Business debt does <b>not</b> need to be considered as part of the borrower's individual recurring monthly debt when: <ul style="list-style-type: none"> <li>The account does not have a history of delinquency, <b>and</b></li> <li>Documentation is provided that the debt was paid from the borrower's business funds (e.g. 12 months canceled business checks), <b>and</b></li> <li>The cash-flow analysis of the business took payment of the obligation into consideration. If documentation of payment from the business funds cannot be provided, or there is a history of delinquency on the account, the debt must be considered as part of the borrower's individual recurring debt obligation.</li> </ul> </li> </ul> </li> </ul>

## Fannie Mae High Balance Program Guidelines

<b>Contingent Liabilities(cont.)</b>	<p>If documentation of payment from the business funds cannot be provided, or there is a history of delinquency on the account, the debt must be considered as part of the borrower's individual recurring debt obligation.</p> <ul style="list-style-type: none"> <li>• <b>Co-Signed Debt (aka Contingent Liability)</b> <ul style="list-style-type: none"> <li>– Co-signed debt is <b>not required</b> to be included in the borrower's DTI calculation if all of the following applies: <ul style="list-style-type: none"> <li>○ Documentation that the party making the payment is obligated on the mortgage/debt</li> <li>○ No delinquent payments in the most recent 12 month history</li> <li>○ Most recent consecutive canceled checks are provided documenting the primary party obligated on the debt has been making the payments (the checks cannot be from an account co-owned with the borrower).</li> </ul> </li> <li>– Co-signed debt must <b>be included</b> in the borrower's DTI calculation if: <ul style="list-style-type: none"> <li>○ It cannot be properly documented that the primary party obligated on the loan is making the payments, <b>or</b></li> <li>○ A 12 month pay history, by the primary party, cannot be established, <b>or</b></li> <li>○ The credit report indicates there have been late payments on the debt, <b>or</b></li> <li>○ Another party is making the payments, but the borrower is the individual responsible for the debt.</li> </ul> </li> </ul> </li> </ul>
<b>Conversion of Principal Residence or Pending Sale</b>	<p><b>Pending Sale:</b> If the borrower is purchasing a new primary residence, and the current primary residence is pending sale, and the transaction will not close prior to the new transaction, the following is required:</p> <ul style="list-style-type: none"> <li>– The borrower is qualified using their current PITIA and the proposed PITIA (principal, interest, taxes, insurance and other assessments).</li> <li>– The borrower must have 6 months PITIA in reserves for both properties.</li> <li>– Two months reserves for each property will be allowed if 30% equity can be documented by an appraisal.</li> <li>– The borrower's PITIA payment on their current residence will not be required when qualifying the borrower if <b>all</b> of the following applies: <ul style="list-style-type: none"> <li>○ The borrower meets the 6 months reserve requirement (or 2 months with documented equity) for both properties, and</li> <li>○ A copy of the executed sales contract is provided, and</li> <li>○ Documentation is provided confirming all financing contingencies have been cleared.</li> </ul> </li> </ul> <p><b>Conversion of Second Home or Principal Investment Property:</b> Follow <a href="#">Fannie Mae Selling Guidelines</a>.</p>
<b>Credit History</b>	<ul style="list-style-type: none"> <li>• Tradeline requirements per DU.</li> <li>• Authorized user tradelines require underwriter review to ensure the tradelines are an accurate reflection of the borrower's credit history.</li> </ul>
<b>Credit - Installment/Revolving Accounts</b>	<p>All debts must be run through DU to ensure accurate DU results.</p> <ul style="list-style-type: none"> <li>• <b>Installment Debt</b> <ul style="list-style-type: none"> <li>– All Installment debts, including garnishments are considered recurring monthly debt obligations and must be included in the borrower's long-term debt for qualifying purposes if there are more than 10 months payments remaining.</li> <li>– Installment debt with <math>\leq 10</math> months remaining will be considered as a recurring monthly debt obligation if it significantly affects the borrower's ability to meet their credit obligations.</li> </ul> </li> <li>• <b>Revolving Debt</b> <ul style="list-style-type: none"> <li>– Revolving debt is considered part of the borrower's recurring monthly debt. Revolving debt includes credit cards and personal lines of credit (equity lines, secured by real estate, are included in the housing expense). Revolving debt is subject to the following: <ul style="list-style-type: none"> <li>○ If the monthly payment is not included on the credit report, the underwriter will use the greater of \$10 or 5% of the outstanding balance to determine the monthly payment.</li> </ul> </li> </ul> </li> <li>• <b>Payoff or Pay down debt before qualification</b> <ul style="list-style-type: none"> <li>– Payoff or pay down of a debt solely to qualify the borrower is carefully evaluated and will be considered in the overall loan analysis by the underwriter. Generally the following applies: <ul style="list-style-type: none"> <li>○ Revolving accounts that will be paid off at or prior to closing, a monthly payment is not required to be included in the debt ratio. Documentation that the account was paid off must be provided and verified prior to loan disbursement, or the payoff must be shown on the Settlement/CD.</li> </ul> </li> </ul> </li> </ul>



## Fannie Mae High Balance Program Guidelines

<p><b>Credit - Installment/Revolving Accounts (cont.)</b></p>	<ul style="list-style-type: none"> <li>○ Installment loans that are being paid off or paid down to 10 or fewer remaining monthly payments do not need to be included in the borrower's long-term debt. Such accounts do not need to be closed as a condition of excluding the payment from the DTI ratio.</li> <li>• Open 30-day charge accounts require sufficient assets to pay off the debt to be excluded from the debt ratio.</li> <li>• <b>Student Loans</b> Payments evidenced on credit reports can be used to qualify the borrower. When the credit report does not reflect the correct monthly payment amount: <ul style="list-style-type: none"> <li>– Planet may use the most recent monthly payment reflected on the student loan documentation.</li> </ul> When the credit report does not reflect a monthly payment amount or shows a \$0 amount as the monthly payment, one of the following options must be used when determining the qualifying monthly payment: <ul style="list-style-type: none"> <li>– Planet may qualify borrowers on income driven payment plans using the \$0 as a monthly payment amount with evidenced documentation.</li> </ul> or <ul style="list-style-type: none"> <li>– For loans that are deferred loans or in forbearance, Planet may calculate: <ul style="list-style-type: none"> <li>○ A payment equal to 1% of the outstanding student loan balance (even if this amount is lower than the actual fully amortizing payment), or</li> <li>○ A fully amortizing payment using the documented loan repayment terms.</li> </ul> </li> </ul> </li> <li>• <b>Alimony Child Support/Separate Maintenance Payments</b> Alimony/child support or separate maintenance payments that are required to be paid due to a divorce decree, separation agreement or another legal document may be: <ul style="list-style-type: none"> <li>– Included in the borrower's monthly debt obligations if they will continue for &gt; 10 months</li> <li>– Deducted from the monthly base income</li> <li>– Voluntary payments are <b>not required</b> to be considered in the DTI calculation.</li> </ul> <p><b><u>Alimony Treatment</u></b> There are now two options available with regard to alimony paid by the borrower as summarized below.</p> <ol style="list-style-type: none"> <li>1. The borrowers monthly qualifying income can be reduced by the amount of the monthly alimony payment, or</li> <li>2. Included as a monthly payment in the DTI calculation. <ul style="list-style-type: none"> <li>– <b>Lenders utilizing option 1</b> <ul style="list-style-type: none"> <li>○ Must enter the adjusted income figure as the income amount in DU</li> <li>○ Disregard the DU message requiring the inclusion of the alimony obligation as a monthly liability that is issued whenever the borrower declares on the loan application that they are obligated to pay alimony.</li> </ul> </li> <li>– <b>Lenders utilizing option 2</b> <ul style="list-style-type: none"> <li>○ Follow the standard requirements as outlined in the <i>Monthly Debt Obligations</i> section of the Selling Guide.</li> </ul> </li> </ul> <p><b>Note:</b> Lenders must continue to obtain documentation confirming the amount of the alimony obligation.</p> </li> </ol></li></ul>
<p><b>Credit Reports/Scores</b></p>	<ul style="list-style-type: none"> <li>• Credit score per DU.</li> <li>• All borrowers are required to have a credit score (see exceptions below).</li> <li>• Planet will accept a credit report, in the Seller's name, from any Fannie Mae acceptable credit vendor.</li> <li>• A tri-merged credit report is required for all borrowers.</li> <li>• The representative credit score is determined as follows: <ul style="list-style-type: none"> <li>– If there are three (3) valid scores, the middle score is used. If two of the three scores are a duplicate, the duplicate score is used.</li> <li>– If there are two (2) valid scores, the lower of the two is used</li> <li>– If there is one (1) valid score, that score is used</li> </ul> </li> </ul> <p>The representative score for the loan is the lowest representative score of all borrowers.</p> <ul style="list-style-type: none"> <li>• The borrower(s) must address <b>all</b> credit inquiries indicated on the credit report within the previous 120 days and indicate the reason for and result of the inquiry (i.e. was new credit obtained or not).</li> </ul>



## Fannie Mae High Balance Program Guidelines

<p><b>Credit Reports/Scores</b> (cont.)</p>	<ul style="list-style-type: none"> <li>Sellers are required to document that the borrower did not incur any new debt from the time the credit used to make the credit decision was pulled to the time of loan closing. Any of the following is acceptable documentation: <ul style="list-style-type: none"> <li>A "soft pull" credit report, or</li> <li>An affidavit, signed by the borrower(s) (sample form is on the Planet website under "Forms and Resources"), or</li> <li>A letter, written and signed by the borrower(s) stating no new credit was obtained.</li> <li>The credit report must be <math>\leq 4</math> months from the Note date</li> </ul> </li> </ul> <p><b>Frozen Credit</b></p> <p>If one of the three credit repositories display a frozen credit report the borrower may still qualify if:</p> <ul style="list-style-type: none"> <li>Credit data is available from the other two repositories</li> <li>A credit score is provided by at least one repository, and</li> <li>Proof that lender requested a tri-merge credit report is evidenced in the file</li> </ul> <p>If credit data is frozen at two or more of the credit repositories the loan will not be eligible.</p> <p><b>Credit Report – Fraud Alert</b></p> <p>When a fraud alert, active duty alert or freeze is included with a credit report, additional steps are required to verify the borrower's identity and documentation must be provided. Documentation should include, but is not limited to:</p> <ul style="list-style-type: none"> <li>A letter of explanation from the borrower, and</li> <li>A copy of the identity theft report, and</li> <li>An additional form of identity verification, and</li> <li>If the credit alert contains a phone number for a verbal verification prior to credit being issued, documentation must be provided that the borrower was contacted.</li> </ul> <p><b>Credit Exceptions/Non-traditional Credit</b></p> <p>Planet will not require all borrowers on the loan to have a credit score subject to the following requirements:</p> <ul style="list-style-type: none"> <li>DU "Approve/Eligible" results</li> <li>1-unit, primary residence</li> <li>All borrowers will occupy the property</li> <li>Purchase or LCOR transactions only</li> <li>Conforming Loan Limits only (High Balance amounts not permitted)</li> <li>Fixed Rate mortgage</li> <li>The maximum LTV, CLTV, and HCLTV ratios are 90%</li> <li>DTI must be less than 40%</li> <li>Reserves as required per DU</li> <li>Self-employed income permitted</li> <li>When no borrower has a credit score a non-traditional credit history must be documented for each borrower</li> <li>When one or more borrower(s) has a credit score and other borrower(s) do not: <ul style="list-style-type: none"> <li>If the borrower(s) with the credit score contributes <math>\leq 50\%</math> of the qualifying income, a non-traditional credit history must be documented for all borrower(s) without a credit score, and</li> <li>If the borrower(s) with the credit score contributes more than 50% of the qualifying income), there is no need to document a non-traditional credit history for borrower(s) without a credit score.</li> </ul> </li> </ul> <p>Note: Refer to Fannie Mae Selling Guide section for complete details.</p>
<p><b>Deed/Resale Restrictions</b></p>	<p>Properties with age-related restrictions (55+ communities) are eligible subject to Fannie Mae requirements. All other properties subject to deed/resale restrictions are ineligible.</p>



## Fannie Mae High Balance Program Guidelines

### Derogatory Credit

### Bankruptcy

Derogatory Event	Waiting Period	Extenuating Circumstance
Chapter 7 or 11 BK	4 years from discharge date to the disbursement date of the new loan.	2 years from discharge. The maximum LTV is the lesser of the 90% LTV or maximum LTV allowed for the program.
Chapter 13 BK	<ul style="list-style-type: none"> <li>• 2 years from discharge date to the disbursement date of the new loan, or</li> <li>• 4 years from dismissal date the disbursement date of the new loan.</li> </ul>	2 years from discharge. The maximum LTV is the lesser of the 90% LTV or maximum LTV allowed for the program.
Multiple BK Filing*	5 years if more than one filing in the previous 7 years.	3 years from discharge dismissal.

\*NOTE: Two or more borrowers with individual bankruptcies are not cumulative and are not considered multiple bankruptcies (e.g. the borrower has a bankruptcy and the co-borrower has a bankruptcy; Fannie Mae does not consider this multiple BKs).

- Extenuating circumstances are considered isolated events that are beyond the borrower's control that result in a sudden, significant and prolonged reduction in income or a large increase in the borrower's financial obligations (e.g. death of a borrower, layoff, serious illness, divorce, etc.).
  - Acceptable documentation to support extenuating circumstances and that illustrate factors that contributed to the borrower's inability to resolve the problem is required (e.g. copy of divorce decree, layoff notice, death certificate, medical bills, tax returns, property listing agreements, etc.).
  - Additionally a letter of explanation from the borrower explaining the relevance of the documentation is required.

NOTE: An "Approve/Eligible" results are still required even when considering extenuating circumstances; manual underwriting is not allowed on Agency loans.

### Collections/Charge-offs/Judgments

The following applies to collection and charge-off accounts:

- Past-due accounts (that have not gone to collection) must be brought current.
- **One Unit Owner-Occupied Primary Residence:**
  - The borrower is not required to pay off outstanding collections or charge-offs regardless of the amount.
- **Two-to-Four Unit Owner-Occupied Primary Residence and Second Home**
  - If the combined total of collections and charge-offs accounts is greater than \$5,000, the accounts must be paid in full prior to or at closing.
- **Investment Property**
  - Individual accounts greater than or equal to \$250.00 or, if the combined balance of all accounts is greater than \$1000.00; the accounts must be paid in full prior to or at closing.

NOTE: At underwriter discretion payoff of collection accounts may be required.

### Mortgage Charge-offs

If the charge-off account was a mortgage, a 4 year waiting period (2 years with extenuating circumstances) applies. [Refer to the Deed-In-Lieu/Pre-Foreclosure](#) topic for requirements.

- If mortgage debt was discharged through the bankruptcy, even if there was a subsequent completed foreclosure action to reclaim the property, bankruptcy waiting periods may be applied, not foreclosure waiting periods if documentation is provided to verify the mortgage was discharged in the bankruptcy. If documentation cannot be provided, the greater of the applicable bankruptcy or foreclosure waiting period is applied.

## Fannie Mae High Balance Program Guidelines

### Derogatory Credit (cont.)

#### Judgments/Tax Liens

Open judgments and all outstanding liens appearing in the Public Records section of the credit report must be paid off prior to or at closing. Documentation of sufficient funds to satisfy these obligations must be obtained.

#### Consumer Credit Counseling

Follow DU Findings

#### Foreclosure

A previous foreclosure is subject to the following:

- A 7 year waiting period from completion date to credit report date is required
- A 3 year waiting period with documented circumstances. The following also applies:
  - Maximum LTV/CLTV is the lesser of 90% or the program maximum
  - Borrower must be purchasing a primary residence, or
  - A limited cash-out refinance is permitted on all property types subject to eligibility requirements.

#### Deed-in-Lieu/Pre-Foreclosure (Short Sale/Short Pay-off)

- A 4 year waiting period is required regardless of the LTV (measured by event date to new loan disbursement date)
- A 2 year waiting period may be considered with acceptable documented extenuating circumstances\*.

NOTE: Disbursement date is defined as the date the loan funds are disbursed for the subject mortgage. The disbursement date may occur on or after the Note date.

#### \*Extenuating Circumstances

An extenuating circumstance is defined by Fannie Mae as a non-recurring event that was beyond the borrower's control that resulted in a sudden, significant and prolonged significant reduction in income (e.g. job loss, divorce, serious illness, etc.) or a catastrophic increase in financial obligations (e.g. large medical bills).

An extenuating circumstance must be fully documented. Copies of any paperwork substantiating the event such as divorce decree, job layoff notice, severance papers, medical bills, etc. must be provided.

Additionally copies of any documents substantiating the borrower's inability to resolve the problems resulting from the event such as insurance claims, unemployment paperwork, listing agreements, tax returns (covering the period of the event; before, during and immediately after), etc., are required. A letter of explanation from the borrower, explaining the event and documentation provided is also required.

#### Disputed Accounts

- Disputed accounts are subject to DU Findings.
- If DU Findings do not indicate any action required none is required, however, the payment for the tradeline, if any, must be included in the DTI ratio if the account belongs to the borrower.
- If DU requires action on a disputed account the loan cannot close until the dispute has been resolved and an updated credit report, without the disputed account, is submitted to DU.

NOTE: An "Approve/Eligible" results must be received from DU after the updated credit report has been submitted.

#### Delinquent Child Support

Delinquent child support must be paid current or in a payment plan.

## Fannie Mae High Balance Program Guidelines

<b>Derogatory Credit</b> (cont.)	<b>Re-established Credit Requirements</b> <ul style="list-style-type: none"> <li>• After a foreclosure, bankruptcy, deed-in-lieu, or pre-foreclosure borrowers are required to have re-established good traditional credit.</li> <li>• Re-established credit is met if all of the following are met: <ul style="list-style-type: none"> <li>– The above detailed waiting periods and additional related requirements are met</li> <li>– The loan receives an “Approve/Eligible” Finding from DU</li> <li>– The borrower has established new traditional credit (non-traditional credit or “thin files” are <b>not</b> acceptable).</li> </ul> </li> </ul>
<b>DTI</b>	<ul style="list-style-type: none"> <li>• Per DU</li> <li>• Business debt may only be excluded from the DTI calculation if satisfactory documentation of the following is provided: <ul style="list-style-type: none"> <li>– The account in question does not have a history of delinquency.</li> <li>– The debt(s) are paid through the business verified with 12 months canceled business account checks.</li> <li>– A cash-flow analysis of the business took the payment obligation into consideration.</li> </ul> </li> <li>• Debt that has been assigned by order of the court is not required to be included in the borrower’s</li> <li>• DTI calculations; however the payment history for the debt prior to its assignment must be reviewed.</li> </ul>
<b>Employment</b>	<ul style="list-style-type: none"> <li>• A two-year employment history is recommended.</li> <li>• Wage earner borrowers may be considered with a shorter employment history as long as the employment profile demonstrates positive factors to offset the shorter income history reasonably.</li> <li>• Borrowers relying on overtime and/or bonus income for qualifying purposed must have a minimum 12 months history to be considered stable.</li> <li>• Self-employed borrowers may be considered with a 12 to 24 month self-employment history when: <ul style="list-style-type: none"> <li>– The borrower’s most recent signed federal tax returns reflect the receipt of income at the same or greater level from a field that provides the same products/services as the current business, or</li> <li>– Reflects income from an occupation in which the borrower had similar responsibilities as those undertaken in the current business.</li> <li>– Seller’s must thoroughly review and consider the borrower’s level of experience and the amount of debt the business has.</li> </ul> </li> <li>• A verbal verification of employment (VVOE) is required within 10 business days of the Note date for salaried borrowers and within 120 calendar days for self-employed borrowers. A sample VVOE form is posted on the Planet Home Lending website under “Forms and Resources.” Sellers are not required to utilize this exact form. However, any form used, must provide the information contained on the Planet Home Lending form.</li> <li>• A current paystub with YTD income and most recent W -2s are required.</li> <li>• Sellers must independently obtain the phone number, and when possible, the address of the wage earner borrower’s employer using directory assistance/internet/phone book, etc.</li> <li>• Self-employed borrowers require verification of the business by a third party source (e.g. CPA, Federal Tax ID Certificate, Business License, and 411/Reverse Look-up). Self-employed borrowers are individuals who have 25% or greater ownership interest in business.</li> </ul>
<b>Escrow Holdbacks</b>	<p>Loans with an escrow holdback are eligible for purchase when all funds are disbursed prior to the loan being purchased by Planet except as noted below. Loans must meet Planet’s loan seasoning requirements detailed in <a href="#">Chapter 8 – Loan Purchasing</a>. Loans with holdback funds not disbursed prior to purchase are eligible as follows:</p> <ul style="list-style-type: none"> <li>• <b>Newly constructed properties – weather related</b> <ul style="list-style-type: none"> <li>○ Funds held for completion of grading of yard/driveway, pouring concrete for driveway/sidewalks</li> <li>○ Seller must provide proof of completion and release of funds post-purchase</li> </ul> </li> <li>• <b>Newly constructed properties with city held bond –weather related</b> <ul style="list-style-type: none"> <li>○ Eligible for purchase with temporary Certificate of Occupancy when a city bond is held for completion of roads and/or driveways</li> </ul> </li> <li>• <b>New construction – non-weather related</b> <ul style="list-style-type: none"> <li>○ Funds held for completion of landscaping</li> <li>○ Seller must provide proof of completion and release of funds post-purchase.</li> </ul> </li> </ul> <p>Note: Existing properties with new renovations allowed on a case by case basis.</p>





## Fannie Mae High Balance Program Guidelines

<b>Escrow/Impound Account</b>	<ul style="list-style-type: none"><li>• &gt;80% LTV required unless prohibited by state law</li><li>• &lt; 80% LTV not required; refer to rate sheet for pricing adjustment</li></ul> <p><b>Escrowed Flood Insurance Premiums</b></p> <p>Escrowed flood insurance premiums are required on all loans closed on or after January 1, 2016, including but not limited to Higher Priced Mortgage Loans (HPML). The Seller must provide the following prior to purchase by Planet:</p> <ul style="list-style-type: none"><li>• Evidence that all flood insurance premiums have been escrowed (regardless of any other fees and charges associated with the loan).</li><li>• The seller must use Standard Flood Hazard Determination Form (SFHDF) on all properties.</li></ul> <p>Note: Planet will not waive the escrow for flood insurance premiums on loans secured by 1-4 unit properties (including PUDs and site condos). Loans closed on or after January 1, 2016, where flood insurance is required, and no flood escrow has been established are not eligible for purchase.</p>											
<b>Financed Properties</b>	<ul style="list-style-type: none"><li>• Owner-occupied properties: Unlimited</li><li>• Second home and investment: Maximum 10 residential properties may be financed, including the borrower's principal residence. Borrowers with 7-10 properties must have a minimum credit score of 720; all other standards apply.</li></ul> <p>Note: See <a href="#">reserves</a> topic for additional information</p> <p><b>Calculating the Number of Financed Properties</b></p> <p>Types of property ownership <b>included</b> in the calculation of financed properties:</p> <ul style="list-style-type: none"><li>– Joint ownership of residential real estate</li><li>– Property held in the name of a trust</li><li>– Joint or total ownership of property held in the name of a corporation or S corp., even if the borrower is the owner of the corporation and the financing is in the name of the borrower</li><li>– Borrower is obligated on the mortgage debt for a residential property regardless of whether or not the borrower is an owner of the property</li><li>– Property is owned in the name of an LLC or partnership, and the individual or combined ownership is &gt; 25% regardless of the entity or borrower that is obligated on the mortgage</li><li>– The property is owned in the name of an LLC or partnership where the borrower(s) have an individual or combined ownership in the LLC or partnership &lt; 25% and the financing are in the name of the borrower.</li><li>– Ownership of a manufactured home and the land on which it sits is titled as real property.</li></ul> <p>Types of property ownership <b>not included</b> in the calculation of financed properties:</p> <ul style="list-style-type: none"><li>– Commercial real estate</li><li>– Multifamily property consisting of more than 4 dwelling units</li><li>– Joint or total ownership of a property held in the name of a corporation or S corp., even if the borrower is the owner of the corporation and the financing is in the name of the corporation or S corp.</li><li>– Timeshare</li><li>– Vacant lot</li><li>– Ownership of a manufactured home on a leasehold estate not titled as real property.</li></ul> <p>Planet limits its exposure to a maximum of 2 loans per borrower, and one must be a primary residence.</p>											
<b>Gift Funds</b>	<p>Gift funds from an acceptable donor, may be used for all or part of the down payment, closing costs, or reserve requirements as long as the borrower meets the minimum contribution requirements below.</p> <table><tr><th>LTV/CLTV</th><th>Property Type</th><th>Minimum Contribution from Borrower Own Funds</th></tr><tr><td rowspan="2">≥ 80.01%</td><td>1 unit primary residence</td><td>Not required if MI Certificate confirms coverage; otherwise 5% borrower's own funds required.</td></tr><tr><td>2-4 units, second home</td><td>5% borrower contribution required. Gifts may be used after the borrower own funds is met.</td></tr><tr><td>≤ 80%</td><td>1-4 primary, second home</td><td>Not required. All funds may come from a gift.</td></tr></table> <ul style="list-style-type: none"><li>• Gift funds are not allowed on investment transactions.</li></ul>	LTV/CLTV	Property Type	Minimum Contribution from Borrower Own Funds	≥ 80.01%	1 unit primary residence	Not required if MI Certificate confirms coverage; otherwise 5% borrower's own funds required.	2-4 units, second home	5% borrower contribution required. Gifts may be used after the borrower own funds is met.	≤ 80%	1-4 primary, second home	Not required. All funds may come from a gift.
LTV/CLTV	Property Type	Minimum Contribution from Borrower Own Funds										
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	2-4 units, second home	5% borrower contribution required. Gifts may be used after the borrower own funds is met.										
≤ 80%	1-4 primary, second home	Not required. All funds may come from a gift.										



## Fannie Mae High Balance Program Guidelines

<b>Gift Funds (cont.)</b>	<ul style="list-style-type: none"> <li>• Gift funds may be provided by any of the following: <ul style="list-style-type: none"> <li>– A relative, defined as the borrower's spouse, child, or other dependent, or by another individual who is related to the borrower by blood marriage, adoption or legal guardianship, or</li> <li>– A fiancé or fiancée, or domestic partner.</li> </ul> </li> <li>• The gift must be evidenced by a gift letter, signed by the donor and it must: <ul style="list-style-type: none"> <li>– Specify the dollar amount,</li> <li>– Be signed by the donor and the borrower,</li> <li>– Specify the date the funds were transferred,</li> <li>– Indicate the donor(s) name, address, phone number, and relationship to the borrower, and</li> </ul> </li> <li>• Include a statement by the donor that no repayment of the gift funds is expected.</li> <li>• The transfer of the gift funds must be documented. Acceptable documentation includes: <ul style="list-style-type: none"> <li>– Copy of the donor's canceled check and the borrower's deposit slip</li> <li>– Copy of the donor's withdrawal slip and the borrower's deposit slip</li> <li>– Copy of the donor's check to the closing agent, or</li> <li>– The settlement statement showing receipt of the donor's check.</li> <li>– If funds not transferred prior to settlement, documentation the donor gave the closing agent the gift funds in the form of a certified/cashier's check or other official check.</li> </ul> </li> </ul> <p>Refer to the <a href="#">Fannie Selling Guide</a> for complete details.</p>
<b>Gift Equity</b>	<ul style="list-style-type: none"> <li>• Allowed from an immediate family member only.</li> <li>• Eligible on a primary residence and second home purchase transactions.</li> <li>• A gift letter must be provided (refer to gift funds above for gift letter requirements)</li> <li>• The Closing Disclosure must indicate "gift of equity".</li> <li>• The current property owner must be current on payments.</li> </ul> <p>If the above requirements are met, the gift of equity is not subject to the interested party contribution requirements.</p>
<b>Income</b>	<p>Income documentation is determined per DU, however, at underwriter discretion, additional documentation may be required. Unless addressed below follow Fannie Mae guidelines for income requirements.</p> <ul style="list-style-type: none"> <li>• Wage earner borrowers: <ul style="list-style-type: none"> <li>– At minimum, a current paystub with YTD earnings and the most recent W -2. The paystub must be dated within 30 days of the initial loan application date.</li> </ul> </li> <li>• Self-employed borrowers: <ul style="list-style-type: none"> <li>– Copy of the most recent 2-years signed federal individual and business tax returns with all schedules. If DU requires business returns, business tax transcripts will be required.</li> <li>– The requirement for business tax returns <b>maybe waived</b> if: <ul style="list-style-type: none"> <li>○ The borrower is using personal funds for down payment, closing costs and to satisfy applicable reserve requirements,</li> <li>○ The borrower has been self-employed in the same business for a minimum of 5 yrs.</li> <li>○ The borrower's individual tax returns show an increase in self-employment income over the past 2-years.</li> </ul> </li> </ul> </li> <li>• When the co-borrowers self-employment income is not used for qualifying purposes; no documentation or evaluation of income or losses is required. However, all borrowers will continue to be evaluated for creditworthiness.</li> <li>• Permitted for non-traditional credit qualifying transactions</li> <li>• Business income may only be used to qualify the borrower when there is a history of income distribution to the borrower consistent with the level being used to qualify.</li> </ul> <p>Note: Refer to the Fannie Mae Selling Guide for additional details.</p> <ul style="list-style-type: none"> <li>• Other sources of income: <ul style="list-style-type: none"> <li>– DU determines the documentation, verification and continuation requirements for other sources of income.</li> <li>– Social Security income for retirement or long-term disability that the borrower is drawing from his /or her own account/work record will not have a defined expiration date and must be expected to continue.</li> </ul> </li> </ul> <p>Note: An SSA Award letter may be used to document the income if the borrower is receiving Social Security payments or if the borrower will begin receiving payments on or before the first payment date of the subject mortgage as confirmed by a recently issued award letter.</p>



## Fannie Mae High Balance Program Guidelines

Income (cont.)	<ul style="list-style-type: none"> <li>- Schedule KI Income: <ul style="list-style-type: none"> <li>o Borrower (s) with less than 25% ownership of a partnership, S corporation or limited liability company reported on form 1065 or IRS form 1120S must have adequate liquidity to support the withdrawal of earnings. Refer to the <a href="#">Fannie Mae Seller Guide</a> for complete or complete details.</li> </ul> </li> <li>- Employment offers or contracts: If the borrower is scheduled to begin employment after the loan closes borrowers may qualify using one of the options below. <ol style="list-style-type: none"> <li>1. <b>Loan delivered after borrower starts employment</b> <ul style="list-style-type: none"> <li>- Mortgage loan file must include: <ul style="list-style-type: none"> <li>o A copy of the executed employment contract, and</li> <li>o A paystub which includes sufficient information to support the income used to qualify the borrower based on the offer contract.</li> </ul> </li> </ul> </li> <li>2. <b>Loan delivered prior to borrower starting employment</b> are limited to the following requirements: <ul style="list-style-type: none"> <li>- Purchase Transaction only</li> <li>- 1 unit principal residence</li> <li>- Borrower is not employed by a family member or by an interested party to the transaction</li> <li>- Borrower is qualified using only fixed base income</li> <li>- Employment start date must be within 90 days of the note date</li> <li>- The employment offer or contract must: <ul style="list-style-type: none"> <li>o Clearly identify the employer and the borrower</li> <li>o Be signed by the employer, and</li> <li>o Be accepted and signed by the borrower</li> <li>o Clearly identify the terms of employment, including position, type and rate of pay, and start date; and</li> <li>o Be non-contingent.</li> <li>o Review of all conditions of employment (if applicable) must be evidenced in the file.</li> </ul> </li> </ul> </li> </ol> </li> </ul> <p>Note: Refer to <a href="#">Fannie Mae Seller Guide</a> for complete income requirements.</p>
Income Rental	<ul style="list-style-type: none"> <li>• Planet follows Fannie Mae guidance regarding the use of rental income.</li> <li>• First-time homebuyer: Rental income <b>not</b> eligible for qualifying when purchasing an investment property.</li> <li>• Sellers are encouraged to utilize the Fannie Mae rental income worksheets when calculating rental income. The worksheets (Form 1037, 1038, and 1039) are located on <a href="#">Fannie Mae's website</a> under "Guide Forms &amp; Legal Docs".</li> </ul>
Inspection	<ul style="list-style-type: none"> <li>• Septic inspections are only required when the appraiser indicates there is evidence the septic system is failing.</li> <li>• Termite inspections are only required when the purchase contract requires one, or the appraiser indicates there is evidence of active infestation.</li> <li>• Well inspections are only required when state or local regulations require, or if there is an indication the well may be contaminated.</li> </ul>
Interested Party Contributions	<p>Interested party contributions (IPC) pay for costs that are normally charged to the buyer of the property (borrower) and are provided by a party that has a financial interest in, or can influence the terms and sale/transfer of the subject property such as:</p> <ul style="list-style-type: none"> <li>• Seller</li> <li>• Builder/developer</li> <li>• Real estate agent</li> <li>• Broker, or</li> <li>• Any affiliate of the above that will benefit from the sale of the property and/or at the highest possible sales price.</li> </ul> <p>IPC's can be either financing concessions or sales concessions and include:</p> <ul style="list-style-type: none"> <li>• Funds paid directly from the interested party to the borrower</li> <li>• Funds that flow from an interested party through a third- party organization, including nonprofit entities, to the borrower,</li> </ul>



## Fannie Mae High Balance Program Guidelines

### Interested Party Contributions (cont.)

- Funds that flow to the transactions on the borrower's behalf from an interested party, (includes third party organization and nonprofit agency)
- Funds donated to a third party who provides the funds to pay some or all of the closing costs for the transaction.

Interested party contribution are limited as follows:

Occupancy Type	LTV/CLTV	Maximum Allowable Contribution
Primary Residence* or Second Home	>90%	3%
	75.01-90%	6%
	75% or less	9%
Investment Property	All	2%

Note: if the subject property is a primary residence and the property is a Fannie Mae REO identified on the HomePath website the maximum allowable >90% is 6%.

- IPC's cannot be used to make the borrower's down payment, reserve requirements or to meet the minimum borrower contribution requirement.
- Sales concessions items such as furniture, automobiles, decorator allowances, cash, etc. and financing concessions that exceed the limits above **must be** deducted from the sales price when calculating the LTV/CLTV ratios.

Financing concessions are subject to the IPC limits noted above. Financing concessions include:

- Financial contributions from an interested party that benefits the borrower in the financing transaction
- Payments or credits related to acquiring the property, and
- Payments or credits for financing term, including prepaids.
- An origination fee
- Discount points
- Commitment fee
- Appraisal cost
- Transfer taxes
- Attorney's fees
- Title insurance premiums.

They may also include:

- Prepaid items such as interest charges (no more than 30 days)
- Real estate taxes covering any period after the settlement date
- Hazard insurance premiums ( $\leq$  14 months), HOA dues ( $\leq$  12 months)
- Mortgage insurance premiums, and
- Escrow accruals for borrower paid MI.

NOTE: Fees and/or closing costs paid by the seller that are considered common and customary are not subject to IPC limits e.g. owner's title and transfer tax.

Undisclosed IPCs are ineligible i.e. borrower paid closing costs moved to the seller side of the HUD.

### Investment Property Requirements

Investment property files regardless of whether or not income is used to qualify must contain **one** of the following documents at closing:

- If the property is vacant, verification from the appraiser that all units are currently vacant (can be noted in the appraisal report), **or**
- If the property has any tenants, verification from the title company that they will not have "Tenants in Possession" exception in the title policy. Specific verification from the title company is required; the title company must provide written documentation that they will now have a "tenants in possession" exception, **or**
- A copy of the lease documentation that specifically indicates:
  - The lease is subordinate to any mortgage, **or**
  - Any tenant's right to purchase the property or any rights that could affect Planet's interest has been formally waived by all tenants of the property.



## Fannie Mae High Balance Program Guidelines

Mortgage Insurance	<ul style="list-style-type: none"><li>Loans with &gt;80% LTV, mortgage insurance is required and are subject to MI guidelines.</li><li>Eligible MI products:<ul style="list-style-type: none"><li>Borrower paid mortgage insurance (BPMI). Monthly or single premium are eligible. The single premium may be financed. Refer to <a href="#">Chapter 4 – Mortgage Insurance</a> for detailed requirements.</li><li>Lender paid mortgage insurance (LPMI). Single premium only</li><li>Split Premium.</li></ul></li><li>Eligible MI options:<ul style="list-style-type: none"><li>Non-refundable</li><li>Refundable</li><li>Level/constant renewal type (as applicable)</li></ul></li></ul> <p>Planet will accept mortgage insurance issued by MI companies that are Fannie Mae approved.</p> <p>Mortgage insurance coverage is determined by LTV and loan term as detailed below:</p> <table><tr><th colspan="5">Required MI Coverage</th></tr><tr><th rowspan="2">Loan Term</th><th colspan="4">LTV</th></tr><tr><th>80.01-85%</th><th>85.01-90%</th><th>90.01-95%</th><th>95.01%-97%**</th></tr><tr><td>Fixed Rate: 10,15 &amp; 20 year</td><td>6%</td><td>12%</td><td>25%*</td><td>35%</td></tr><tr><td>Fixed Rate: 25 &amp; 30 year and ARMs*</td><td>12%</td><td>25%</td><td>30%*</td><td>35%</td></tr></table> <p>*ARM Maximum LTV 95% See ** &gt; 95%. See <a href="#">95.01%-97%</a> topic for restrictions</p>	Required MI Coverage					Loan Term	LTV				80.01-85%	85.01-90%	90.01-95%	95.01%-97%**	Fixed Rate: 10,15 & 20 year	6%	12%	25%*	35%	Fixed Rate: 25 & 30 year and ARMs*	12%	25%	30%*	35%
Required MI Coverage																									
Loan Term	LTV																								
	80.01-85%	85.01-90%	90.01-95%	95.01%-97%**																					
Fixed Rate: 10,15 & 20 year	6%	12%	25%*	35%																					
Fixed Rate: 25 & 30 year and ARMs*	12%	25%	30%*	35%																					
Mortgage/Rental History	<p>Per DU, however, the mortgage/rental rating cannot have any ≥ 60-day lates in the previous 12 months.</p> <p>NOTE: If DU allows any delinquencies a satisfactory explanation of the delinquency is required and is subject to underwriter review and acceptance.</p> <ul style="list-style-type: none"><li>The credit report must reflect the most recent 12 months activity.</li><li>Mortgage must be current for the month closing.</li><li>Copies of rent checks are required to document rental payment history per DU results. in lieu of rent checks, at the underwriter's discretion the following may be acceptable:<ul style="list-style-type: none"><li>A direct verification of rent (VOR) provided by a professional management company, or</li><li>Copies of money orders.</li></ul></li></ul>																								
Non-ARM's Length or Identity of Interest Transactions	<ul style="list-style-type: none"><li>A non-arm's length transaction is a purchase transaction where the is a relationship or business affiliation between the buyer and seller of the property</li><li>Non-arm's length transactions are eligible for resale properties</li><li>When a non-arm's length transaction occurs on a property that is new construction, the property must be a primary residence only. Non-arm's length transactions are ineligible if the property is a second home or investment.</li><li>An identity of interest transaction involves parties who are not related and do not have close Personal ties, however, they have a strong interest in the transaction (i.e. broker acting for buyer and seller, the broker is both realtor and mortgage broker, the realtor is selling own property, etc.). Additional review will be required to ensure validity of the transaction, value, etc. which may include additional documentation and/or a desk review or second appraisal.</li></ul>																								
Occupancy	<ul style="list-style-type: none"><li>Owner-occupied</li><li>Second home</li><li>Investment (non-owner occupied)</li></ul>																								
Power of Attorney	<p>A Power of Attorney (POA) is allowed on a case-by-case basis on purchase and rate/term refinance transactions subject to all of the following:</p> <ul style="list-style-type: none"><li>For extenuating circumstances, active military personnel or individuals with a documented medical condition that prevents them from attending the closing or performing borrower requirements</li><li>Must be specific to the transaction</li><li>Must include the borrower name, property address and loan amount</li><li>The POA must be fully executed and notarized</li><li>The borrower must sign the application and disclosures</li><li>Planet to review and approve prior to loan closing</li><li>The POA must be recorded along with the mortgage(certified copy required)</li><li>POA is eligible on purchase and rate/term refinance transactions only; cash-out is ineligible.</li><li>If there are two or more borrowers on the loan, at least one borrower must be present for the closing and sign for the absent borrower (as their attorney-in-fact).</li></ul>																								
Prepayment Penalty	Not permitted																								



## Fannie Mae High Balance Program Guidelines

<b>Product</b>	<p>Fixed rate: 15 and 30 year ARM: 5/1, 7/1, or 10/1 LIBOR index; Caps: 5/2/5; Margin/Floor: 2.25% Qualifying:</p> <ul style="list-style-type: none"> <li>• 5/1 qualified at the greater of the fully indexed rate or the Note rate plus 2%</li> <li>• 7/1 and 10/1 qualified at the greater of the fully indexed rate or the Note rate</li> </ul>
<b>Properties –Eligible</b>	<ul style="list-style-type: none"> <li>• Single family residences</li> <li>• 2-4 units</li> <li>• PUDs (attached/detached) Note: Attached PUDs require a signed Condo/PUD Warranty form. A Questionnaire is not required. Detached PUDs <b>do not</b> require a Warranty form, a Questionnaire, <b>or a project review.</b></li> <li>• Condominiums (attached/detached ,live-work) that are FannieMae warrantable</li> </ul> <p><b>Litigation</b></p> <ul style="list-style-type: none"> <li>– Projects where the HOA is a party to litigation are eligible under the following circumstances: <ul style="list-style-type: none"> <li>○ Non-monetary litigation including, but not limited to neighbor disputes or rights of quiet enjoyment</li> <li>○ The insurance carrier has agreed to provide the defense, and the amount is covered by the HOA's insurance</li> <li>○ The HOA is the plaintiff in the litigation and upon investigation and analysis the matter is minor and will result in an insignificant impact to the financial stability of the project</li> <li>○ The anticipated damaged and legal fees must not exceed expected to exceed 10% of the project's funded reserves</li> <li>○ The HOA is named as the plaintiff in a foreclosure action, or as a plaintiff in an action for past due HOA or co-op assessments</li> </ul> </li> </ul> <p>Note: Please refer to the <a href="#">Fannie Mae Selling Guide</a> for complete requirements.</p> <ul style="list-style-type: none"> <li>• Rowhouse</li> <li>• Modular, prefabricated panelized or sectional housing (must have like comparables and property must be legally classified as real property)</li> <li>• Leaseholds meeting Fannie Mae guidelines.</li> <li>• Mixed use eligible subject to Fannie Mae guidelines</li> <li>• Rural properties.</li> <li>• Owner-occupied SFR</li> <li>• Properties owned free and clear properties (no existing lien). A copy of the tax transcript indicating no mortgage interest is required. If the borrower owns multiple properties, a 1098 is required matching the lien(s) on the 1003 with the 1098 and <b>one</b> of the following: <ul style="list-style-type: none"> <li>– Copy of the hazard insurance declaration page with no mortgagee listed, <b>or</b></li> <li>– Copy of the MERS report for the property showing no mortgage listed, <b>or</b></li> <li>– Copy of the Data Verify report showing no mortgage listed.</li> </ul> </li> </ul>
<b>Properties - Ineligible</b>	<ul style="list-style-type: none"> <li>• Agricultural-type properties Farms</li> <li>• Orchards</li> <li>• Ranches</li> <li>• Bed and Breakfast</li> <li>• Boarding houses</li> <li>• Builder bailout properties</li> <li>• Commercial property</li> <li>• Condo Hotels or Timeshares</li> <li>• Industrial zoned property</li> <li>• Incoming producing properties (e.g. adult care facilities, bed &amp; breakfast, etc.)</li> <li>• Log Homes</li> <li>• Kiddie Condos</li> <li>• Manufactured/mobile homes (any property that had/has wheels, axles, towing hitch, etc.)</li> <li>• Multi-family dwellings &gt; 4 units</li> <li>• New or newly converted condominium projects in Florida without a PERS approval</li> <li>• Non-warrantable condominiums</li> <li>• Properties located on Tribal Lands Properties not suitable for year-round occupancy, regardless of location</li> <li>• Properties with an Assignment of Contract</li> <li>• Properties located in the Hawaiian Islands in lava zones one (1) or two(2)</li> </ul>





## Fannie Mae High Balance Program Guidelines

<b>Properties – Ineligible (cont.)</b>	<ul style="list-style-type: none"> <li>• Unique properties (geodesic domes, earth barn homes, log homes, etc.)</li> <li>• Vacant land is ineligible for refinance transactions</li> <li>• Properties with problem drywall (aka Chinese drywall). Evidence of complete remediation must be provided if property previously contained Chinese drywall.</li> <li>• Texas 50(a)(6) and Texas 50(f)</li> </ul>
<b>Properties with an Accessory Unit</b>	Eligible subject to Fannie Mae guidelines
<b>Property with an Addition without Permits</b>	<p>If the appraiser identifies an addition that does not have the required permits the following is required:</p> <ul style="list-style-type: none"> <li>• The appraiser must comment on the quality and appearance of the work, and</li> <li>• The impact the addition might have, if any, on the market value of the subject property.</li> </ul>
<b>Property Flips</b>	<p>Property flips are subject to:</p> <ul style="list-style-type: none"> <li>• Appraisal must support any value increases. Additional documentation may be required and a desk review or second appraisal may be required at underwriter discretion.</li> <li>• Borrower has excellent credit history, employment history, savings pattern, etc.</li> </ul>
<b>Property with Solar Panels</b>	<ul style="list-style-type: none"> <li>• Properties with solar panels that are owned by the borrower are eligible without additional requirements.</li> <li>• Properties with solar panels that are not owned by the borrower are eligible subject to Fannie Mae guidelines.</li> </ul>
<b>Purchase Agreement Amended/Re-negotiated</b>	<ul style="list-style-type: none"> <li>• Not eligible if the sales price was increased <b>after</b> the original appraisal was completed if: <ul style="list-style-type: none"> <li>– The appraised value is higher than the originally contracted sales price that was provided to the appraiser, <b>and</b></li> <li>– The new purchase agreement and/or addendum to the purchase agreement is dated after the appraisal, <b>and</b></li> <li>– The only change to the purchase agreement was the sales price.</li> </ul> </li> <li>• If the purchase agreement was renegotiated after the completion of the appraisal, the LTV would be based on the <b>lower</b> of the original purchase price or the appraised value, unless: <ul style="list-style-type: none"> <li>– The re-negotiation was only for seller paid closing costs and/or pre-pays where the seller paid closing costs/pre-pays are common and customary for the area and are supported by the comparables, or</li> <li>– The purchase contract was amended for a new construction property due to improvements made that impact the tangible value of the property. An updated appraisal report must be obtained to validate the value of the improvements.</li> </ul> </li> <li>• Assignment of the purchase contract is not allowed.</li> </ul>
<b>Refinance Transactions</b>	<p>Properties that were listed for sale in the previous 12 months must be taken off the market prior to the disbursement date and borrowers must provide written confirmation of their intent to occupy the property.</p> <p><b>Cash-out</b></p> <ul style="list-style-type: none"> <li>• Cash-out transactions for properties listed for sale in the six months preceding the disbursement date of the new mortgage loan are limited to 70% LTV, CLTV, and HCLTV ratios (or less if mandated by the specific product, occupancy, or property type).</li> <li>• Cash-out transactions require a minimum 6 months title seasoning (6 months from close date of the previous transaction to the disbursement date of the new mortgage) except as follows: <ul style="list-style-type: none"> <li>– Delayed financing guidelines are met (refer to the <a href="#">Delayed Financing</a> topic), <b>or</b></li> <li>– The borrower inherited or was legally awarded the property (divorce, separation or dissolution of domestic partnership). The property must have cleared probate and be vested in the borrower's name.</li> </ul> </li> </ul> <p><b>Rate/Term Refinance</b></p> <p>Student loans can be paid off through a rate/term refinance without being considered cash-out transactions when the following requirements are met:</p> <ul style="list-style-type: none"> <li>– Per DU only</li> <li>– Proceeds from transaction must be used to pay off at least one student loan</li> <li>– Payoff must be paid directly to the servicer at closing</li> <li>– One borrower must be obligated on the loans being paid off, and</li> <li>– Loan must be paid in full (partial payments not allowed)</li> </ul>





## Fannie Mae High Balance Program Guidelines

<b>Refinance Transactions (cont.)</b>	<p>Transaction may also be used to pay off:</p> <ul style="list-style-type: none"> <li>- An existing first mortgage loan (including HELOCs in first lien position), or</li> <li>- Single-closing construction to Perm loan to cover cost to build the home, which may include paying off an existing mortgage.</li> </ul> <p>Subordinate liens used to purchase property. Financing is allowed to secure:</p> <ul style="list-style-type: none"> <li>- The payment of closing costs</li> <li>- Points, and</li> <li>- Prepaid items.</li> <li>- <b>Financing is not allowed when</b> the property taxes are more than 60 days delinquent <ul style="list-style-type: none"> <li>o The borrower can include property taxes in the new loan amount as long as an escrow account is established, subject to applicable law or regulation.</li> </ul> </li> </ul> <p>Cash back to the borrower may not exceed the lesser of 2% of the new refinance loan amount or \$2,000.</p> <p>Note: Refer to the Fannie Mae Selling guide for complete details.</p> <p><b>Delayed Financing</b></p> <p>Borrowers who purchased the subject property within the past six months are eligible for a cash-out refinance when no financing was obtained for the purchase transaction, and <b>all</b> of the following requirements are met:</p> <ul style="list-style-type: none"> <li>- The borrower must have initially purchased the property as one of the following: <ul style="list-style-type: none"> <li>o A natural person</li> <li>o An eligible Inter Vivos Revocable Trust, where the borrower established that trust and is the beneficiary of the trust</li> <li>o An eligible land trust where the borrower is the beneficiary of the land trust, or</li> <li>o An LLC or partnership in which the borrower(s) have 100% ownership individual or joint, <b>and</b></li> </ul> </li> <li>- The new loan amount cannot exceed the actual documented amount of the borrower's initial investment to purchase the property plus the financing of closing costs, prepaid fees, and points (subject to the maximum LTV/CLTV ratios for a cash-out transaction based on the current appraised value), <b>and</b></li> <li>- The purchase transaction was an arms-length transaction, <b>and</b></li> <li>- The CD from the original transaction is required to confirm that there was no mortgage financing used to obtain the property, <b>and</b></li> <li>- The source of the funds used to purchase the property can be documented (i.e. bank statements, personal loan documents, HELOC against another property) and were the borrower's own funds, <b>and</b></li> </ul> <p>NOTE: If gift funds were used to purchase the property, they may not be reimbursed with the proceeds from the new loan.</p> <ul style="list-style-type: none"> <li>- The preliminary title documentation must not indicate any existing liens on the subject property. If the source of the funds to acquire the property was an unsecured loan or secured by an asset other than a subject property (e.g. HELOC), the settlement/CD for the refinance transaction must reflect that <b>all</b> cash-out proceeds be used to pay off or pay down, as applicable, the loan used to purchase the property; <b>and</b></li> <li>- An "Approve/Eligible" result from DU is required, and the transaction must meet all other cash-out eligibility requirements.</li> </ul>
<b>Rent Back</b>	<p>Seller allowed rent back property from the buyer (borrower) for a maximum of 30 days after closing.</p>
<b>Reserves</b>	<ul style="list-style-type: none"> <li>• Per DU</li> <li>• Borrowers financing a second home or investment property must meet Fannie Mae's Reserve Requirements. <p><b>Example:</b> A lender is simultaneously processing two refinance applications for two investment properties owned by the borrower. The application for property A requires reserves of \$5,000. The application for property B requires reserves of \$10,000. Because the reserves are covering the same properties, the lender does not have to verify \$15,000 in reserves, but only those required per each application.</p> </li> <li>• Reserves for multiple financed properties are a percentage of unpaid principal balance of all mortgages: 2% for 1-4 properties owned, 4% for 5-6 properties owned, 6% for 7-10 properties owned.</li> <li>• Premium pricing or lender credits not allowed.</li> </ul>



## Fannie Mae High Balance Program Guidelines

<b>Reserves (cont.)</b>	<p><b>Acceptable Sources of Reserves:</b></p> <ul style="list-style-type: none"> <li>• Checking/savings accounts,</li> <li>• Investments in stocks, bonds, mutual funds, certificates of deposit, money market funds, and trust accounts</li> <li>• Vested amount in retirement accounts, and</li> <li>• Cash value of a vested life insurance policy.</li> </ul> <p><b>Unacceptable Sources of Reserves</b></p> <ul style="list-style-type: none"> <li>• Cash-out proceeds from a cash-out refinance transaction on the subject property</li> <li>• Interested party contributions</li> <li>• Personal unsecured loans</li> <li>• Stock options and non-vested restricted stock</li> <li>• Stock held in an unlisted corporation</li> <li>• Funds that have not been vested</li> <li>• Funds that cannot be withdrawn under circumstances other than the account owner's retirement, employment termination or death.</li> </ul>
<b>Seller Contribution</b>	Refer to the <a href="#">Interested Party Contributions</a> topic for seller contribution limits.
<b>Subordinate Financing</b>	<ul style="list-style-type: none"> <li>• Eligible subject to the CLTV limits on the matrix located on page 1. Max CLTV is 105% for a fixed rate owner occupied 1-4 unit property with a CommunitySecond.</li> <li>• If existing subordinate financing is an HELOC, the full amount of the available credit must be used to determine the HCLTV.</li> <li>• Unacceptable subordinate financing terms include: <ul style="list-style-type: none"> <li>– Mortgages with negative amortization (except employer subordinate financing that has deferred payments).</li> <li>– Subordinate financing that does not fully amortize under a level monthly payment plan where the maturity or balloon payment date is less than 5 years after the Note date of the new first mortgage.</li> </ul> </li> <li>• Subordinate financing that has a prepayment penalty. (Does not apply to HELOC early termination fees).</li> </ul>
<b>Temporary Buydowns</b>	Not available
<b>Transactions - Eligible</b>	<ul style="list-style-type: none"> <li>• 1031 Exchange</li> <li>• Cash-out</li> <li>• Land contracts subject to Fannie Mae guidelines</li> <li>• Limited cash-out refinance (rate/term)</li> <li>• New York CEMAs allowed on refinance transactions. CEMA not eligible on purchase transactions. Planet does not accept Lost Note Affidavits. Use Fannie Mae Form 3172. Sellers must include the recorded original CEMA, including Exhibits A-D and all mortgage assignments.</li> <li>• Purchase. The assignment of a purchase contract is not allowed.</li> </ul>
<b>Transaction - Ineligible</b>	<ul style="list-style-type: none"> <li>• Any transaction without a DU "Approval/Eligible" Finding</li> <li>• Community Land Trusts</li> <li>• Fannie Mae My Community, Community Solutions, and Community Home Choice</li> <li>• Fannie Mae Homestyle</li> <li>• Interest-only</li> <li>• Lease option to purchase</li> <li>• Loans with tutorship lien</li> <li>• Non-traditional credit (see <a href="#">Credit Report/Scores</a> topic for exceptions)</li> <li>• Non-arm's length transaction that involves new construction and the loan is secured by a second home or investment property</li> <li>• Properties in the "Right of Redemption Period" as applicable state law allows</li> <li>• Refinance transactions where the subject property is listed for sale at time of disbursement of the new loan</li> <li>• Restructured mortgages that do not meet Fannie Mae guidelines</li> <li>• Third party originated (TPO)</li> <li>• Transactions using Mortgage Credit Certificates (MCC) may be considered with approval from the Planet Credit Risk Officer.</li> <li>• Transactions where the property securing the loan is subject to a private transfer fee covenant created on or after February 8, 2011, and fee collect does not directly benefit the property.</li> </ul>



## Fannie Mae High Balance Program Guidelines

### Version History

Version	Date	Description of Change
1.0	01//2018	<ul style="list-style-type: none"><li>Fannie Mae Loan Limits updated to reflect 2018 limits.</li><li><b>Credit Installment/Revolving Accounts</b><ul style="list-style-type: none"><li><b>Student Loans</b> Two options available for dealing with borrower If a payment amount is provided on the credit report, that amount can be used for qualifying purposes. If the credit report does not identify a payment amount (or reflects \$0), the lender can use either 1% of the outstanding student loan balance, or a calculated payment that will fully amortize the loan based on the documented loan repayment terms.</li></ul></li></ul>
1.2	2//12/2018	<ul style="list-style-type: none"><li>Updated 4506-T requirements</li><li>Property Flips &lt; 90% LTV do no longer require prior approval.</li><li>Transaction Type: added MCC allowed with Credit officer approval</li><li>Added Student Loan cash-out requirements</li><li>Added Employment and Contract income update</li></ul>
1.3	3/24/2018	<ul style="list-style-type: none"><li>Updated footnote 3: project review not required for detached condos</li><li>Replaced all instances of "PHL" with "Planet"</li><li>Replaced all instances of "HUD-1" with "Settlement" in some instances</li><li>Added detached condos to the construction to perm section.</li><li>Added Frozen credit update to the credit report/sections</li><li>Added project review to the note in properties eligible</li><li>Removed site condo from condominium statement in properties eligible.</li><li>Added Litigation topic to properties eligible section.</li><li>Added premium credit statement to reserves section.</li><li>Removed Field review requirements from appraisal section.</li></ul>



## Fannie Mae DU Refi Plus (HARP) Program Guidelines

Fixed Rate

Primary Residence Limited Cash-out Refinance				
Units	LTV	CLTV <sup>1</sup>	Loan Amount	Credit Score
1-4	150%	N/A	Refer to Loan Limits below	620

Second Home Limited Cash-out Refinance				
	LTV	CLTV <sup>1</sup>	Loan Amount	Credit Score
1	150%	N/A	Refer to Loan Limits below	620

Investment Limited Cash-out Refinance				
Units	LTV	CLTV <sup>1</sup>	Loan Amount	Credit Score
1-4	125%	N/A	Refer to Loan Limits below	620

**Footnotes:**

1. All existing subordinate financing must be resubordinated or paid off with borrower's own funds. New subordinate financing only allowed if replacing existing subordinate financing. Existing purchase money subordinate financing with the proceeds of the new DU Refi Plus loan.

Fannie Mae Maximum Low and High Cost Conforming Loan Limits for 2018			
Units	Contiguous States District of Columbia, and Puerto Rico		Alaska Hawaii
	Low Cost	High Cost	
1	\$453,100	\$679,650	\$1,019,475
2	\$580,150	\$870,225	\$1,305,325
3	\$701,250	\$1,051,875	\$1,577,800
4	\$871,450	\$1,307,175	\$1,960,750

Property eligibility can be determined at: [Know Your Options.com](http://KnowYourOptions.com) by Fannie Mae

Refer to [FHFA Limits](#) for maximum loan amounts by county/metropolitan area.



## Fannie Mae DU Refi Plus (HARP) Program Guidelines

Topic	Guideline
4506-T	<ul style="list-style-type: none"> <li>All borrowers must sign 4506-T prior to loan closing</li> <li>Tax transcripts, both personal and/or business, must be provided when required per DU.</li> </ul> <p><b>Note:</b> In the event of past identity theft, Planet will accept transcripts that the borrower obtained from the IRS along with a certification that the returns are true and correct.</p>
Ability to Repay/ QM	<p>Planet requires all loans to be originated and closed in compliance with Agency and Planet guidelines. Planet will purchase owner-occupied and second home transactions as follows:</p> <ul style="list-style-type: none"> <li>Loans eligible under Temporary QM, and</li> <li>Loans that meet the Safe Harbor or Rebuttable Presumption provisions, and</li> <li>Pass the points and fees test, as applicable.</li> </ul> <p>Additionally, all disclosures and documentation required under the ATR/QM provisions of the Dodd-Frank Act must be provided.</p>
Affidavit of Identity	Planet may require an Affidavit of Identity if a borrower signature appears incomplete or illegible.
Age of Documents	<ul style="list-style-type: none"> <li>All credit and asset documentation must be the lesser of the expiration date noted per DU or ≤ 4 months from the Note date.</li> <li>Appraisal documents must be ≤ 4 months from the Note date or an appraisal update will be required. Appraisal updates must be ≤ 8 months or a new appraisal is required.</li> <li>The title commitment must be ≤ 90 days from the Note date</li> <li>VVOE requirements: <ul style="list-style-type: none"> <li>Wage earners: ≤ 10 business days from the Note date</li> <li>Self-employed: ≤ 120 calendar days</li> </ul> </li> </ul>
Appraisals	<ul style="list-style-type: none"> <li>Appraisal requirement per DU Findings. A value must be provided on the 1003, and that is the value that is entered in DU. <b>The value on the 1003 and what is entered in DU must match.</b></li> <li>The PIW must be offered on the final submission to DU to be eligible.</li> <li>Properties located in a FEMA Disaster Declaration area will be subject to additional appraisal review (if applicable). Refer to <a href="#">Chapter 8 Loan Purchasing</a> for detailed requirements.</li> </ul>
Assets	Asset verification per DU Findings
AUS	<ul style="list-style-type: none"> <li>DU "Approve/Eligible" results required.</li> <li>Expanded Approvals (EA I, EA II or EA III) and manual underwriting are <b>ineligible</b>.</li> </ul>
Borrower Benefits	<ul style="list-style-type: none"> <li>The borrower must receive a benefit from the DU Refi Plus transaction. Fannie Mae considers the borrower to have benefited when there is a: <ul style="list-style-type: none"> <li>Reduction in the borrower's monthly principal and interest payment, or</li> <li>Reduction in the interest rate, or</li> <li>Reduction in the amortization term, or</li> <li>Movement to a more stable product. (i.e. from interest-only to a fully amortizing mortgage, an ARM to a fixed rate, a 30 year to a 10, 15, 20, etc. loan term allowing the borrower to build equity more quickly, etc.)</li> </ul> </li> </ul>
Borrowers - Eligible	Borrower(s) may be added to the new loan provided the original borrower(s) remain on the loan. A borrower may be deleted from the loan as long as one original borrower remains on the loan and the borrower being removed from the loan is also removed from the deed and will retain no ownership interest in the property.
Cash Back to Borrower	Maximum cash back allowed to borrower is \$250.00
Credit Scores	Minimum 620
Derogatory Credit	<ul style="list-style-type: none"> <li>Per DU with the exception of a higher priced mortgage loan (HPML)</li> <li>If a loan is determined to be an HPML the maximum DTI is 45%. <b>No exceptions</b> will be granted.</li> <li>Business debt may only be excluded from the DTI calculation if satisfactory documentation of the following is provided: <ul style="list-style-type: none"> <li>The account in question does not have a history of delinquency.</li> <li>The debt(s) are paid through the business verified with 12 months cancelled business account checks.</li> <li>A cash-flow analysis of the business took the payment obligation into consideration.</li> </ul> </li> </ul>



## Fannie Mae DU Refi Plus (HARP) Program Guidelines

<b>Eligible Markets</b>	<ul style="list-style-type: none"><li>• Eligible in all states</li><li>• The U.S. territories of Guam, Puerto Rico and the Virgin Islands are ineligible</li></ul>
<b>Employment/Income</b>	<ul style="list-style-type: none"><li>• Documented per DU Findings.</li><li>• A verbal verification of employment (VVOE) is required within 10 business days of the Note date for salaried borrowers and within 30 calendar days for self-employed borrowers. A sample VVOE form is posted on the Planet Home Lending website under "Forms and Resources." Sellers are not required to utilize this exact form. However, any form used must provide the information contained on the Planet Home Lending form.</li><li>• Sellers must independently obtain the phone number, and when possible, the address of the wage earner borrower's employer using directory assistance/internet/phone book, etc.</li><li>• Self-employed borrowers require verification of the business by a third party source (e.g. CPA, Federal Tax ID Certificate, Business License, 411/Reverse Look-up). Self-employed borrowers are individuals who have 25% or greater ownership interest in a business.</li><li>• Form 1007 is not required when the borrower is using rental income to qualify; income is reported on 1003.</li><li>• Unemployment benefits, both seasonal and non-seasonal, may be used for borrower qualification</li></ul>
<b>Escrow/Impound Account</b>	Required, regardless of LTV, unless prohibited by state law
<b>Financed Properties</b>	No limit on the number of financed properties.
<b>Loan Calculations</b>	Payoff of 1st lien + 30 days interest + closing costs (including prepaids). Late charges may be included in the loan calculation as long as they are included in the first mortgage payoff balance.
<b>MLS</b>	Properties listed for sale are eligible



## Fannie DU Refi Plus Program Guidelines

### Version History

Version	Date	Description of Change
1.0	01//2018	Fannie Mae Loan Limits updated to reflect 2018 limits.
1.2	2/27/18	Updated 4506-T requirements





## Fannie Mae HomeReady Program Guidelines

Owner-Occupied Primary Residence Fixed Rate					
Transaction Type	Units	LTV	CLTV/HCLTV	Loan Amount	Credit Score
Purchase	1	97% <sup>2,3,4</sup>	97% <sup>1,4</sup>	Standard Conforming & High Balance Loan Limits	Per DU
	2	85%	85%		
	3-4	75%	75%		
Limited Cash-Out	1	95%	95%		
	2	85%	85%		
	3-4	75%	75%		
Fannie Owned Limited Cash-out <sup>5</sup>	1	97% <sup>2,3,4</sup>	97% <sup>4</sup>		

Owner-Occupied Primary Residence ARM					
Transaction Type	Units	LTV	CLTV/HCLTV	Loan Amount	Credit Score
Purchase	1	90%	90%	Standard Conforming & High Balance Loan Limits	Per DU
	2	75%	75%		
	3-4	65%	65%		
Limited Cash-Out	1	90%	90%		
	2	75%	75%		
	3-4	65%	65%		

**Footnotes:**

1. CLTV ratios may exceed the limits stated above up to 105% if the subordinate lien is a Community Seconds transaction. See [Fannie Mae Seller Guide](#) for complete details. Does not apply to Fannie Mae refinance.
2. Transactions with non-occupant borrowers permitted to a maximum 95%LTV.
3. LTV > 95% subject to additional requirements (see Seller Guide for details).
4. High Balance LTV/CLTV/HCLTV permitted to a maximum of 95%.
5. 97% LTV allowed with:
  - 1 unit primary residence
  - Mortgages being refinanced is owned by Fannie Mae
  - LTV 95% or less refer to standard LCOR guidelines.

Fannie Conforming and High Balance Loan Limits 2018			
Units	Contiguous States District of Columbia		Alaska, Hawaii, U.S. Virgin Island
	Low Cost Area	High Cost	
1	\$453,100	\$679,650	\$1,019,475
2	\$580,150	\$870,225	\$1,305,325
3	\$701,250	\$1,051,875	\$1,577,800
4	\$871,450	\$1,307,175	\$1,960,750



## Fannie Mae HomeReady Program Guidelines

Topic	Guideline
4506-T	<ul style="list-style-type: none"> <li>All borrowers must sign 4506-T prior to loan closing</li> <li>Tax transcripts, both personal and/or business, must be provided when required per DU.</li> </ul> <p>Note: In the event of past identity theft, Planet will accept transcripts that the borrower obtained from the IRS along with a certification that the returns are true and correct.</p>
95.01- 97% LTV	<p>Purchase transactions are eligible as follows:</p> <ul style="list-style-type: none"> <li>Property is a 1-unit primary residence, and all borrowers must occupy</li> <li>Fixed rate loans only with terms up to 30 years,</li> <li>High Balance loans not permitted</li> <li>Maximum CLTV/HCLTV 95.01-97% if the subordinate lien is not a Community Seconds loan.</li> <li>Maximum CLTV 105% if the subordinate lien is a Community Seconds loan.</li> </ul>
Ability to Repay/ Qualified Mortgage	<p>Planet requires all loans to be originated and closed in compliance with Agency and Planet guidelines. Planet will purchase owner-occupied and second home transactions as follows:</p> <ul style="list-style-type: none"> <li>Loans eligible under Temporary QM, and</li> <li>Loans that meet the Safe Harbor or Rebuttable Presumption provisions, and</li> <li>Pass the points and fees test, as applicable.</li> </ul> <p>Additionally, all disclosures and documentation required under the ATR/QM provisions of the Dodd-Frank Act must be provided.</p>
Affidavit of Identity	Planet may require an Affidavit of Identity if a borrower signature appears incomplete or illegible.
Age of Documents	<ul style="list-style-type: none"> <li>All credit and asset documentation must be the lesser of the expiration date noted per DU or ≤ 4 months from the Note date.</li> <li>Appraisal documents must be ≤ 4 months from the Note date or an appraisal update will be required. Appraisal updates must be ≤ 8 months or a new appraisal is required.</li> <li>The title commitment must be ≤ 90 days from the Note date</li> <li>VVOE requirements: <ul style="list-style-type: none"> <li>Wage earners: ≤ 10 business days from the Note date</li> <li>Self-employed: ≤ 120 calendar days</li> <li>New construction requires all documentation to be ≤ 4 months from the Note date.</li> </ul> </li> </ul>
Appraisals	<p>DU determines the level of appraisal on owner-occupied properties. If a reduced appraisal recommendation is received from DU, <b>it must be on the final DU.</b></p> <ul style="list-style-type: none"> <li>Appraisals must be Uniform Appraisal Data (UAD) compliant and meet Fannie Mae's Appraiser Independence Requirements (AIR).</li> <li>All appraisals must be submitted to the UCDP by the AMC or independent appraiser. A copy of the Fannie Mae Submission Summary Report (SSR), which include the Appraisal Finding Detail Report (AFDR) with a Document File Status of "Successful" and the ten (10) digits Doc File ID number, or a copy of the XML file must be provided.</li> <li>A Market Condition Addendum is required on all appraisals.</li> <li>Appraisal must identify and address properties located within a declining market.</li> <li>A full appraisal must provide legible interior and exterior photos. <ul style="list-style-type: none"> <li>The exterior photos must contain photos of the front, back and street scene of the subject property as well as the front of all comparable sales.</li> <li>The interior photos, at minimum, must include: <ul style="list-style-type: none"> <li>Kitchen, (free-standing stove/range or refrigerator not required)</li> <li>Main living area</li> <li>All bathrooms</li> <li>Examples of physical deterioration, if present, and</li> <li>Examples of recent updates (i.e. restoration, remodeling/renovation) if present.</li> </ul> </li> </ul> </li> <li>Comparable sales used for new construction properties are subject to the following: <ul style="list-style-type: none"> <li>If all three of the comparable sales used to support the value of the subject property were obtained from one of the above sources (public source eligible in Vermont and Maine only) no further action is required.</li> <li>If all three of the comparable sales used to support the value of the subject property were obtained from one of the above sources (public source eligible in Vermont and Maine only) no further action is required.</li> </ul> </li> </ul>



## Fannie Mae HomeReady Program Guidelines

<p><b>Appraisals (cont.)</b></p>	<p>Additionally, the following applies:</p> <ul style="list-style-type: none"> <li>One of the comparable sales must be outside the project the subject property is located in and be from an MLS, MRIS, MRED, NTREIS, SABOR, GeoData, or Comps Inc. or public source (public source Vermont/Maine only).</li> <li>Two of the comparable sales must be from sources other than the subject property builder.</li> </ul> <p>NOTE: The appraiser is always allowed to provide more than three comparable sales in order to support the property value.</p> <ul style="list-style-type: none"> <li>Planet requires properties to be, at minimum in average condition. Additionally the following applies: <ul style="list-style-type: none"> <li>A conventional heat source with the ability to maintain a temperature of 50° in areas of the property where there is plumbing</li> <li>Any broken glass that is a health hazard must be removed, and the opening closed.</li> </ul> </li> <li>Properties with a Condition Rating of C6 or Quality Rating of Q6 require Planet prior approval.</li> <li>An appraisal update will be required when the appraisal is dated more than 4 months from the Note date. The update must be completed prior to the expiration of the appraisal. The appraisal update must include a photo of the front of the subject property. If the appraiser indicates a decline in value, a new appraisal is required. A new appraisal will be required when the appraisal with an update is &gt; 8 months from the Note date.</li> <li>A transferred appraisal is acceptable when the following is provided: <ul style="list-style-type: none"> <li>A copy of the Fannie Mae Submission Summary Report (SSR) with a Document File Status of "Successful" and a PDF version of the appraisal report,</li> <li>An appraisal transfer letter and</li> <li>Confirmation that the appraisal is A.I.R. compliant.</li> </ul> </li> <li>Properties located in a FEMA Disaster Declaration area will be subject to additional appraisal review. Refer to <a href="#">Chapter 8 Loan Purchasing</a> for detailed requirements.</li> </ul> <p>Refer to the Fannie Mae Selling Guide for complete appraisal requirements.</p>
<p><b>Assets</b></p>	<p>Documentation requirements per DU.</p> <ul style="list-style-type: none"> <li>All funds used to close the transaction must be disclosed on the 1003 and input into DU.</li> <li>The borrower must provide evidence that the earnest money deposit came from an acceptable source and that they have sufficient assets to cover the down payment, closing costs, prepaids and reserve requirements. Evidence required: <ul style="list-style-type: none"> <li>Two months most recent bank or financial statements, all pages. If a copy of the canceled deposit check is used to document the source of funds, the bank statements must cover the period up and including the date, the earnest money check cleared the bank.</li> <li>Sellers who are also the depository for the borrower's account may provide a printout or other alternative verification of the borrower's bank account assets produced directly from the bank or credit union's system in lieu of bank statement(s).</li> </ul> </li> <li>A Verification of Deposit (VOD) is acceptable as the primary source of verification. Business funds of a self-employed borrower may be used for down payment, closing costs and reserve requirements subject to the following: <ul style="list-style-type: none"> <li>The borrower must be listed as an owner on the account. If the borrower's name is not listed on the business account statement, documentation that the borrower is an authorized signer on the account is required. This applies to all business accounts, including sole proprietorships, when business account funds are being utilized for down payment, closing costs and/or reserves. Examples of acceptable documentation: <ul style="list-style-type: none"> <li>Letter from the bank confirming borrower is an authorized signer, or</li> <li>Online documentation that confirms borrower is an authorized signer</li> </ul> </li> </ul> </li> <li>If the account is held jointly, an access letter, stating the borrower has access to 100% of the business funds, is required when the business funds are being used for down payment and/or costs. An access letter is <b>not required</b> if business funds are being used to satisfy reserve requirements, however, at Seller discretion, may be requested.</li> <li>A cash flow analysis, based on 3 months business bank statements, dated within 60 days of the closing date, is required. The cash flow analysis must indicate the following: <ul style="list-style-type: none"> <li>The average running balance in the account for the previous 3 months stayed the same or was better, <b>and</b></li> </ul> </li> </ul>



## Fannie Mae HomeReady Program Guidelines

<p><b>Assets (cont.)</b></p>	<ul style="list-style-type: none"> <li>○ The monthly business expenses were analyzed and documented (i.e. rent, payroll, lease of equipment, etc.), as applicable for the type of business. The Seller is responsible to determine the withdrawal will not have a negative impact on the business.</li> <li>● Cash on hand, unsecured borrowed funds or unverified funds are ineligible sources for assets.</li> <li>● Verification of assets from foreign sources:             <ul style="list-style-type: none"> <li>– Funds that a borrower (either U.S. citizen or non- U.S. citizen) has deposited into a U.S. depository institution are acceptable provided all of the following requirements are met:                 <ul style="list-style-type: none"> <li>○ Documentation of the transfer of funds from the borrower's country of origin is provided, and</li> <li>○ It can be established that the funds belonged to the borrower before the date of transfer, and</li> <li>○ The source of all funds used for closing can be verified following the same requirements for U.S. citizens.</li> </ul> </li> </ul> </li> <li>● Payout from a life insurance policy is acceptable for down payment or closing costs. A copy of the check or payout statement, issued by the insurance company is required. If the cash value is being used for reserves, documentation of the cash value is required however the policy does not need to be liquidated</li> <li>● Proceeds from the sale of a currently owned property are eligible for down payment and closing costs. The final HUD-1/CD for the existing property (not required to be fully executed) must be provided before or at closing to show sufficient cash proceeds to close the purchase.</li> <li>● Large deposits are considered to be a single deposit where any <b>unsourced</b> portion of the deposit exceeds 50% of the combined gross monthly income of the borrower(s). If the deposit includes both sourced and unsourced funds, only the unsourced portion is used to calculate whether the deposit meets the 50% definition. Direct deposits, such as IRS or state income tax refunds, transfer of funds between verified accounts, that are easily identified on the account statement(s), do not require documentation. Requirements for documenting large deposits are as follows:             <ul style="list-style-type: none"> <li>– <b>Refinance transactions:</b> Large deposits are not required to be explained however it must be determined if the deposit represents borrowed funds, which would require any payment to be considered in the DTI ratios.</li> <li>– <b>Purchase transactions:</b> If the funds from a large deposit are needed for the down payment, closing costs or reserves on the transaction documentation must be provided that the funds are from an acceptable source. Any large undocumented deposit will be deducted from the amount of verified funds, and the reduced asset amount will be used for qualification.</li> </ul> </li> </ul> <p><i>Examples:</i></p> <ol style="list-style-type: none"> <li>1. The borrower has a monthly income of \$4,000 and a bank account with a balance of \$20,000. A deposit of \$3,000 was made, but \$2,500 of the deposit is documented as the borrower's tax refund (sourced). In this example, only the \$500 is considered "unsourced" (\$3000 total deposit minus \$2500 tax refund) and is included in the large deposit calculation. The unsourced \$500.00 is only 12.5% of the borrower's monthly income. Therefore, it does not meet the large deposit definition (50% of the borrower's total monthly qualifying income). In this example, documentation is not required and the entire \$20,000 balance in the borrower's bank account may be used for underwriting purposes.</li> <li>2. The same borrower has a deposit of \$3,000 but only \$500 is documented as the borrower's tax refund (sourced) leaving \$2,500 has unsourced. In this example, the unsourced \$2,500 is 63% of the borrower's \$4,000 monthly income which does meet the definition of a large deposit. The unsourced \$2,500 must be deducted from the borrower's \$20,000 bank account balance leaving \$17,500 that may be used for underwriting purposes.</li> <li>3. The same borrower has 3 separate unsourced deposits of \$1800 which technically does not meet the 50% of the borrower's gross monthly income requirement since each deposit is less than \$2,000 (50% of \$4,000) however at underwriter discretion sourcing/documentation may be required.</li> </ol>
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## Fannie Mae HomeReady Program Guidelines

<b>Assets (cont.)</b>	<ul style="list-style-type: none"> <li>Cash on hand is an acceptable source of funds for the borrower's down payment, funds for closing cost and prepaid items on purchase money transactions for 1 unit properties. Cash-on-hand may not be used to fund the borrower's reserve requirement, if applicable. The Seller must verify and document the following with respect to the cash-on-hand funds: <ul style="list-style-type: none"> <li>The borrower customarily uses cash for expenses, and the amount of funds saved is consistent with the borrower's previous payment practice.</li> <li>Funds for down payment and closing costs must exist in a financial institution account or an acceptable escrow account. Funds must be on deposit at the time of application, or no less than 30 days prior to closing.</li> <li>A written statement from the borrower that discloses the source of funds and states that the funds have not been borrowed.</li> <li>The borrower's credit report and other verifications should indicate limited or no use of credit and limited or no depository relationship between the borrower and the financial institution.</li> </ul> </li> </ul>
<b>Assumptions</b>	Planet follows Fannie Mae Guidelines.
<b>AUS</b>	DU "Approve/Eligible" results required. Manual underwriting is ineligible.
<b>Available Markets</b>	<ul style="list-style-type: none"> <li><b>Delegated Sellers</b> Planet will purchase loans underwritten and closed by the delegated Seller in <b>all</b> states</li> <li><b>Non-Delegated Sellers</b> Planet will purchase loans from non-delegated Sellers in all states on Fannie Mae products. <b>All</b> loans require Planet underwriting approval.</li> <li>The U.S. territories of Guam, Puerto Rico, and the Virgin Islands are ineligible regardless of Delegation.</li> </ul>
<b>Borrowers-Eligible</b>	<ul style="list-style-type: none"> <li>A natural person</li> <li>U.S. citizens</li> <li>Permanent resident aliens: <ul style="list-style-type: none"> <li>Permanent resident alien borrowers must hold an unexpired "Green Card" issued by the U.S. Citizenship and Immigration Services (USCIS). A copy of both the front and back of the card is required.</li> </ul> </li> <li>Revocable Inter vivos trust that meets Fannie Mae guidelines</li> <li>Non-permanent resident aliens: <ul style="list-style-type: none"> <li>Non-permanent resident aliens are temporary residents who are eligible to live/work in the United States for a specific period of time. Acceptable documentation of their work authorization is: <ul style="list-style-type: none"> <li>An unexpired Employment Authorization Document (EAD) by the USCIS, or</li> <li>An unexpired visa. Eligible types are E-1, G series, H series, or TN.</li> </ul> </li> <li>If the authorization for temporary residency will expire within one year of closing and a prior history of residency status renewals exists, continuation may be assumed. If there are no prior renewals, the likelihood the authorization will be renewed must be determined based on information received from the USCIS.</li> </ul> </li> <li>All borrowers are required to have a social security number.</li> </ul>
<b>Borrowers – Ineligible</b>	<ul style="list-style-type: none"> <li>Foreign Nationals</li> <li>Borrowers with diplomatic immunity and IMF employees</li> <li>Borrowers without a social security number</li> </ul>
<b>Borrower Types</b>	<ul style="list-style-type: none"> <li><b>Co-Borrower:</b> An individual, who applies jointly with the applicant, takes title to the property and is liable for the debt. The co-borrower signs all documents.</li> <li><b>Non-Occupant Co-Borrower:</b> An individual, who applies with the applicant, May or may not takes title to the property and is liable for the debt but does not live in the property. <ul style="list-style-type: none"> <li>DU determines the risk factor without the non-occupant co-borrowers income.</li> <li>Non-occupant co-borrowers assets may be used to meet the 5% borrower contribution requirement (as applicable). The total liquid assets for both the occupying and non-occupying borrower must be entered in DU to ensure an accurate DU calculation of total available assets.</li> </ul> </li> <li><b>Co-Signer:</b> An individual who has no ownership interest in the property, but is liable for the debt. Assets are always used for qualification. Income and debt are only considered when the co-signer occupies the subject property.</li> </ul>





## Fannie Mae HomeReady Program Guidelines

<b>Borrower Types (cont.)</b>	<ul style="list-style-type: none"> <li>• <b>Non-Borrowing/Non-Purchasing Spouse</b> <ul style="list-style-type: none"> <li>– Generally have no ownership interest in the property and are not liable for the debt. In community property/marital rights states the non-borrowing spouse does have an interest in the property and is required to execute the security instrument and all applicable documents as determined by state law.</li> </ul> </li> </ul> <p>NOTE: Community property states: Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington and Wisconsin.</p> <p><b>Down Payment and Qualifying Ratio requirements</b></p> <ul style="list-style-type: none"> <li>• When a non-occupant co-borrower or cosigner is on the loan, the occupying borrower must make a minimum 5% of the down payment from their own funds unless: <ul style="list-style-type: none"> <li>– The LTV/CLTV ratio is <math>\leq 80\%</math> and</li> <li>– The occupying borrower is purchasing a 1-unit principal residence and meets the requirements of gifts to pay for some or all of the borrower's minimum contribution.</li> </ul> </li> </ul>
<b>Chain of Title</b>	A 12-month chain of title is required for all loans. Title must include all transfers in the previous 12 month period including copies of all recorded deed(s). More than one transfer in previous 12 months <b>or</b> property has significant increase in value since prior transfer an appraisal addendum addressing all transfers required. The addendum must include dates of sales, sales price and the Note if the sale was through an MLS or was a non-arm's length transaction.
<b>Community Seconds</b>	<p>Community Seconds are acceptable to the LTV/CLTV/HCLTV stated. CLTV ratios may exceed the limits stated up to 105% if:</p> <ul style="list-style-type: none"> <li>• Fixed rate loan</li> <li>• Purchase/LCOR</li> </ul> <p>Note: More than one Community Seconds is allowed.</p>
<b>Credit History</b>	<ul style="list-style-type: none"> <li>• Tradeline requirements per DU Findings.</li> <li>• Authorized user tradelines require underwriter review to ensure the tradelines are an accurate reflection of the borrower's credit history.</li> </ul>
<b>Credit - Installment/Revolving Account</b>	<p>All debts must be run through DU to ensure accurate DU results.</p> <ul style="list-style-type: none"> <li>• <b>Installment Debt</b> <ul style="list-style-type: none"> <li>– All Installment debts, including garnishments are considered recurring monthly debt obligations and must be included in the borrower's long-term debt for qualifying purposes if there are more than 10 months payments remaining.</li> <li>– Installment debt with <math>\leq 10</math> months remaining will be considered as a recurring monthly debt obligation if it significantly affects the borrower's ability to meet their credit obligations.</li> </ul> </li> <li>• <b>Revolving Debt</b> <ul style="list-style-type: none"> <li>– Revolving debt is considered part of the borrower's recurring monthly debt. Revolving debt includes credit cards and personal lines of credit (equity lines, secured by real estate, are included in the housing expense). Revolving debt is subject to the following: <ul style="list-style-type: none"> <li>○ If the monthly payment is not included on the credit report, the underwriter will use the greater of \$10 or 5% of the outstanding balance to determine the monthly payment.</li> </ul> </li> </ul> </li> <li>• <b>Payoff or Pay down debt before qualification</b> <ul style="list-style-type: none"> <li>– Payoff or pay down of a debt solely to qualify the borrower is carefully evaluated and will be considered in the overall loan analysis by the underwriter. Generally the following applies: <ul style="list-style-type: none"> <li>○ Revolving accounts that will be paid off at or prior to closing, a monthly payment is not required to be included in the debt ratio. Documentation that the account was paid off must be provided and verified prior to loan disbursement, or the payoff must be shown on the Settlement/CD.</li> <li>○ Installment loans that are being paid off or paid down to 10 or fewer remaining monthly payments do not need to be included in the borrower's long-term debt. Such accounts do not need to be closed as a condition of excluding the payment from the DTI ratio.</li> </ul> </li> </ul> </li> <li>• Open 30-day charge accounts require sufficient assets to pay off the debt to be excluded from the debt ratio.</li> </ul>



## Fannie Mae HomeReady Program Guidelines

<p><b>Credit - Installment/Revolving Account (cont.)</b></p>	<ul style="list-style-type: none"> <li>• <b>Student Loans</b> Payments evidenced on credit reports can be used to qualify the borrower. When the credit report does not reflect the correct monthly payment amount: <ul style="list-style-type: none"> <li>– Planet may use the most recent monthly payment reflected on the student loan documentation.</li> </ul> When the credit report does not reflect a monthly payment amount or shows a \$0 amount as the monthly payment, one of the following options must be used when determining the qualifying monthly payment: <ul style="list-style-type: none"> <li>– Planet may qualify borrowers on income driven payment plans using the \$0 as a monthly payment amount with evidenced documentation.</li> <li>or</li> <li>– For loans that are deferred loans or in forbearance, Planet may calculate: <ul style="list-style-type: none"> <li>o A payment equal to 1% of the outstanding student loan balance (even if this amount is lower than the actual fully amortizing payment), or</li> <li>o A fully amortizing payment using the documented loan repayment terms.</li> </ul> </li> </ul> </li> <li>• <b>Alimony Child Support/Separate Maintenance Payments</b> Alimony/child support or separate maintenance payments that are required to be paid due to a divorce decree, separation agreement or another legal document may be: <ul style="list-style-type: none"> <li>– Included in the borrower's monthly debt obligations if they will continue for &gt; 10months</li> <li>– Deducted from the monthly base income</li> <li>– Voluntary payments are <b>not required</b> to be considered in the DTI calculation.</li> </ul> <p><b><u>Alimony Treatment</u></b></p> <p>There are now two options available with regard to alimony paid by the borrower as summarized below.</p> <ol style="list-style-type: none"> <li>1. The borrowers monthly qualifying income can be reduced by the amount of the monthly alimony payment, or</li> <li>2. Included as a monthly payment in the DTI calculation. <ul style="list-style-type: none"> <li>– <b>Lenders utilizing option 1</b> <ul style="list-style-type: none"> <li>o Must enter the adjusted income figure as the income amount in DU</li> <li>o Disregard the DU message requiring the inclusion of the alimony obligation as a monthly liability that is issued whenever the borrower declares on the loan application that they are obligated to pay alimony.</li> </ul> </li> <li>– <b>Lenders utilizing option 2</b> <ul style="list-style-type: none"> <li>o Follow the standard requirements as outlined in the <i>Monthly Debt Obligations</i> section of the Selling Guide.</li> </ul> </li> </ul> <p><b>Note:</b> Lenders must continue to obtain documentation confirming the amount of the alimony obligation.</p> </li> </ol></li></ul>
<p><b>Credit Report/Scores</b></p>	<ul style="list-style-type: none"> <li>• Credit score per DU.</li> <li>• All borrowers are required to have a credit score (see exceptions below).</li> <li>• Planet will accept a credit report, in the Seller's name, from any Fannie Mae acceptable credit vendor.</li> <li>• A tri-merged credit report is required for all borrowers.</li> <li>• The representative credit score is determined as follows: <ul style="list-style-type: none"> <li>o If there are three (3) valid scores, the middle score is used. If two of the three scores are a duplicate, the duplicate score is used.</li> <li>o If there are two (2) valid scores, the lower of the two is used</li> <li>o If there is one (1) valid score, that score is used</li> </ul> </li> </ul> <p>The representative score for the loan is the lowest representative score of all borrowers.</p> <ul style="list-style-type: none"> <li>• The borrower(s) must address <b>all</b> credit inquiries indicated on the credit report within the previous 120 days and indicate the reason for and result of the inquiry (i.e. was new credit obtained or not).</li> <li>• Sellers are required to document that the borrower did not incur any new debt from the time the credit used to make the credit decision was pulled to the time of loan closing. Any of the following is acceptable documentation: <ul style="list-style-type: none"> <li>– A "soft pull" credit report, or</li> <li>– An affidavit, signed by the borrower(s) (sample form is on the Planet website under "Forms and Resources"), or</li> <li>– A letter, written and signed by the borrower(s) stating no new credit was obtained.</li> <li>– The credit report must be ≤ 4 months from the Note date</li> </ul> </li> </ul>





## Fannie Mae HomeReady Program Guidelines

### Credit Report/Scores (cont.)

#### Frozen Credit

If one of the three credit repositories display a frozen credit report the borrower may still qualify if:

- Credit data is available from the other two repositories
- A credit score is provided by at least one repository, and
- Proof that lender requested a tri-merge credit report is evidenced in the file

If credit data is frozen at two or more of the credit repositories the loan will not be eligible.

#### Co-Borrower without Credit Score/Non-traditional Credit

Planet will not require all borrowers on the loan to have a credit score subject to the following requirements:

- Per DU "Approve/Eligible" Findings (manual underwrite not permitted)
- 1-unit, primary residence
- All borrowers will occupy the property
- Self-employed income permitted
- When no borrower has a credit score a non-traditional credit history must be documented for each borrower
- When no borrower has a credit score a non-traditional credit history must be documented for each borrower
- When one or more borrower(s) has a credit score and other borrower(s) do not:
  - If the borrower(s) with the credit score contributes  $\leq 50\%$  of the qualifying income, a non-traditional credit history must be documented for all borrower(s) without a credit score, and
  - If the borrower(s) with the credit score contributes more than 50% of the qualifying income), there is no need to document a non-traditional credit history for borrower(s) without a credit score.

Note: Refer to Fannie Mae Selling Guide section for complete details.

### Derogatory Credit

#### Bankruptcy

Derogatory Event	Waiting Period	Extenuating Circumstance
Chapter 7 or 11 BK	4 years from discharge date to the disbursement date of the new loan.	2 years from discharge. The maximum LTV is the lesser of the 90% LTV or maximum LTV allowed for the program.
Chapter 13 BK	<ul style="list-style-type: none"> <li>• 2 years from discharge date to the disbursement date of the new loan, or</li> <li>• 4 years from dismissal date the disbursement date of the new loan.</li> </ul>	2 years from discharge. The maximum LTV is the lesser of the 90% LTV or maximum LTV allowed for the program.
Multiple BK Filing*	5 years if more than one filing in the previous 7 years.	3 years from discharge dismissal.

\*NOTE: Two or more borrowers with individual bankruptcies are not cumulative and are not considered multiple bankruptcies (e.g. the borrower has a bankruptcy and the co-borrower has a bankruptcy; Fannie Mae does not consider this multiple BKs).

- Extenuating circumstances are considered isolated events that are beyond the borrower's control that result in a sudden, significant and prolonged reduction in income or a large increase in the borrower's financial obligations (e.g. death of a borrower, layoff, serious illness, divorce, etc.).
  - Acceptable documentation to support extenuating circumstances and that illustrate factors that contributed to the borrower's inability to resolve the problem is required (e.g. copy of divorce decree, layoff notice, death certificate, medical bills, tax returns, property listing agreements, etc.).
  - Additionally a letter of explanation from the borrower explaining the relevance of the documentation is required.

NOTE: An "Approve/Eligible" results are still required even when considering extenuating circumstances; manual underwriting is not allowed on Agency loans.



## Fannie Mae HomeReady Program Guidelines

### Derogatory Credit (cont.)

#### Collections/Charge-offs/Judgments

The following applies to collection and charge-off accounts:

- Past-due accounts (that have not gone to collection) must be brought current.
- **One Unit Owner-Occupied Primary Residence**
  - The borrower is not required to pay off outstanding collections or charge-offs regardless of the amount.
- **Two-to-Four Unit Owner-Occupied Primary Residence and Second Home**
  - If the combined total of collections and charge-offs accounts is greater than \$5,000, the accounts must be paid in full prior to or at closing.

#### Investment Property

- Individual accounts greater than or equal to \$250.00 or, if the combined balance of all accounts is greater than \$1000.00, the accounts must be paid in full prior to or at closing.

NOTE: At underwriter discretion, payoff of collection accounts may be required.

#### Mortgage Charge-offs

If the charge-off account was a mortgage a 4 year waiting period applies (2 years with extenuating circumstances). Refer to the Deed-In-Lieu/Pre-Foreclosure topic for requirements.

- If mortgage debt was discharged through the bankruptcy, even if there was a subsequent completed foreclosure action to reclaim the property, bankruptcy waiting periods may be applied, not foreclosure waiting periods if documentation is provided to verify the mortgage was discharged in the bankruptcy. If documentation cannot be provided, the greater of the applicable bankruptcy or foreclosure waiting period is applied.

#### Judgments/Tax Liens

Open judgments and all outstanding liens appearing in the Public Records section of the credit report must be paid off prior to or at closing. Documentation of sufficient funds to satisfy these obligations must be obtained.

#### Consumer Credit Counseling

Follow DU

#### Foreclosure

A previous foreclosure is subject to the following:

- A 7 year waiting period from completion date to credit report date is required
- A 3 year waiting period with documented circumstances. The following also applies:
  - Maximum LTV/CLTV is the lesser of 90% or the program maximum
  - Borrower must be purchasing a primary residence, or
  - A limited cash-out refinance is permitted on all property types subject to eligibility requirements.

#### Deed-in-Lieu/Pre-Foreclosure (Short Sale/Short Pay-off)

- A 4 year waiting period is required regardless of the LTV (measured by event date to new loan disbursement date)
- A 2 year waiting period may be considered with acceptable documented extenuating circumstances\*.

NOTE: Disbursement date is defined as the date the loan funds are disbursed for the subject mortgage. The disbursement date may occur on or after the Note date.

#### \*Extenuating Circumstances

An extenuating circumstance is defined by Fannie Mae as a non-recurring event that was beyond the borrower's control that resulted in a sudden, significant and prolonged significant reduction in income (e.g. job loss, divorce, serious illness, etc.) or a catastrophic increase in financial obligations (e.g. large medical bills).



## Fannie Mae HomeReady Program Guidelines

<b>Derogatory Credit</b> (cont.)	<p>An extenuating circumstance must be fully documented. Copies of any paperwork substantiating the event such as divorce decree, job layoff notice, severance papers, medical bills, etc. must be provided.</p> <p>Additionally copies of any documents substantiating the borrower's inability to resolve the problems resulting from the event such as insurance claims, unemployment paperwork, listing agreements, tax returns (covering the period of the event; before, during and immediately after), etc., are required. A letter of explanation from the borrower, explaining the event and documentation provided is also required.</p> <p><b>Disputed Accounts</b></p> <ul style="list-style-type: none"><li>Disputed accounts are subject to DU Findings.</li><li>If DU Findings do not indicate any action required none is required, however, the payment for the tradeline, if any, must be included in the DTI ratio if the account belongs to the borrower.</li><li>If DU requires action on a disputed account the loan cannot close until the dispute has been resolved and an updated credit report, without the disputed account, is submitted to DU.</li></ul> <p>NOTE: An "Approve/Eligible" results must be received from DU after the updated credit report has been submitted.</p> <p><b>Delinquent Child Support</b></p> <p>Delinquent child support must be paid current or in a payment plan.</p> <p><b>Re-established Credit Requirements</b></p> <ul style="list-style-type: none"><li>After a foreclosure, bankruptcy, deed-in-lieu, or pre-foreclosure borrowers are required to have re- established good traditional credit.</li><li>Re-established credit is met if all of the following are met:<ul style="list-style-type: none"><li>The above detailed waiting periods and additional related requirements are met</li><li>The loan receives an "Approve/Eligible" Finding from DU</li><li>The borrower has established new traditional credit (non-traditional credit or "thin files" are <b>not</b> acceptable).</li></ul></li></ul>																													
<b>Down Payment</b>	<p>Minimum borrower contribution from the borrower's own funds for any mortgage loan, if the loan has an LTV/CLTV/HCLTV ratio of 80% or less, is not required.</p> <p>The minimum required borrower contribution is dependent on the number of units, as noted in the table below:</p> <table><tr><th>Units</th><th colspan="2">Minimum Down Payment</th><th>Minimum Borrower Contribution</th></tr><tr><td rowspan="4">Fixed Rate</td><td></td><td></td><td>LTV/CLTV/HCLTV</td></tr><tr><td>1</td><td>5% <sup>1</sup></td><td>All = \$0.00</td></tr><tr><td>2</td><td>15%</td><td rowspan="2">&gt;80% = 3%</td></tr><tr><td>3-4</td><td>25%</td></tr><tr><td rowspan="4">ARM</td><td></td><td></td><td>LTV/CLTV/HCLTV <sup>2</sup></td></tr><tr><td>1</td><td>10%</td><td>All = \$0.00</td></tr><tr><td>2</td><td>25%</td><td>&gt;80% = 3%</td></tr><tr><td>3-4</td><td>N/A</td><td>N/A</td></tr></table> <p>1. A 3% down payment permitted for certain purchase transactions. See <a href="#">95.01%-97%</a> topic for details.</p> <p>2. LTV/CLTV/HCLTV may not exceed limits stated in the ARM matrices.</p>	Units	Minimum Down Payment		Minimum Borrower Contribution	Fixed Rate			LTV/CLTV/HCLTV	1	5% <sup>1</sup>	All = \$0.00	2	15%	>80% = 3%	3-4	25%	ARM			LTV/CLTV/HCLTV <sup>2</sup>	1	10%	All = \$0.00	2	25%	>80% = 3%	3-4	N/A	N/A
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	2	25%	>80% = 3%																											
	3-4	N/A	N/A																											
<b>DTI</b>	<ul style="list-style-type: none"><li>Per DU</li><li>Business debt may only be excluded from the DTI calculation if satisfactory documentation of the following is provided:<ul style="list-style-type: none"><li>The account in question does not have a history of delinquency.</li><li>The debt(s) are paid through the business verified with 12 months canceled business account checks.</li><li>A cash-flow analysis of the business took the payment obligation into consideration.</li></ul></li><li>Debt that has been assigned by order of the court is not required to be included in the borrower's DTI calculations; however the payment history for the debt prior to its assignment must be reviewed.</li></ul>																													



## Fannie Mae HomeReady Program Guidelines

<b>Employment</b>	<ul style="list-style-type: none"> <li>• A two-year employment history is recommended.</li> <li>• Wage earner borrowers may be considered with a shorter employment history as long as the employment profile demonstrates positive factors to offset the shorter income history reasonably.</li> <li>• Borrowers relying on overtime and/or bonus income for qualifying purposed must have a minimum 12 months history to be considered stable.</li> <li>• Self-employed borrowers may be considered with a 12 to 24 month self-employment history when: <ul style="list-style-type: none"> <li>– The borrower's most recent signed federal tax returns reflect the receipt of income at the same or greater level from a field that provides the same products/services as the current business, or</li> <li>– Reflects income from an occupation in which the borrower had similar responsibilities as those undertaken in the current business.</li> <li>– Seller's must thoroughly review and consider the borrower's level of experience and the amount of debt the business has.</li> </ul> </li> <li>• A verbal verification of employment (VVOE) is required within 10 business days of the Note date for salaried borrowers and within 120 calendar days for self-employed borrowers. A sample VVOE form is posted on the Planet Home Lending website under "Forms and Resources." Sellers are not required to utilize this exact form. However, any form used, must provide the information contained on the Planet Home Lending form.</li> <li>• A current paystub with YTD income and most recent W -2s are required.</li> <li>• Sellers must independently obtain the phone number, and when possible, the address of the wage earner borrower's employer using directory assistance/internet/phone book, etc.</li> <li>• Self-employed borrowers require verification of the business by a third party source (e.g. CPA, Federal Tax ID Certificate, Business License, and 411/Reverse Look-up). Self-employed borrowers are individuals who have 25% or greater ownership interest in business.</li> </ul>
<b>Escrow Holdbacks</b>	<p>Loans with an escrow holdback are eligible for purchase when all funds are disbursed prior to the loan being purchased by Planet except as noted below. Loans must meet Planet's loan seasoning requirements detailed in <a href="#">Chapter 8 – Loan Purchasing</a>. Loans with holdback funds not disbursed prior to purchase are eligible as follows:</p> <ul style="list-style-type: none"> <li>• <b>Newly constructed properties – weather related</b> <ul style="list-style-type: none"> <li>– Funds held for completion of grading of yard/driveway, pouring concrete for driveway/sidewalks</li> <li>– Seller must provide proof of completion and release of funds post-purchase</li> </ul> </li> <li>• <b>Newly constructed properties with city held bond –weather related</b> <ul style="list-style-type: none"> <li>– Eligible for purchase with temporary Certificate of Occupancy when a city bond is held for completion of roads and/or driveways</li> </ul> </li> <li>• <b>New construction – non-weather related</b> <ul style="list-style-type: none"> <li>– Funds held for completion of landscaping</li> <li>– Seller must provide proof of completion and release of funds post-purchase.</li> </ul> </li> </ul> <p>Note: Existing properties with new renovations allowed on a case by case basis.</p>
<b>Escrow/Impound Account</b>	<ul style="list-style-type: none"> <li>• &gt;80% LTV required unless prohibited by state law</li> <li>• &lt; 80% LTV not required; refer to rate sheet for pricing adjustment</li> </ul> <p><b>Escrowed Flood Insurance Premiums</b></p> <p>Escrowed flood insurance premiums are required on all loans closed on or after January 1, 2016, including but not limited to Higher Priced Mortgage Loans (HPML). The Seller must provide the following prior to purchase by Planet:</p> <ul style="list-style-type: none"> <li>• Evidence that all flood insurance premiums have been escrowed (regardless of any other fees and charges associated with the loan).</li> <li>• The seller must use Standard Flood Hazard Determination Form (SFHDF) on all properties.</li> </ul> <p>Note: Planet will not waive the escrow for flood insurance premiums on loans secured by 1-4 unit properties (including PUDs and site condos). Loans closed on or after January 1, 2016, where flood insurance is required, and no flood escrow has been established are not eligible for purchase.</p>



## Fannie Mae HomeReady Program Guidelines

<b>Gift Funds</b>	<ul style="list-style-type: none"> <li>• Gifts, grants and Community Seconds are acceptable as a source of funds for down payment and closing cost, see <a href="#">Down Payment</a> topic for Borrower's minimum contributions.</li> <li>• More than one Community Seconds lien is allowed to a maximum CLTV of 105%. Refer to the <a href="#">Community Seconds</a> topic for additional details.</li> <li>• Gift funds may be provided by any of the following: <ul style="list-style-type: none"> <li>– A relative, defined as the borrower's spouse, child, or other dependent, or by another individual who is related to the borrower by blood, marriage, adoption or legal guardianship, or</li> <li>– A fiancé or fiancée, or domestic partner. The gift fund donor cannot be affiliated with the builder, developer, real estate agent, broker, or any other interested party to the transaction.</li> </ul> </li> <li>• The gift must be evidenced by a gift letter, signed by the donor and it must: <ul style="list-style-type: none"> <li>– Specify the dollar amount,</li> <li>– Be signed by the donor and the borrower,</li> <li>– Specify the date the funds were transferred,</li> <li>– Indicate the donor(s) name, address, phone number, and relationship to the borrower, and include a statement by the donor that no repayment of the gift funds is expected.</li> </ul> </li> <li>• The transfer of the gift funds must be documented. Acceptable documentation includes: <ul style="list-style-type: none"> <li>– Copy of the donor's cancelled check and the borrower's deposit slip</li> <li>– Copy of the donor's withdrawal slip and the borrower's deposit slip</li> <li>– Copy of the donor's check to the closing agent, or</li> <li>– The settlement statement showing receipt of the donor's check.</li> <li>– If funds not transferred prior to settlement, documentation the donor gave the closing agent the gift funds in the form of a certified/cashier's check or other official check.</li> </ul> </li> </ul>
<b>Homeownership Education</b>	<p><b>Purchase only transactions</b></p> <p>At least one borrower on the mortgage loan must complete pre-purchase homeownership education (prior to loan closing). Homeownership certifications from one of the following providers is acceptable:</p> <ul style="list-style-type: none"> <li>• <a href="#">Framework</a>, an online program provided by Fannie Mae</li> <li>• Any HUD approved nonprofit housing counseling agency <ul style="list-style-type: none"> <li>– In addition to a certificate of completion, a <a href="#">Pre-purchase Housing Counseling Form 1017</a> must be included in the loan file.</li> <li>– If the borrower participated in a Community Seconds or Down Payment Assistant Program, those course certifications are acceptable, as long as the counseling agency is HUD-approved.</li> </ul> </li> </ul> <p>Refer to the Fannie Mae Selling Guide for a complete list of approved <a href="#">Homeownership Education Agencies</a>.</p> <p><b>Special Borrower Consideration</b></p> <p>The presence of a disability, lack of Internet access, and other issues may indicate that a consumer is better served by other education modes (e.g., in-person classroom education, telephone conference call, etc.). In these situations, consumers should be directed to Framework's toll-free customer service line, from which they can be directed to an HUD- approved counseling agency that can meet their needs. The counseling agency that handles the referral must provide a certificate of completion and the lender must retain a copy of the certificate in the loan file.</p>
<b>Income</b>	<p>Income documentation is determined by DU, however, at underwriter discretion, additional documentation may be required. Unless addressed below follow Fannie Mae guidelines for income requirements.</p> <ul style="list-style-type: none"> <li>• <b>Wage earner borrowers:</b> <ul style="list-style-type: none"> <li>– A current paystub with YTD earnings and the most recent W -2. The paystub must be dated within 30 days of the initial loan application date.</li> </ul> </li> <li>• <b>Self-employed borrowers:</b> <ul style="list-style-type: none"> <li>– Copy of the most recent 2-years signed federal individual and business tax returns with all schedules. If DU requires business returns, business tax transcripts will be required.</li> <li>– The requirement for business tax returns <b>may be waived</b> if: <ul style="list-style-type: none"> <li>○ The borrower is using personal funds for down payment, closing costs and to satisfy applicable reserve requirements,</li> <li>○ The borrower has been self-employed in the same business for a minimum of 5 years</li> <li>○ The borrower's individual tax returns show an increase in self-employment income over the past 2-years.</li> </ul> </li> </ul> </li> </ul>



## Fannie Mae HomeReady Program Guidelines

### Income (cont.)

- Self-employed co-borrowers income and loss on loans that are not being used for qualifying purposes do not need to be evaluated or documented; however, the self-employed co-borrower will continue to be evaluated for creditworthiness.

- Business income may only be used to qualify the borrower when there is a history of income distribution to the borrower consistent with the level being used to qualify.

Note: Refer to the [Fannie Mae Selling Guide](#) for complete details.

- **Other sources of income:**

- DU determines the documentation, verification and continuation requirements for other sources of income
- Social Security income for retirement or long-term disability that the borrower is drawing from his or her own account/work record will not have a defined expiration date and must be expected to continue.

Note: An SSA Award letter may be used to document the income if the borrower is receiving Social Security payments or if the borrower will begin receiving payments on or before the first payment date of the subject mortgage as confirmed by a recently issued award letter

- Schedule KI Income:
  - Borrower (s) with less than 25% ownership of a partnership, S corporation or limited liability company reported on form 1065 or IRS form 1120S must have adequate liquidity to support the withdrawal of earnings.

- **Employment offers or contracts:**

If the borrower is scheduled to begin employment after the loan closes borrowers may qualify using one of the options below.

#### **1. Loan delivered after borrower starts employment**

- Mortgage loan file must include:
  - A copy of the executed employment contract, and
  - A paystub which includes sufficient information to support the income used to qualify the borrower based on the offer contract.

#### **2. Loan delivered prior to borrower starting employment are limited to the following requirements:**

- Purchase Transaction only
- 1 unit principal residence
- Borrower is not employed by a family member or by an interested party to the transaction
- Borrower is qualified using only fixed base income
- Employment start date must be within 90 days of the note date
- The employment offer or contract must:
  - Clearly identify the employer and the borrower
  - Be signed by the employer, and
  - Be accepted and signed by the borrower
  - Clearly identify the terms of employment, including position, type and rate of pay, and start date; and
  - Be non-contingent.
  - Review of all conditions of employment (if applicable) must be evidenced in the file.
- Non-Borrower Household member (s) (relatives and/or non-relatives)
  - Permitted as a compensating factor in DU to allow a DTI ratio of >45% up to 50%. Income not considered qualifying income and not applied to income limits. An individual who is considered a non-household member may not also be a contributor of rental income (2-4 unit properties), accessory unit income (1-unit properties), or boarder. The following additional requirements apply:
    - Non-borrower income must total at least 30% of the total monthly qualifying income being used by the borrower(s).
    - Income must be documented in accordance with standard Fannie Mae Selling Guide policy based on income type.
    - Non-borrower (s) must sign a statement of intent to reside with the borrower(s) for a minimum of 12 months.





## Fannie Mae HomeReady Program Guidelines

<b>Income (cont.)</b>	<ul style="list-style-type: none"> <li>▪ Income from more than one non-borrower household member permitted</li> <li>▪ Income must be reflected in DU as an “Other Income” type of “Non-Borrower Household member.” This income will not impact the DIT ratio used in the risk assessment or display on the DU Underwriting Findings report.</li> <li>– Boarder income allowed subject to the following: <ul style="list-style-type: none"> <li>○ Rental payments that any borrower received from one or more individuals residing with the borrower but are not obligated on the mortgage debt and may or may not be related to the borrower) may be considered as acceptable stable income. This applies to one- unit properties in an amount up to 30% of the total gross income used to qualify if: <ul style="list-style-type: none"> <li>▪ The boarder can provide appropriate documentation to demonstrate a history of shared residency (i.e. driver’s license, bill, or bank statement which shows an address match).</li> <li>▪ The boarder can demonstrate rental payments to the borrower (i.e. cancelled checks) for: <ul style="list-style-type: none"> <li>• The last 12 months, or</li> <li>• At least 9 of the most recent 12 months provided the rental income is averaged over a 12 month period.</li> </ul> </li> </ul> </li> <li>– Payment of rent by the boarder directly to a third party is not acceptable. <ul style="list-style-type: none"> <li>○ Non-occupant Borrower: <ul style="list-style-type: none"> <li>▪ Income considered as part of qualifying income and subject to income limits</li> <li>▪ Maximum LTV 95%</li> </ul> </li> </ul> </li> </ul> </li> </ul>
<b>Income limits</b>	<p>When determining whether a mortgage is eligible under the borrower income limits, all qualifying income from all of the borrowers who will be listed on the mortgage note must be counted, to the extent that the income is considered in evaluating creditworthiness for the mortgage loan.</p> <p>On loans not underwritten as HomeReady mortgage loans, DU will issue a message when the total qualifying income entered in DU appears to be within the AMI limits and/or the property is located within the geographic areas outlined below indicating that the loan may be eligible for a HomeReady mortgage loan.</p> <ul style="list-style-type: none"> <li>• Income may not exceed 100% of the annual AMI for the property location.</li> <li>• No income limits in low-income census tracts defined as those census tracts where the tract median income &lt; 80% AMI.</li> </ul> <p>Note: Non-borrower income is not considered qualifying income and is not applied to income limits.</p>
<b>Income Rental</b>	<p>Planet follows Fannie Mae guidance regarding the use of rental income.</p> <ul style="list-style-type: none"> <li>• One Unit with accessory dwelling <ul style="list-style-type: none"> <li>○ Additional living area independent of the primary dwelling and includes, a fully functioning kitchen and bathroom.</li> </ul> </li> </ul> <p>Note: The appraiser is required to provide a description of the accessory unit, and analyze any effect it has on the value or marketability of the subject property.</p> <ul style="list-style-type: none"> <li>• 2-4 unit principal residence properties- May be used as qualifying income per income guidelines.</li> </ul> <p>Note: Sellers are encouraged to utilize the Fannie Mae rental income worksheets when calculating rental income. The worksheets (Form 1037, 1038, and 1039) are located on <a href="#">Fannie Mae’s website</a> under “Guide Forms &amp; Legal Docs.”</p>
<b>Inspections</b>	<ul style="list-style-type: none"> <li>• Septic inspections are only required when the appraiser indicates there is evidence the septic system is failing.</li> <li>• Termite inspections are only required when the purchase contract requires one, or the appraiser indicates there is evidence of active infestation.</li> <li>• Well inspections are only required when state or local regulations require, or if there is an indication the well may be contaminated.</li> </ul>
<b>Interested Party Contributions</b>	<p>Interested party contributions (IPC) pay for costs that are normally charged to the buyer of the property (borrower) and are provided by a party that has a financial interest in, or can influence the terms and sale/transfer of the subject property such as:</p> <ul style="list-style-type: none"> <li>• Seller</li> <li>• Builder/developer</li> <li>• Real estate agent</li> <li>• Broker, or</li> <li>• Any affiliate of the above that will benefit from the sale of the property and/or at the highest possible sales price.</li> </ul>





## Fannie Mae HomeReady Program Guidelines

### Interested Party Contributions (cont.)

IPC's can be either financing concessions or sales concessions and include:

- Funds paid directly from the interested party to the borrower
- Funds that flow from an interested party through a third- party organization, including nonprofit entities, to the borrower,
- Funds that flow to the transactions on the borrower's behalf from an interested party, (includes third party organization and nonprofit agency),
- Funds donated to a third party who provides the funds to pay some or all of the closing costs for the transaction.

Interested party contributions are limited as follows:

Occupancy Type	LTV/CLTV	Maximum Allowable Contribution
Primary Resident * or Second Home	>90%*	3%
	75.01-90%	6%
	75%- or less	9%
Investment Property	All	2%

NOTE: \*If the subject property is a primary residence and the property is a Fannie Mae REO identified on the HomePath website the maximum allowable contribution > 90% is 6%.

- IPC's cannot be used to make the borrower's down payment, reserve requirements or to meet the minimum borrower contribution requirement.
- Sales concessions items such as furniture, automobiles, decorator allowances, cash, etc. and financing concessions that exceed the limits above **must be** deducted from the sales price when calculating the LTV/CLTV ratios.

Financing concessions are subject to the IPC limits noted above. Financing concessions include:

- Financial contributions from an interested party that benefits the borrower in the financing transaction
- Payments or credits related to acquiring the property, and
- Payments or credits for financing term, including prepaids.
- An origination fee
- Discount points
- Commitment fee
- Appraisal cost
- Transfer taxes
- Attorney's fees
- Title insurance premiums.

They may also include:

- Prepaid items such as interest charges (no more than 30 days)
- Real estate taxes covering any period after the settlement date
- Hazard insurance premiums ( $\leq 14$  months), HOA dues ( $\leq 12$  months)
- Mortgage insurance premiums, and
- Escrow accruals for borrower paid MI.

NOTE: Fees and/or closing costs paid by the seller that are considered common and customary are not subject to IPC limits e.g. owner's title and transfer tax.

Undisclosed IPCs are ineligible (i.e. borrower paid closing costs moved to the seller side of the CD.



## Fannie Mae HomeReady Program Guidelines

Mortgage Insurance	<ul style="list-style-type: none"><li>Loans with &gt;80% LTV, mortgage insurance is required and are subject to MI guidelines.</li><li>Eligible MI products:<ul style="list-style-type: none"><li>Borrower paid mortgage insurance (BPMI). Monthly or single premium are eligible. The single premium may be financed. Refer to <a href="#">Chapter 4 – Mortgage Insurance</a> for detailed requirements.</li><li>Lender paid mortgage insurance (LPMI). Single premium only</li><li>Split Premium.</li></ul></li><li>Eligible MI options:<ul style="list-style-type: none"><li>Non-refundable</li><li>Refundable</li><li>Level/constant renewal type (as applicable)</li></ul></li></ul> <p>Planet will accept mortgage insurance issued by MI companies that are Fannie Mae approved.</p> <p>Mortgage insurance coverage is determined by LTV and loan term as detailed below:</p> <table><tr><th colspan="4">Required MI Coverage</th></tr><tr><th rowspan="2">Loan Term</th><th colspan="3">LTV</th></tr><tr><th>80.01-85.00 %</th><th>85.01-90 %</th><th>90.01-97 %**</th></tr><tr><td>Fixed rate: ≤ 20 years</td><td>6%</td><td>12%</td><td>25%</td></tr><tr><td>Fixed rate and ARM*: &gt; 20 year</td><td>12%</td><td>25%</td><td>25%</td></tr></table> <p>* ARM maximum LTV 90%; ** &gt; 95%. See <a href="#">95.01%-97%</a> topic for restrictions.</p>	Required MI Coverage				Loan Term	LTV			80.01-85.00 %	85.01-90 %	90.01-97 %**	Fixed rate: ≤ 20 years	6%	12%	25%	Fixed rate and ARM*: > 20 year	12%	25%	25%
Required MI Coverage																				
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	80.01-85.00 %	85.01-90 %	90.01-97 %**																	
Fixed rate: ≤ 20 years	6%	12%	25%																	
Fixed rate and ARM*: > 20 year	12%	25%	25%																	
Mortgage/Rental History	<p>Per DU, however, the mortgage/rental rating cannot have any ≥ 60-day lates in the previous 12 months.</p> <p>NOTE: If DU allows any delinquencies a satisfactory explanation of the delinquency is required and is subject to underwriter review and acceptance.</p> <ul style="list-style-type: none"><li>The credit report must reflect the most recent 12 months activity.</li><li>Mortgage must be current for the month closing.</li><li>Copies of rent checks are required to document rental payment history per DU results. in lieu of rent checks, at the underwriter's discretion the following may be acceptable:<ul style="list-style-type: none"><li>A direct verification of rent (VOR) provided by a professional management company, or</li><li>Copies of money orders.</li></ul></li></ul>																			
Non-Arm's length or Identity of Interest Transactions	<ul style="list-style-type: none"><li>A non-arm's length transaction is a purchase transaction where there is a relationship or business affiliation between the buyer and seller of the property</li><li>Non-arm's length transactions are eligible for resale properties</li><li>When a non-arm's length transaction occurs on a property that is new construction, the property must be a primary residence only. Non-arm's length transactions are ineligible if the property is a second home or investment.</li><li>An identity of interest transaction involves parties who are not related and do not have close Personal ties, however, they have a strong interest in the transaction (i.e. broker acting for buyer and seller, the broker is both realtor and mortgage broker, the realtor is selling own property, etc.). Additional review will be required to ensure validity of the transaction, value, etc. which may include additional documentation and/or a desk review or second appraisal.</li></ul>																			
Occupancy	Primary residence only																			
Ownership of other property	<p><b>Occupant Borrower(s)</b></p> <ul style="list-style-type: none"><li>No limitations on ownership of other properties</li></ul> <p><b>Non-Occupant Borrower(s)</b></p> <ul style="list-style-type: none"><li>Permitted to a maximum of 95%</li><li>No limitations on ownership of other properties.</li></ul>																			
Power of Attorney	<p>A Power of Attorney (POA) is allowed on a case-by-case basis on purchase and rate/term refinance transactions subject to all of the following:</p> <ul style="list-style-type: none"><li>For extenuating circumstances, active military personnel or individuals with a documented medical condition that prevents them from attending the closing or performing borrower requirements</li><li>Must be specific to the transaction</li><li>Must include the borrower name, property address and loan amount</li></ul>																			



## Fannie Mae HomeReady Program Guidelines

<b>Power of Attorney</b> (cont.)	<ul style="list-style-type: none"> <li>The POA must be fully executed and notarized</li> <li>The borrower must sign the application and disclosures</li> <li>Planet to review and approve prior to loan closing</li> <li>The POA must be recorded along with the mortgage(certified copy required)</li> <li>POA is eligible on purchase and rate/term refinance transactions only; cash-out is ineligible.</li> <li>If there are two or more borrowers on the loan, at least one borrower must be present for the closing and sign for the absent borrower (as their attorney-in-fact).</li> </ul>
<b>Prepayment Penalty</b>	Not permitted
<b>Products</b>	<p><b>Fixed Rate:</b> 10,15, 20 and 30 years  <b>ARM:</b> Not permitted on 3-4 unit properties</p> <ul style="list-style-type: none"> <li>5/1 (2/2/5 caps only), 7/1 and 10/1</li> <li>LIBOR index, Margin/Floor 2.25%</li> </ul> <p><b>Qualifying:</b></p> <ul style="list-style-type: none"> <li>5/1 qualified at the greater of the fully indexed rate or the Note rate plus 2%</li> <li>7/1 and 10/1 qualified at the greater of the fully indexed rate or the Note rate</li> </ul>
<b>Program Parameters</b>	Must meet APR/QM rules. Refer to <a href="#">Chapter 2 – Compliance</a> .
<b>Properties - Eligible</b>	<ul style="list-style-type: none"> <li>Single family residences</li> <li>2-4 units principal residence</li> <li>PUDs (attached/detached)  Note: Attached PUDs require a signed Condo/PUD Warranty form. A Questionnaire is not required. Detached PUDs <b>do not</b> require a Warranty form, a Questionnaire, <b>or a project review</b>.</li> <li>Condominiums (attached/detached, live-work) that are FannieMae warrantable</li> </ul> <p><b>Litigation</b></p> <ul style="list-style-type: none"> <li>Projects where the HOA is a party to litigation are eligible under the following circumstances: <ul style="list-style-type: none"> <li>Non-monetary litigation including, but not limited to neighbor disputes or rights of quiet enjoyment</li> <li>The insurance carrier has agreed to provide the defense, and the amount is covered by the HOA's insurance</li> <li>The HOA is the plaintiff in the litigation and upon investigation and analysis the matter is minor and will result in an insignificant impact to the financial stability of the project</li> <li>The anticipated damaged and legal fees must not exceed expected to exceed 10% of the project's funded reserves</li> <li>The HOA is named as the plaintiff in a foreclosure action, or as a plaintiff in an action for past due HOA or co-op assessments</li> </ul> </li> </ul> <p><b>Note:</b> Please refer to the <a href="#">Fannie Mae Selling Guide</a> for complete requirements.</p> <ul style="list-style-type: none"> <li>New Construction</li> </ul> <p>Note: Additional restrictions apply to purchase transactions with LTV ratios of 95.01 — 97%.</p>
<b>Properties - Ineligible</b>	<ul style="list-style-type: none"> <li>Agricultural-type properties Farms</li> <li>Orchards</li> <li>Ranches</li> <li>Bed and Breakfast</li> <li>Boarding houses</li> <li>Builder bailout properties</li> <li>Commercial property</li> <li>Condo Hotels or Timeshares</li> <li>Industrial zoned property</li> <li>Incoming producing properties (e.g. adult care facilities, bed &amp; breakfast, etc.)</li> <li>Log Homes</li> <li>Kiddie Condos</li> <li>Manufactured/mobile homes (any property that had/has wheels, axles, towing hitch, etc.)</li> <li>Multi-family dwellings &gt; 4 units</li> <li>New or newly converted condominium projects in Florida without a PERS approval</li> <li>Non-warrantable condominiums</li> <li>Properties located on Tribal Lands Properties not suitable for year-round occupancy, regardless of location</li> <li>Properties with an Assignment of Contract</li> <li>Properties located in the Hawaiian Islands in lava zones one (1) or two(2)</li> </ul>



## Fannie Mae HomeReady Program Guidelines

<b>Properties – Ineligible (cont.)</b>	<ul style="list-style-type: none"> <li>Unique properties (geodesic domes, earth barn homes, log homes, etc.)</li> <li>Vacant land is ineligible for refinance transactions</li> <li>Properties with problem drywall (aka Chinese drywall). Evidence of complete remediation must be provided if property previously contained Chinese drywall.</li> <li>Texas 50(a)(6) and Texas 50(f)</li> </ul>
<b>Property Flips</b>	<p>Property flips are subject to:</p> <ul style="list-style-type: none"> <li>Appraisal must support any value increases. Additional documentation may be required and a desk review or second appraisal may be required at underwriter discretion.</li> <li>Borrower has excellent credit history, employment history, savings pattern, etc.</li> </ul>
<b>Purchase Agreements Amended/Re-negotiated</b>	<ul style="list-style-type: none"> <li>Not eligible if the sales price was increased <b>after</b> the original appraisal was completed if: <ul style="list-style-type: none"> <li>The appraised value is higher than the originally contracted sales price that was provided to the appraiser, <b>and</b></li> <li>The new purchase agreement and/or addendum to the purchase agreement is dated after the appraisal, <b>and</b></li> <li>The only change to the purchase agreement was the sales price.</li> </ul> </li> <li>If the purchase agreement was renegotiated after the completion of the appraisal, the LTV would be based on the <b>lower</b> of the original purchase price or the appraised value, unless: <ul style="list-style-type: none"> <li>The re-negotiation was only for seller paid closing costs and/or pre-pays where the seller paid closing costs/pre-pays are common and customary for the area and are supported by the comparables, or</li> <li>The purchase contract was amended for a new construction property due to Improvements made that impact the tangible value of the property. An updated appraisal report must be obtained to validate the value of the improvements.</li> </ul> </li> <li>Assignment of the purchase contract is not allowed.</li> </ul>
<b>Refinance Transactions</b>	<ul style="list-style-type: none"> <li>LCOR only</li> <li>Properties that were listed for sale in the previous 12 months must be taken off the market prior to the disbursement date and borrowers must provide written confirmation of their intent to occupy the property.</li> <li>The transaction is being used to pay off an existing first mortgage loan (including an existing HELOC in the first-lien position) by obtaining a new first mortgage loan secured by the same property; or for single-closing construction-to-permanent loans to pay for construction costs to build the home, which may include paying off an existing lot lien.</li> <li>Only subordinate liens used to purchase the property may be paid off and included in the new mortgage.</li> </ul> <p><b>Note:</b> For certain transactions on properties with a PACE loan, Fannie Mae will waive the prohibition against using the proceeds of a limited cash-out refinance to pay off a loan not used to purchase the property if the loan being paid off is a PACE loan. See Property Assessed Clean Energy Loans in the Fannie Mae Selling Guide for additional information.</p> <ul style="list-style-type: none"> <li>The subject property must not be currently listed for sale. It must be taken off the market on or before the disbursement date of the new mortgage loan, and the borrowers must confirm their intent to occupy the subject property (for principal residence transactions).</li> </ul>
<b>Reserves</b>	<p>Per DU</p> <p><b>Acceptable Sources of Reserves:</b></p> <ul style="list-style-type: none"> <li>Checking/savings accounts</li> <li>Investments in stocks, bonds, mutual funds, certificates of deposit, money market funds, and trust accounts</li> <li>Vested amount in retirement accounts, and</li> <li>Cash value of a vested life insurance policy.</li> </ul> <p><b>Unacceptable Sources of Reserves:</b></p> <ul style="list-style-type: none"> <li>Interested party contributions</li> <li>Cash on hand</li> <li>Personal unsecured loans</li> <li>Stock options and non-vested restricted stock</li> <li>Stock held in an unlisted corporation</li> <li>Funds that have not been vested</li> <li>Funds that cannot be withdrawn under circumstances other than the account owner's retirement, employment termination, or death.</li> </ul>



## Fannie Mae HomeReady Program Guidelines

<b>Seller Contributions</b>	Refer to the <a href="#">Interested Party Contributions</a> topic for seller contribution limits.
<b>Subordinate Financing</b>	<p>Per DU only.</p> <ul style="list-style-type: none"> <li>HCLTV cannot exceed standard LTV ratios if subordinate lien is a HELOC.</li> <li>Community Seconds Loan programs are acceptable and may exceed stated CLTV/HCLTV. See <a href="#">Community Seconds</a> topic for complete details.</li> <li>Subordinate financing from the property seller not permitted.</li> </ul> <p>Note: Terms of Subordinate financing must follow standard Fannie Mae guidelines.</p>
<b>Temporary Buydown</b>	Not Available
<b>Transactions - Eligible</b>	<ul style="list-style-type: none"> <li>MCC (Mortgage Credit Certificates) with Planet Credit Risk Officer approval</li> <li>Purchase. The assignment of a purchase contract is not allowed.</li> <li>Limited cash-out refinance (rate/term)</li> </ul>
<b>Transactions-Ineligible</b>	<ul style="list-style-type: none"> <li>Any transaction without a DU "Approval/Eligible" Finding</li> <li>Manual underwrites</li> <li>Interest-only</li> <li>Fannie Mae My Community, Community Solutions, and Community HomeChoice</li> <li>Fannie Mae HomeStyle</li> <li>Non-traditional credit (see <a href="#">Credit Report/Scores</a> topic the topic for exception)</li> <li>Non-arm's length transaction that involves new construction and the loan is secured by a second home or investment property</li> <li>Refinance transactions where the subject property is listed for sale at time of disbursement of the new loan</li> <li>Restructured mortgages that do not meet Fannie Mae guidelines</li> <li>1031 Exchange</li> <li>Cash out</li> <li>Community Land Trusts</li> <li>Investment</li> <li>Land Contracts subject to Fannie Mae guidelines</li> <li>Lease option to purchase</li> <li>Loans with a tutorship lien</li> <li>New York CEMAs allowed on refinance transactions. CEMA is not eligible on purchase transactions. Planet Home Lending does not accept Lost Note Affidavits. Use Fannie Mae Forms 3172. Sellers must include the recorded original CEMA, including Exhibits A-D and all mortgage assignments.</li> <li>Properties in the "Right of Redemption Period" as applicable state law allows</li> <li>Second Home</li> <li>Texas Section 50(a)(6) loans (aka Texas cash-out)</li> <li>Third party originated (TPO)</li> <li>Transactions, where the property securing the loan is subject to a private transfer fee covenant created on or after February 8, 2011, and the fee collected, does not directly benefit the property.</li> <li>Transactions using Mortgage Credit Certificates (MCC) may be considered with approval from the Planet Credit Risk Officer.</li> </ul>



## Fannie Mae HomeReady Program Guidelines

### Version History

Version	Date	Description of Change
1.0	01/2018	<ul style="list-style-type: none"><li>Fannie Mae Loan Limits updated to reflect 2018 limits.</li><li><b>Credit Installment/Revolving Accounts</b><ul style="list-style-type: none"><li><b>Student Loans</b> Two options available for dealing with borrower If a payment amount is provided on the credit report, that amount can be used for qualifying purposes. If the credit report does not identify a payment amount (or reflects \$0), the lender can use either 1% of the outstanding student loan balance, or a calculated payment that will fully amortize the loan based on the documented loan repayment terms.</li></ul></li></ul>
1.1	2/26/2018	<ul style="list-style-type: none"><li>Updated 4506-T requirements</li><li>Property Flips &lt; 90% LTV do no longer require prior approval.</li><li>Transaction Type: added MCC allowed with Credit officer approval</li></ul>



## Freddie Mac Conforming and Super Conforming Program Guide

Fixed Rate

Owner-Occupied Primary Residence				
Transaction Type	Units	LTV/TLTV/HTLTV	Loan Amount	Credit Score
Purchase and No Cash-Out	1	95% <sup>1</sup>	Refer to Loan Limits Below	Per LPA
	2-4	80%		
Freddie Owned No Cash-Out	1-2	95% <sup>1</sup>		
	3-4	80%		
Cash- Out	1	80%		
Cash-Out	2-4	75%		
Second Home <sup>2</sup>				
Transaction Type	Units	LTV/TLTV/HTLTV	Loan Amount	Credit Score
Purchase and No Cash-Out	1	85% <sup>1</sup>	Refer to Loan Limits Below	Per LPA
Freddie Owned No Cash-Out	1	95% <sup>1</sup>		
Cash-Out	1	75%		
Investment (Non-Owner Occupied) <sup>2</sup>				
Transaction Type	Units	LTV/TLTV/HTLTV	Loan Amount	Credit Score
Purchase and No Cash-Out	1	85% <sup>1</sup>	Refer to Loan Limits Below	Per LPA
	2-4	75%		
Freddie Owned No Cash-Out	1	85% <sup>1</sup>		
	2-4	75%		
Cash-Out	1	75%		
	2-4	70%		
Texas 50 (a)(6) <sup>3,4</sup>				
Transaction Type	Units	LTV/TLTV	Loan Amount	Credit Score
Cash-out	1	80%	Refer to Loan Limits below	Per LPA
Texas 50 (f) <sup>4</sup>				
No Cash-out	1	80%	Refer to Loan Limits below	Per LPA

**Footnotes:**

- Loans > 80% LTV requires mortgage insurance and are subject to MI guidelines. The more restrictive minimum credit score requirement and guidelines apply. LTV/TLTV restrictions may also apply for properties located in adverse markets. Refer to the [Mortgage Insurance](#) topic under the Program Guidelines for additional information.
- Second home/investment transactions the borrower is limited to a maximum of 6 financed properties including the subject. Refer to the [Financed Properties](#) topic for additional information.
- Fee restrictions apply. Some third-party fees are allowed but **Not** included in the 2% fee cap. Refer to the [Loan Fees](#) sections for complete listings.
- Conventional, FHA or VA Rate/Term Refinance allowed (Restrictions apply).

Maximum Conforming Loan Limits		
Units	Contiguous states, District of Columbia	Alaska, Hawaii
1	\$453,100	\$679,650
2	\$580,150	\$870,225
3	\$701,250	\$1,000,000
4	\$871,450	\$1,000,000

Maximum Super Conforming Loan Limits		
Units	Contiguous states, District of Columbia	Alaska, Hawaii
1	\$679,650	\$1,000,000
2	\$870,225	\$1,000,000
3	\$1,000,000	\$1,000,000
4	\$1,000,000	\$1,000,000





## Freddie Mac Conforming and Super Conforming Program Guidelines

Planet Home Lending follows Freddie Mac guidelines for any topic not addressed below

Topic	Guideline
<b>Freddie Mac Guidelines and Resources</b>	<ul style="list-style-type: none"> <li>Freddie Mac guidelines may be accessed at <a href="#">Freddie Mac</a> under "Access the Guide".</li> <li>Additional resources are available by selecting "The Learning Center" from the menu on the left side of the page.</li> <li>The <a href="#">Loan Product Advisor Documentation Matrix</a> provides information for documenting an LPA loan.</li> </ul>
<b>4506-T</b>	<ul style="list-style-type: none"> <li>Signed 4506-T required at application and closing for both personal and business tax returns (if applicable)</li> <li>Tax transcripts are processed per LPA; W-2 transcripts with complete income information for previous year in lieu of W-2s are permitted.</li> <li>Income tax information obtained by the Seller directly from the IRS is acceptable in lieu of tax returns, provided that the Seller obtains and maintains in the Mortgage file all of the information that would be included on the tax returns.</li> </ul>
<b>Age of Documents</b>	<ul style="list-style-type: none"> <li>All credit, employment, income and asset documentation must be dated within 120 days of the Note date.</li> <li>Preliminary title policies must be dated within 120 days of the Note date.</li> <li>Appraisal documents must have an effective date within 120 days from the Note date.</li> <li>A verbal verification of employment (VVOE) is required within 10 business days <b>prior to</b> the Note date for salaried borrowers and within the 30 calendar days <b>prior to</b> the Note date for self-employed borrowers.</li> <li>A military Leave and Earnings Statement dated within 30 days prior to the Note date is acceptable for active duty military in lieu of a VVOE.</li> </ul>
<b>Appraisals</b>	<ul style="list-style-type: none"> <li>Appraisal requirement determined by LPA with the exception of a Property Inspection Alternative (PIA).</li> <li>Appraisals must be Uniform Appraisal Data (UAD) compliant and meet Freddie Mac's Appraiser Independence Requirements (AIR).</li> <li>A Freddie Mac Market Conditions Addendum (Form 71) and a Freddie Mac Submission Summary Report (SSR) is required on all appraisals.</li> <li>If an applicable law, regulation or Planet policy requires more than one (1) appraisal be obtained, the single most accurate appraisal must be used for underwriting and submission to the Uniform Collateral Data Portal (UCDP).</li> <li>A full appraisal must provide legible interior and exterior photos. <ul style="list-style-type: none"> <li>The exterior photos must contain photos of the front, back and street scene of the subject property as well as the front of all comparable sales.</li> <li>The interior photos, at minimum, must include: <ul style="list-style-type: none"> <li>Kitchen, (free-standing stove/range or refrigerator not required)</li> <li>Main living area</li> <li>All bathrooms</li> <li>Examples of physical deterioration, if present</li> <li>Examples of any recent updates, if present (i.e. remodel, renovation, restoration)</li> </ul> </li> </ul> </li> <li>Comparable sales used for new construction properties are subject to the following: <ul style="list-style-type: none"> <li>If all three of the comparable sales used to support the value of the subject property were obtained from one of the above sources (public source eligible in Vermont and Maine only) no further action is required.</li> <li>If the comparable sales are not all obtained from an MLS, MRIS, MRED, NTREIS, or from an independent source (Vermont and Maine only), the appraiser must comment that the subject property development is being marketed in an "open" or "public" environment (i.e. newspaper advertisements, bill board signs, website, etc.)</li> </ul> </li> </ul> <p>Additionally, the following applies:</p> <ul style="list-style-type: none"> <li>One of the comparable sales must be outside the project the subject property is located in and be from an MLS or MRIS, MRED, or NTREIS, or public source (public source Vermont/Maine only).</li> </ul>

## Freddie Mac Conforming and Super Conforming Program Guidelines

<p><b>Appraisals (cont.)</b></p>	<ul style="list-style-type: none"> <li>– Two of the comparable sales must be from sources other than the subject property builder.</li> </ul> <p>NOTE: The appraiser is always allowed to provide more than three comparable sales in order to support the property value.</p> <ul style="list-style-type: none"> <li>• The property must have legal, appropriate ingress and egress. The streets that allow access to the subject property must be maintained in a manner that generally meets community standards. The comparable sales should include street maintenance similar to the subject property. When differences exist between the ownership or maintenance of the subject property street and the comparable sale's streets, adjustments must be applied as applicable and an explanation is required and the appraisal must address the effect any differences might have on the subject property's value and marketability.</li> <li>• Appraisal must identify and address properties located within a declining market.</li> <li>• Properties with an unpermitted addition are eligible subject to the following:             <ul style="list-style-type: none"> <li>– The appraiser comments in the appraisal that the addition was completed with "workmanlike quality"</li> <li>– The addition does not result in a change in the number of units comprising the property (e.g. a one unit converted to two unit)</li> <li>– If the appraiser gives the unpermitted addition value, the appraiser must demonstrate market acceptance by the use of comparable sales with similar additions and address the following in the appraisal:                 <ul style="list-style-type: none"> <li>○ Unpermitted additions are typical for the market area and a typical buyer would consider the unpermitted additional square footage to be part of the overall square footage of the property, and</li> <li>○ The appraiser has no reason to believe the addition would not pass inspection for a permit(s).</li> </ul> </li> </ul> </li> <li>• Modular/Prefabricated homes: The appraiser must address the marketability of the property.</li> <li>• Planet requires properties to be, at minimum, in average condition. Additionally, the following applies:             <ul style="list-style-type: none"> <li>– A conventional heat source with the ability to maintain a temperature of 50° in areas of the property where there is plumbing.</li> <li>– Any broken glass that is a health hazard must be removed and the opening closed.</li> </ul> </li> <li>• Property must have a Condition Rating of C1-C4 or Q1-Q5 Quality Rating to be eligible. Properties with a Condition rating of C5/C6 or Quality rating of Q6 are not acceptable collateral.</li> <li>• A transferred appraisal is acceptable when the following is provided:             <ul style="list-style-type: none"> <li>– A copy of the Freddie Mac Submission Summary Report (SSR) with a Document File Status of "Successful" and a PDF version of the appraisal report,</li> <li>– An appraisal transfer letter, and</li> <li>– Confirmation that the appraisal is A.I.R. compliant</li> </ul> </li> <li>• A new appraisal will be required when the appraisal effective date is more than 120 days but not less than 12 months before the Note date. The effective date of an appraisal must not exceed 120 days before the note date.</li> <li>• Appraisal waivers received based on the ACE will be accepted per Freddie Mac guidelines. The appraisal must be offered on the final submission to LPA to be eligible.</li> <li>• Properties located in a FEMA Disaster Declaration area will be subject to additional appraisal review. Refer to <a href="#">Chapter 8- Loan Purchasing</a> for detailed requirements</li> </ul> <p>Refer to the Freddie Mac <a href="#">forms and documents</a> section for applicable appraisal forms.</p>
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## Freddie Mac Conforming and Super Conforming Program Guidelines

<p><b>Assets</b></p>	<p>Asset documentation per LPA</p> <ul style="list-style-type: none"> <li>• All funds used to close the transaction must be disclosed on the 1003 and input into LPA.</li> <li>• The borrower must provide evidence that the earnest money deposit came from an acceptable source and that they have sufficient assets to cover the down payment, closing costs, prepaids and reserve (if applicable) requirements. Evidence required:             <ul style="list-style-type: none"> <li>– Two months most recent bank or financial statements, all pages. If a copy of the canceled deposit check is used to document the source of funds, the bank statements must cover the period up to, and including the date, the earnest money check cleared the bank.</li> <li>– VOD is acceptable as a primary source of verification.</li> <li>– Sellers who are also the depository for the borrower's account may provide a printout or other alternative verification of the borrower's bank account assets produced directly from the bank or credit union's system in lieu of bank statement(s).</li> </ul> </li> <li>• Refinance transactions require verification of funds to close.</li> <li>• Business funds of a self-employed borrower may be used for down payment, closing costs and/or reserve requirements subject to the following:             <ul style="list-style-type: none"> <li>– The borrower must be listed as an owner on the account. If the borrower's name is not listed on the business account statement, documentation that the borrower is an authorized signer on the account is required. This applies to all business accounts, including sole proprietorships, when business account funds are being utilized for down payment, closing costs and/or reserves. Examples of acceptable documentation:                 <ul style="list-style-type: none"> <li>o Letter from the bank confirming borrower is an authorized signer, or</li> <li>o Online documentation that confirms borrower is an authorized signer</li> </ul> </li> <li>– If the account is held jointly, an access letter, stating the borrower has access to 100% of the business funds, is required when the business funds are being used for down payment and/or costs. An access letter is <b>not required</b> if business funds are being used to satisfy reserve requirements, however, at underwriter discretion may be requested.</li> <li>– A cash flow analysis, based on 3 months business bank statements, dated within 60 days of the closing date, is required to determine the withdrawal of business funds will not have a negative impact on the business. The cash analysis:                 <ul style="list-style-type: none"> <li>o Must indicate that the average running balance in the account for the previous 3 months stayed the same or was better, and</li> <li>o The amount of funds used for the transaction must not deplete the account i.e. the balance remaining in the account should not be less than half of what was in the account prior to the withdrawal.</li> </ul> </li> </ul> </li> <li>• Cash on hand, unsecured borrowed funds, and unverified funds are ineligible sources for assets.</li> <li>• Payout from a life insurance policy is acceptable for down payment or closing costs. A copy of the check or payout statement, issued by the insurance company is required. If the cash value is being used for reserves, documentation of the cash value is required however the policy does not need to be liquidated.</li> <li>• Proceeds from the sale of a currently owned property are eligible for down payment and closing costs. The final Settlement/CD for the existing property must be provided before or at closing to show sufficient net cash proceeds to close the purchase. The final Settlement/CD is <b>not required</b> to be fully executed.</li> <li>• Large deposits are considered to be a single deposit where any <b>unsourced</b> portion of the deposit exceeds 50% of the combined gross monthly income of the borrower(s). If the deposit includes both sourced and unsourced funds, only the unsourced portion is used to calculate whether the deposit meets the 50% definition. Direct deposits, such as IRS or state income tax refunds, transfer of funds between verified accounts, that are easily identified on the account statement do not require documentation. Large unsourced deposits must be explained and verified except on refinance transactions where no funds are required for closing.</li> <li>• Verification of assets from foreign sources:             <ul style="list-style-type: none"> <li>– Funds that a borrower (either a U.S. or non-U.S. citizen) has deposited into a U.S. depository institution are acceptable provided all of the following requirements are met:                 <ul style="list-style-type: none"> <li>o Documentation of the transfer of funds from the borrower's country of origin is provided, and</li> <li>o It can be established that the funds belonged to the borrower before the date of transfer, and</li> </ul> </li> </ul> </li> </ul>
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## Freddie Mac Conforming and Super Conforming Program Guidelines

<b>Assets (cont.)</b>	<ul style="list-style-type: none"> <li>○ The source of all funds used for closing can be verified following the same requirements for U.S. citizens. Generally two years of tax returns are required to document foreign income.</li> <li>○ The source of all funds used for closing can be verified following the same requirements for U.S. citizens. Generally two years of tax returns are required to document foreign income.</li> </ul>
<b>Assumptions</b>	Planet follows agency guidelines.
<b>AUS</b>	LPA Eligible/Accept results required. Manual Underwriting is ineligible.
<b>Available Markets</b>	The U.S. territories of Guam, Puerto Rico, and the Virgin Islands are ineligible regardless of delegation.
<b>Borrowers – Eligible</b>	<ul style="list-style-type: none"> <li>• A natural person</li> <li>• U.S. citizens</li> <li>• Permanent resident aliens: <ul style="list-style-type: none"> <li>– Permanent resident alien borrowers must hold an unexpired “Green Card” issued by the U.S. Citizenship and Immigration Services (USCIS). A copy of both the front and back of the card is required.</li> </ul> </li> <li>• Non-permanent resident aliens: <ul style="list-style-type: none"> <li>– Non-permanent resident aliens are temporary residents who are eligible to live/work in the United States for a specific period of time. Acceptable documentation of their work authorization is: <ul style="list-style-type: none"> <li>○ An unexpired Employment Authorization Document (EAD) by the USCIS, or</li> <li>○ An unexpired visa. Eligible types are E-1, G series, H series, L-1A, and L-1B, or TN.</li> </ul> </li> </ul> </li> </ul> <p>If the authorization for temporary residency will expire within one year of closing and a prior history of residency status renewals exists, continuation may be assumed. If there are no prior renewals, the likelihood the authorization will be renewed must be determined based on information received from the USCIS.</p> <ul style="list-style-type: none"> <li>• Revocable Inter vivos trust that meets Freddie Mac guidelines. Trusts are eligible on: <ul style="list-style-type: none"> <li>– 1 unit owner-occupied or second home.</li> </ul> </li> </ul> <p>NOTE: Trusts are <b>ineligible</b> on 2-4 unit primary residence and investment property. A Power of Attorney is ineligible with an inter vivos trust.</p> <ul style="list-style-type: none"> <li>• All borrowers are required to have a social security number.</li> </ul>
<b>Borrowers – Ineligible</b>	<ul style="list-style-type: none"> <li>• Foreign Nationals</li> <li>• Borrowers with diplomatic immunity</li> <li>• Borrowers without a social security number or a number that cannot be validated with the SSA</li> <li>• Borrowers with non-traditional credit</li> <li>• Borrowers that receive Government/Public Assistance Income (Section 8 income)</li> </ul>
<b>Borrower Types</b>	<ul style="list-style-type: none"> <li>• <b>Co-Borrower:</b> An individual, who applies jointly with the applicant, takes title to the property and is liable for the debt. The co-borrower signs all documents. Co-borrower's income, assets and debt used for loan qualification.</li> <li>• <b>Non-Occupant Co-Borrower:</b> An individual, who applies with the applicant, takes title to the property and is liable for the debt but does not live in the property. The non-occupant co-borrower's income may be used to calculate the DTI ratio</li> </ul> <p>NOTE: Transactions &gt; 80% require 5% borrower own funds when non-occupant co-borrower is on the transaction.</p> <ul style="list-style-type: none"> <li>• <b>Co-Signer:</b> An individual who has no ownership interest in the property, but is liable for the debt. Assets are always used for qualification. Income and debt are only considered when the co-signer occupies the subject property.</li> </ul>

## Freddie Mac Conforming and Super Conforming Program Guidelines

<b>Borrower Types (cont.)</b>	<ul style="list-style-type: none"> <li>• <b>Non-Borrowing/Non Purchasing Spouse:</b> Generally have no ownership interest in the property and are not liable for the debt. In community property/marital rights states the non-borrowing spouse does have an interest in the property and is required to execute the security instrument and all applicable documents as determined by state law NOTE: Community property states: Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin</li> </ul> <p><b>Down Payment and Qualifying Ratio Requirements</b></p> <ul style="list-style-type: none"> <li>• When a co-signer is on loan the occupying borrower must make a minimum 5% of the down payment from their own funds unless: <ul style="list-style-type: none"> <li>– The LTV/TLTV ratio is <math>\leq 80\%</math> and</li> <li>– The occupying borrower is purchasing a 1-unit principal residence and meets the requirements of gifts to pay for some or all of the borrower's minimum contribution.</li> </ul> </li> </ul>
<b>Chain of Title</b>	<p>A 12-month chain of title is required for all loans (excluding new construction). The title must include all transfers in the previous 12 month period including copies of all recorded deed(s). More than one transfer in previous 12 months <b>or</b> property has a significant increase in value since prior transfer an appraisal addendum addressing all transfers required. The addendum must include dates of sales, sales price, and the Note if the sale was through an MLS or was a non-arm's length transaction.</p>
<b>Construction-to-Perm</b>	<p>The conversion of construction-to-permanent financing involves the granting of a long-term mortgage to a borrower for the purpose of replacing interim construction financing that the borrower has obtained to fund the construction of a new residence.</p> <ul style="list-style-type: none"> <li>• Construction-to-permanent financing can be structured as a transaction with one or two separate closings, and both single-closing and two-closing transactions are eligible for purchase</li> <li>• All construction work, including any work that could entitle a party to file a mechanics' lien or materialmen's lien, must be completed and paid for, and all mechanics' liens and any other liens and claims that could become liens relating to the construction must be satisfied before the loan is closed with Planet Home Lending. Planet Home Lending will retain the appraiser's certificate of completion and a photograph of the completed property in the loan file. When a construction-to-perm mortgage loan provides funds for acquisition or refinancing of an unimproved lot and the construction of a residence on the loan, Planet Home Lending will retain a certificate of occupancy or an equivalent from the applicable government authority.</li> <li>• Units in a condo project are not eligible for construction-to-permanent financing.</li> </ul> <p><b>Single-Closing Transactions</b></p> <ul style="list-style-type: none"> <li>• Single-closing transactions may be closed as either a purchase or no cash-out refinance.</li> <li>• Transactions structured as a purchase; the borrower is not the owner of the lot prior to the loan application. Purchase LTV/TLTV limits apply</li> <li>• Transactions structured as a rate/term refinance the borrower holds legal title to the lot prior to applying for the interim construction financing. No cash-out (rate/term) LTV/TLTV limits apply.</li> </ul> <p><b>Two-Closing Transactions</b></p> <p>Two-closing construction-to-perm transactions utilize two separate loan closings with two separate sets of legal documents. A modification may not be used to update the original Note; a new Note must be completed and signed by the borrowers. The first closing is to obtain the interim construction financing (and may include the purchase of the lot) and the second closing is to obtain the permanent financing upon completion of the improvements.</p> <ul style="list-style-type: none"> <li>• The borrower is underwritten based on the terms of the permanent mortgage.</li> <li>• Transactions are subject to the no cash-out and cash-out refinance maximum LTV/TLTV/HTLTV ratios, as applicable.</li> <li>• Cash-out refinance transactions require the borrower to have held legal title to the lot for at least 6 months prior to the closing of the permanent mortgage.</li> <li>• All other standard cash-out refinance eligibility and underwriting requirements apply.</li> </ul> <p>Refer to <a href="#">Freddie Mac Seller/Servicer Guidelines</a>, Chapter 4602.4 – Construction Conversion and Renovation Mortgages for complete requirements.</p>



## Freddie Mac Conforming and Super Conforming Program Guidelines

<b>Contingent Liabilities</b>	<p>When a self-employed borrower is obligated on a debt that has been paid by the borrower's business for 12 months or longer, the monthly payment for the debt may be excluded from the monthly debt payment-to-income ratio if the following requirements are met:</p> <ul style="list-style-type: none"> <li>- The debt has been paid timely by the borrowers business for no less than the most recent 12 months, and</li> <li>- Business expenses associated with the debt (interest, lease payments, taxes, insurance has been reported and support that the debt has been paid by the business</li> </ul> <p>If documentation of payment from the business funds cannot be provided, or there is history of delinquency on the account the debt must be considered as part of the borrower's individual recurring debt obligation.</p> <p><b>Co-Signed Debt (aka contingent liability)</b></p> <ul style="list-style-type: none"> <li>• Co-signed debt is <b>not required</b> to be included in the borrower's DTI calculation if all of the following applies: <ul style="list-style-type: none"> <li>- Documentation is provided that the borrower is not primarily responsible for payment of the debt, and</li> <li>- The credit report indicates no late payments on the account, and</li> <li>- 12 months most recent consecutive cancelled checks are provided documenting the primary party obligated on the debt has been making the payments (the checks cannot be from an account co-owned with the borrower)</li> </ul> </li> <li>• Co-signed debt must <b>be included</b> in the borrower's DTI calculation if: <ul style="list-style-type: none"> <li>- It cannot be properly documented that the primary party obligated on the loan is making the payments, <b>or</b></li> <li>- A 12 month pay history, by the primary party, cannot be established, <b>or</b></li> <li>- The credit report indicates there have been late payments on the debt, <b>or</b></li> <li>- Another party is making the payments but the borrower is the only person responsible for the debt.</li> </ul> </li> </ul> <p><b>Court Ordered Assignment of Debt</b></p> <p>Debt that has been assigned by order of the court is not required to be included in the borrower's DTI calculations; however the payment history for the debt prior to its assignment should be reviewed. A copy of the court order is required.</p>
<b>Credit History</b>	<ul style="list-style-type: none"> <li>• Tradeline requirements per LPA Feedback Certificate</li> <li>• Authorized user tradelines require underwriter review to ensure the tradelines are an accurate reflection of the borrower's credit history.</li> </ul>
<b>Credit - Installment/Revolving</b>	<p>All debts will be run through LPA to ensure accurate LPA Feedback Certificate.</p> <ul style="list-style-type: none"> <li>• <b>Installment Debt</b> <ul style="list-style-type: none"> <li>- Installment debt is considered as a recurring monthly debt obligation and included in the borrower's long-term debt when there are more than 10 months payments remaining.</li> <li>- Installment debt with <math>\leq 10</math> months remaining will be considered as a recurring monthly debt obligation if it significantly affects the borrower's ability to meet their credit obligations.</li> </ul> </li> </ul> <p>NOTE: Car lease payments, regardless of the number of payments remaining, must be included in the borrower's monthly debt.</p> <ul style="list-style-type: none"> <li>• <b>Revolving Debt</b> <p>Revolving debt is considered part of the borrower's recurring monthly debt. Revolving debt includes credit cards and personal lines of credit (equity lines, secured by real estate, are included in the housing expense). Revolving debt is subject to the following:</p> <ul style="list-style-type: none"> <li>- If the monthly payment is not included on the credit report, the underwriter will use 5% of the outstanding balance to determine the monthly payment</li> <li>- If the revolving account is to be paid off at or prior to closing, a monthly payment is not required to be included in the debt ratio. The account does not need to be closed as a condition of excluding the payment from the borrower's debt ratio.</li> <li>- If the revolving account is to be paid off prior to closing, documentation that the debt was paid in full and source of funds must be provided and verified</li> <li>- If the revolving account is to be paid off at closing, the payoff must be shown on the CD.</li> </ul> </li> </ul>

## Freddie Mac Conforming and Super Conforming Program Guidelines

Credit - Installment/Revolving (cont.)	<ul style="list-style-type: none"><li><b>Open 30 Day Charge Account</b> Open 30 day charge accounts require sufficient assets to pay off the debt in order to be excluded from the debt ratio.</li><li><b>Deferred Student Loans</b> Deferred student loans are included in the borrower's recurring monthly debt. If the credit report does not indicate the monthly payment due at the end of the deferred period, copies of the borrower's payment letters or forbearance agreements must be provided to determine the monthly payment. In lieu of the payment letters/forbearance agreement, the minimum monthly payment can also be calculated using, at minimum, 1% if the outstanding loan balances.</li><li><b>Alimony/Child Support/Separate Maintenance Payments</b> Alimony/child support or separate maintenance payments that are required to be paid due to a divorce decree, separation agreement or other legal document must be included in the borrower's monthly debt obligations if they will continue for &gt; 10 months. Voluntary payments are <b>not required</b> to be considered in the DTI calculation.</li></ul>																		
Credit Report/Scores	<p>Per LPA</p> <ul style="list-style-type: none"><li>At least one borrower on the loan must have a usable credit score.</li><li>When not all the borrowers have a usable credit score all of the following applies:<ul style="list-style-type: none"><li>The transaction must be a purchase or no cash -out refinance mortgage,</li><li>The property securing the loan must be a 1-4 unit primary residence</li><li>The borrower(s) with the usable credit score must contribute more than 50% of the total monthly income</li><li>The borrower(s) without a credit score are not self-employed.</li></ul></li></ul> <p>NOTE: Any debt not reported on the credit report requires documentation that it has been paid satisfactorily for the most recent 12 months.</p> <ul style="list-style-type: none"><li>A tri-merged credit report is required for all borrowers.</li><li>The representative credit score is determined as follows:<ul style="list-style-type: none"><li>If there are three (3) valid scores, the middle score is used. If two of the three scores are a duplicate, the duplicate score is used.</li><li>If there are two (2) valid scores, the lower of the two is used</li><li>If there is one (1) valid score, that score is used</li></ul></li></ul> <p>The representative score for the loan is the lowest representative score for all borrowers.</p> <ul style="list-style-type: none"><li>Credit report inquiries within the previous 120 days require a letter from the creditor stating whether new credit was obtained. If a letter from the creditor cannot be obtained a signed letter from the borrower, indicating the reason for, and result of, the inquiry (i.e. was new credit obtained or not) is required.</li><li>The credit report must be dated within 120 days of the Note date.</li></ul>																		
Deed / Resale Restrictions	Properties with age related restrictions (55+ communities) are eligible subject to Freddie Mac requirements. All other properties subject to deed/resale restrictions are ineligible.																		
Derogatory Credit	<p>Per LPA Feedback Certificate except as noted below:</p> <table><tr><th>Derogatory Event Type</th><th colspan="2">Waiting Period Requirements*</th></tr><tr><td>Bankruptcy – Chapter 7 or 11</td><td colspan="2">2 years from discharge date or dismissal date</td></tr><tr><td>Bankruptcy – Chapter 13</td><td colspan="2">2 years from the discharge or dismissal date</td></tr><tr><td>Foreclosure</td><td>7 years from the completion dates as reported on the credit report</td><td><b>Exceptions:</b> Events within the previous 36 months must be:<ul style="list-style-type: none"><li>Primary residence purchase transactions with a maximum 90% LTV/TLTV/HTLTV</li><li>A rate/term refinance transaction</li></ul></td></tr><tr><td>Deed-in-Lieu of Foreclosure</td><td>7 years from execution or completion date</td><td>Events within the 24 months must be:<ul style="list-style-type: none"><li>Primary residence purchase transactions with a maximum 90% LTV/TLTV/HTLTV</li><li>A rate/term refinance transaction</li></ul></td></tr><tr><td>Short Sale</td><td colspan="2"><b>Ineligible</b> (due to manual underwriting requirement)</td></tr></table> <p>*Measured from the applicable event end date to application date</p>	Derogatory Event Type	Waiting Period Requirements*		Bankruptcy – Chapter 7 or 11	2 years from discharge date or dismissal date		Bankruptcy – Chapter 13	2 years from the discharge or dismissal date		Foreclosure	7 years from the completion dates as reported on the credit report	<b>Exceptions:</b> Events within the previous 36 months must be: <ul style="list-style-type: none"><li>Primary residence purchase transactions with a maximum 90% LTV/TLTV/HTLTV</li><li>A rate/term refinance transaction</li></ul>	Deed-in-Lieu of Foreclosure	7 years from execution or completion date	Events within the 24 months must be: <ul style="list-style-type: none"><li>Primary residence purchase transactions with a maximum 90% LTV/TLTV/HTLTV</li><li>A rate/term refinance transaction</li></ul>	Short Sale	<b>Ineligible</b> (due to manual underwriting requirement)	
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## Freddie Mac Conforming and Super Conforming Program Guidelines

<b>Derogatory Credit</b> (cont.)	<p><b>Judgments and Tax Liens</b> Must be paid prior to close</p> <p><b>Delinquent Child Support</b> Delinquent child support must be paid current or in a payment plan.</p>
<b>Down Payment Assistance</b>	Per Freddie Mac Guidelines
<b>DTI</b>	Per LPA with an "Eligible/Accept" Feedback Certificate
<b>Employment</b>	<ul style="list-style-type: none"> <li>A two year employment history is required for both wage earner and self-employed borrowers.</li> <li>A current paystub with YTD income and most recent W-2s are required for wageearners.</li> <li>A military Leave and Earnings Statement dated within 30 days prior to the Note date is acceptable for active duty military in lieu of a VVOE.</li> <li>A verbal verification of employment (VVOE) is required within 10 <b>business</b> days <b>prior</b> to the Note date for salaried borrowers and within the 30 calendar days <b>prior</b> to the Note date for self-employed borrowers.</li> <li>Self-employed borrowers require verification of the business by a third party source (e.g. CPA, Federal Tax ID Certificate, and Business License). Self-employed borrowers are individuals who have 25% or greater ownership interest in a business.</li> <li>Borrowers who re-entered the workforce and have less than a 2 year employment and income history, income may be used for qualifying if documentation is provided indicating the borrower has been at their current employment for a minimum of 6 months and there is documented prior employment history.</li> <li>Borrowers who are newly employed with less than a 2 year employment history, income may be used for qualifying if it can be documented the borrower was attending school or a vocational/training program immediately prior to employment.</li> </ul>
<b>Escrow Holdbacks</b>	<p>Loans with an escrow holdback are eligible for purchase when all funds are disbursed prior to the loan being purchased by Planet except as noted below. Loans must meet Planet's loan seasoning requirements detailed in <a href="#">Chapter 8 – Loan Purchasing</a>.</p> <p>Loans with holdback funds not disbursed prior to purchase are eligible as follows:</p> <ul style="list-style-type: none"> <li><b>Newly constructed properties – weather related</b> <ul style="list-style-type: none"> <li>Funds held for completion of grading of yard/driveway, pouring concrete for driveway/sidewalks</li> <li>Seller must provide proof of completion and release of funds post-purchase</li> </ul> </li> <li><b>Newly constructed properties with city held bond – weather related</b> <ul style="list-style-type: none"> <li>Eligible for purchase with temporary Certificate of Occupancy when a city bond is held for completion of roads and/or driveways</li> </ul> </li> <li><b>New construction – non-weather related</b> <ul style="list-style-type: none"> <li>Funds held for completion of landscaping</li> <li>Seller must provide proof of completion and release of funds post-purchase.</li> </ul> </li> </ul> <p>Note: Existing properties with new renovations allowed on a case by case basis.</p>
<b>Escrow/Impound Account</b>	<ul style="list-style-type: none"> <li>&gt; 80% LTV required unless prohibited by state law</li> <li>&lt; 80% LTV not required; refer to rate sheet for pricing adjustment</li> </ul> <p><b>Escrow Flood Insurance Premiums</b></p> <p>Escrow flood insurance premiums are required on all loans closed on or after January 1, 2016, including but not limited to Higher Priced Mortgages Loans (HPML) when the subject property is located in a special flood hazard area. The Seller must provide the following:</p> <ul style="list-style-type: none"> <li>Evidence that all flood insurance premiums have been escrowed (regardless of any other fees and charges associated with the loan).</li> <li>The Seller must use Standard Flood Hazard Determination Form (SFHDF) on all properties.</li> </ul> <p>Note: Planet will not waive the escrow for flood insurance premiums on loans secured by 1-4 unit properties (including PUDs and site condos). Loans closed on or after January 1, 2016, where flood insurance is required, and no flood escrow has been established are not eligible for purchase.</p>

## Freddie Mac Conforming and Super Conforming Program Guidelines

<b>Exclusionary List</b>	Sellers are responsible for checking all parties on the transaction against Freddie Mac's Exclusionary List.
<b>Financed Properties</b>	<p>Each Borrower individually and all Borrowers collectively must not own, and/or be obligated on (e.g., Notes, land contracts and/or any other debt or obligation) more than six 1-4 unit financed properties, including the subject property and the Borrower's Primary Residence. Examples of financed properties that do not have to be counted in the limitation include:</p> <ul style="list-style-type: none"> <li>– Commercial real estate</li> <li>– Multifamily (five or more units) real estate</li> <li>– Timeshares</li> <li>– Undeveloped land</li> <li>– Manufactured homes not titled as real property (Chattel Lien), the property is situated on the land that is titled as real property</li> <li>– Properties titled in the name of a trust where the borrower is a trustee, provided that the borrower, in his or her individual capacity, is not on title and/or not obligated on the property.</li> </ul>
<b>Gift Funds</b>	<ul style="list-style-type: none"> <li>• Gift funds, from an acceptable donor, may be used for all or part of the down payment, closing costs, or reserve requirements as long as the borrower meets the minimum contribution requirements detailed below.</li> <li>• Borrowers are required to make a 5% minimum down payment from borrower own funds when the LTV/TLTV/HTLTV is &gt; 80% and: <ul style="list-style-type: none"> <li>- There is a gift, <b>or</b></li> <li>- A non-occupant co-borrower is on the transactions</li> </ul> </li> <li>• Gift funds are not allowed on investment transactions.</li> <li>• Gift funds may be provided by any of the following: <ul style="list-style-type: none"> <li>– A relative, defined as the borrower's spouse, child, or other dependent, or by another individual who is related to the borrower by blood marriage, adoption or legal guardianship, or</li> <li>– A relative, defined as the borrower's spouse, child, or other dependent, or by another individual who is related to the borrower by blood marriage, adoption or legal guardianship, or</li> <li>– A fiancé or fiancée, or domestic partner</li> </ul> </li> <li>• The gift must be evidenced by a gift letter, signed by the donor and it must: <ul style="list-style-type: none"> <li>– Specify the dollar amount,</li> <li>– Be signed by the donor and the borrower,</li> <li>– Indicate the address of the subject property,</li> <li>– Indicate the donor(s) name, address, phone number, and relationship to the borrower,</li> <li>– Include a statement by the donor that no repayment of the gift funds is expected, and</li> <li>– If the gift funds are not verified in the borrower's account, provide evidence of transfer from the donor to the borrower</li> </ul> </li> <li>• The transfer of the gift funds must be documented. Acceptable documentation includes: <ul style="list-style-type: none"> <li>– Copy of the donor's cancelled check and the borrower's deposit slip</li> <li>– Copy of the donor's withdrawal slip and the borrower's deposit slip</li> <li>– Copy of the donor's check to the closing agent, or</li> <li>– The settlement statement showing receipt of the donor's check.</li> <li>– If funds not transferred prior to settlement, documentation the donor gave the closing agent the gift funds in the form of a certified/cashier's check or other official check or copy of wire transfer.</li> </ul> </li> </ul>
<b>Gift of Equity</b>	<ul style="list-style-type: none"> <li>• Allowed from an immediate family member only</li> <li>• Eligible on primary residence and second home purchase transactions</li> <li>• A gift letter must be provided (refer to gift funds above for gift letter requirements).</li> <li>• The CD must indicate "gift of equity."</li> <li>• If the above requirements are met, the gift of equity is not subject to the interested party contribution requirements.</li> </ul>
<b>Higher Priced and High Cost Loans</b>	<ul style="list-style-type: none"> <li>• Higher priced mortgage loans (HPML) are eligible subject to the following: <ul style="list-style-type: none"> <li>- Establishment of an escrow account for taxes and insurance on primary residence transactions, and</li> <li>- The loan must meet all applicable and/or federal compliance requirements, and</li> <li>- The loan must be fixed rate</li> </ul> </li> <li>• High cost loans are <b>ineligible</b>.</li> </ul>

## Freddie Mac Conforming and Super Conforming Program Guidelines

<p><b>Income</b></p>	<p>Income documentation is determined by LPA unless detailed below.</p> <p><b>Wage earner borrowers:</b> At minimum, a current paystub with YTD earnings and the most recent W-2 is required.</p> <p><b>Self-employed borrowers:</b></p> <ul style="list-style-type: none"> <li>• An income analysis must be completed for self-employed borrowers</li> <li>• If LPA allows for 1 year of tax returns the following is required: <ul style="list-style-type: none"> <li>– The borrower must have 2 full years of self-employment, <b>and</b></li> <li>– The tax return the borrower is qualified on must be the most current tax year. If the borrower has filed an extension for the most current tax year, reduced documentation is ineligible.</li> </ul> </li> </ul> <p>If the borrower does not qualify for 1 year of tax returns or LPA requires 2 years the following applies:</p> <ul style="list-style-type: none"> <li>• Copy of the most recent 2 years signed federal individual and business tax returns with all schedules.</li> <li>• If LPA requires business returns, business tax transcripts will be required. The requirement for business tax returns may be waived if: <ul style="list-style-type: none"> <li>– The borrower is using personal funds for down payment and closing costs</li> <li>– The borrower has been self-employed in the same business for a minimum of 5 years</li> <li>– The borrower's individual tax returns show an increase in self-employment income over the past 2-years.</li> </ul> </li> </ul> <p><b>Temporary leave</b> Temporary leave is generally short in duration and is used for circumstances such as family and medical reasons, maternity, short-term disability, etc. The income from a borrower who is on temporary leave is eligible for qualification subject to the following:</p> <ul style="list-style-type: none"> <li>• The borrower's employment and income meet standard eligibility requirements,</li> <li>• The borrower must provide written confirmation of the intent to return to work and indicate the return date</li> <li>• Documentation must be provided verifying the borrower's pre-leave income (i.e. regular base pay, commission, bonus income, etc., as applicable)</li> <li>• Documentation generated by the employer confirming the borrower's eligibility to return to work after the leave (e.g. employer-approved leave request, Family Medical Leave Family, etc.). Documentation may be provided by the employer or a thirdparty vendor.</li> <li>• The borrower must demonstrate their ability to repay the mortgage and all other monthly obligations.</li> </ul> <p>Calculation of the income is as follows:</p> <ul style="list-style-type: none"> <li>• Borrower <b>returning to work</b> prior to or on the first mortgage payment due date: The borrower's pre-leave gross monthly income is used for qualifying</li> <li>• Borrower <b>is not returning to work</b> by the first mortgage payment due date: <ul style="list-style-type: none"> <li>– The borrower's temporary leave income that will be received for the duration of the leave, or</li> <li>– In the event the temporary leave income is reduced or interrupted the income reduced or interrupted income may be combined with the borrower's available liquid assets to qualify.</li> </ul> </li> </ul> <p><b>NOTE:</b> Assets required for down payment, closing/financing costs, prepaids/escrows and reserves are ineligible to use for qualification. The total qualifying income cannot exceed the borrower's pre-leave gross monthly income amount.</p> <p>In addition to the documentation noted above, the following documentation is also required for borrower's returning to work after the first mortgage payment is due:</p> <ul style="list-style-type: none"> <li>• Documentation evidencing the amount, duration and consistency of all temporary leave income sources used to qualify the borrower (e.g. short-term disability, insurance, sick leave benefits, temporarily reduced income from the employer, etc.) that is being received by the borrower during the leave, and</li> <li>• Documentation that substantiates and verifies any liquid assets used to supplement the reduced income due to the leave, and</li> </ul>
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## Freddie Mac Conforming and Super Conforming Program Guidelines

<p><b>Income (cont.)</b></p>	<ul style="list-style-type: none"> <li>A written statement from the underwriter explaining the analysis used to determine the qualifying income.</li> </ul> <p><b>Other sources of income:</b></p> <ul style="list-style-type: none"> <li>Other sources of income are eligible for qualifying the borrower. LPA determines the documentation, verification and continuation requirements for other sources of income.</li> <li>2 year consecutive history of receipt, with 3 years likely continuance, on the following types of income when used for qualifying: <ul style="list-style-type: none"> <li>Automobile allowance</li> <li>Bonus</li> <li>Commission</li> <li>Dividend and interest documented by signed individual federal tax returns</li> <li>Foster care</li> <li>Overtime</li> <li>Tip income</li> <li>Income from a second/additional job and seasonal employment requires 2 year consecutive history <b>and</b> must be likely to continue for a minimum of 3 years.</li> </ul> </li> <li>The following sources of income require <b>2 months most recent bank statements</b> to document receipt along with any other required documentation: <ul style="list-style-type: none"> <li>Retirement income</li> <li>Survivor and dependent benefit income</li> <li>Long-term disability and, if there is a pre-determined expiration, it must continue for a minimum of three (3) years.</li> </ul> </li> <li>Rental income is eligible subject to <a href="#">Freddie Mac Seller/Servicer Guidelines</a>.</li> <li>Borrowers with offers of or employment contracts where work has not begun are eligible subject to Freddie Mac guidelines and the following: <ul style="list-style-type: none"> <li>Eligible for 1 unit primary residence transaction only, and</li> <li>The employment offer must be non-contingent and the offer letter, which includes salary information, must be included in the loan file, and</li> <li>The borrower's written acceptance of the employment offer must be included in the loan file, and</li> <li>The borrower's previous employment and income history must be documented, and</li> <li>The borrower's employment must begin within 90 days of the Note date, and</li> <li>The borrower must have a minimum of 3 months PITIA reserves in addition to any other reserve requirements, and</li> <li>A letter, signed by the borrower (s) is required, certifying that a paystub or other acceptable documentation to validate the borrower has started employment, will be provided as soon as received by the borrower.</li> </ul> </li> </ul> <p>Refer to the Freddie Mac Seller/Servicer Guidelines for complete income requirements.</p>
<p><b>Inspections</b></p>	<ul style="list-style-type: none"> <li>Septic inspections are only required when the appraiser indicates there is evidence the septic system is failing.</li> <li>Termite inspections are only required when the purchase contract requires one, or the appraiser indicates there is evidence of active infestation.</li> <li>Well inspections are only required when state or local regulations require, or if there is an indication the well may be contaminated.</li> </ul>
<p><b>Interested Party Contributions</b></p>	<p>Interested Party Contributions (IPC) pay for costs that are normally charged to the buyer of the property (borrower) and are provided by a party that has a financial interest in, or can influence the terms and sale/transfer of the subject property such as:</p> <ul style="list-style-type: none"> <li>Seller</li> <li>Builder/developer</li> <li>Real estate agent</li> <li>Broker, or</li> <li>Any affiliate of the above who will benefit from the sale of the property and/or at the highest possible sales price.</li> </ul>

## Freddie Mac Conforming and Super Conforming Program Guidelines

### Interested Party Contributions (cont.)

PC's can be either financing concessions or sales concessions and include:

- Funds paid directly from the interested party to the borrower
- Funds that flow from an interested party through a third-party organization, including nonprofit entities, to the borrower
- Funds that flow to the transactions on the borrower's behalf from an interested party, (includes third party organization and nonprofit agency)
- Funds donated to a third party who provides the funds to pay some or all of the closing costs for the transaction.

Interested Party Contributions are limited as follows:

Occupancy Type	LTV/TLTV	Maximum Allowable Contribution*
Primary Residence or Second Home	> 90%	3%
	> 75% up to 90%	6%
	≤ 75%	9%
Investment Property	All	2%

- IPC's cannot be used to make the borrower's down payment, reserve requirements or to meet the minimum borrower contribution requirement.
- Sales concessions items such as furniture, automobiles, decorator allowances, cash, etc. and financing concessions that exceed the limits above **must be** deducted from the sales price when calculating the LTV/HTLTV ratios.
- Financing concessions are subject to the IPC limits noted above. Financing concessions include:
  - Financial contributions from an interested party that benefits the borrower in the financing transaction,
  - Payments or credits related to acquiring the property, and
  - Payments or credits for financing term, including prepaids.
  - Origination fee, discount points,
  - Commitment fee,
  - Appraisal cost,
  - Transfer taxes,
  - Attorney's fees,
  - Title insurance premiums.

They may also include:

- Prepaid items such as interest charges (no more than 30 days),
- Real estate taxes covering any period after the settlement date,
- Hazard insurance premiums (≤ 14 months),
- Mortgage insurance premiums, and
- Escrow accruals for borrower paid MI,
- HOA dues (≤ 12 months).
- The HOA dues must be collected at closing, transferred directly to the HOA and document on the CD.

NOTE: Fees and/or closing costs paid by the seller that are considered common and customary are not subject to IPC limits (e.g. owner's title and transfer tax).

- Undisclosed IPCs are ineligible (i.e. borrower paid closing costs moved to the seller side of the CD).
- Property seller cannot pay for future HOA dues.

## Freddie Mac Conforming and Super Conforming Program Guidelines

Investment Property Requirements	<p>Per LPA investment properties must meet the following requirements:</p> <ul style="list-style-type: none"><li>• Must be a fixed rate mortgage</li><li>• Must not be an A-minus mortgage</li><li>• Borrower is not affiliated with or related to the builder, developer or property seller of newly constructed homes that are purchase transactions</li><li>• Borrower must not own and be obligated on more than six 1-4 unit financed properties, including the subject property and borrower's primary residence (refer to Servicing Guide for examples of financed properties that do not have to be counted).</li><li>• The monthly housing expense related to the borrower current primary residence maybe used in calculating the borrower's monthly housing expense-to-income ratio</li><li>• Reserves requirement must be met</li><li>• Aggregated negative rental income from all rental properties must be treated as an obligation and considered in calculating monthly debt payment-to-income ratio</li><li>• Gifts/grants are not allowed</li><li>• If rental income is not used for qualifying, the monthly payment amount (as described in section 5401.2) for the Mortgaged premises plus operating expenses must be used in calculating the monthly debt payment-to-income ratio.</li><li>• An Operating Income Statement (Form 998) is required when considering the rental income from the subject property and the borrower has owned the property less than one year and/or the rental income is not supported on Schedule E. The OIS must be completed up to the Monthly Operating Income reconciliation section.</li><li>• Copies of current, signed lease agreements are required.</li></ul> <p>NOTE: The OIS is not required if rental income is not used for qualification.</p> <p>Refer to section 4201.16 of the <a href="#">Freddie Mac Seller/Servicer Guide</a> for complete detail.</p>																			
LDP/SAM	<p><a href="#">LDP / SAM</a></p> <p>All of the following parties to the transaction, as applicable, must be checked against HUD's Limited Denial of Participation and the System for Award Management excluded party list systems.</p> <ul style="list-style-type: none"><li>- Borrower(s)</li><li>- Broker</li><li>- Loan Agent</li><li>- Seller</li><li>- Real Estate Listing and Selling Agent(s)</li><li>- Appraiser</li></ul>																			
Mortgage Insurance	<ul style="list-style-type: none"><li>• Loans with &gt; 80% LTV require mortgage insurance and are subject to MI guidelines.</li><li>• Eligible MI products:<ul style="list-style-type: none"><li>- Borrower Paid Mortgage Insurance (BPMI). Monthly, single or split premium are eligible.</li><li>- Refer to <a href="#">Chapter 4- Mortgage Insurance</a> for detailed requirements</li><li>- Lender paid mortgage insurance (LPMI). Single premium only.</li></ul></li><li>• Eligible MI options:<ul style="list-style-type: none"><li>- Non-refundable</li><li>- Refundable</li><li>- Level/constant renewal (as applicable)</li></ul></li></ul> <p>Planet will accept mortgage insurance issued by MI companies that are Freddie Mac approved.</p> <p>Mortgage insurance coverage is determined by LTV and loan term as detailed below:</p> <table><tr><th colspan="4">Required MI Coverage</th></tr><tr><th rowspan="2">Loan Terms</th><th colspan="3">LTV</th></tr><tr><th>80.01- 85%</th><th>85.01 - 90%</th><th>90.01-95%</th></tr><tr><td>≤ 20 year fixed Rate</td><td>6%</td><td>12%</td><td>25%</td></tr><tr><td>Fixed Rate, term &gt; 20year</td><td>12%</td><td>25%</td><td>30%</td></tr></table>	Required MI Coverage				Loan Terms	LTV			80.01- 85%	85.01 - 90%	90.01-95%	≤ 20 year fixed Rate	6%	12%	25%	Fixed Rate, term > 20year	12%	25%	30%
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## Freddie Mac Conforming and Super Conforming Program Guidelines

Mortgage Insurance (cont.)	<table><tr><th colspan="5">LPMI Adjustments (No Single Premium BPMI Allowed)</th></tr><tr><th colspan="5">LTV and Coverage</th></tr><tr><td>Fixed Rate</td><td>80.01 - 85%</td><td>85.01%-90%</td><td>95%-90.01%</td><td>95.01 – 97%</td></tr><tr><td></td><td>12%</td><td>25%</td><td>30%</td><td>35%</td></tr><tr><td>ARMs</td><td>12%</td><td>25%</td><td>30%</td><td></td></tr></table>	LPMI Adjustments (No Single Premium BPMI Allowed)					LTV and Coverage					Fixed Rate	80.01 - 85%	85.01%-90%	95%-90.01%	95.01 – 97%		12%	25%	30%	35%	ARMs	12%	25%	30%	
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Mortgage/Rental History	<p>Per LPA</p> <ul style="list-style-type: none"><li>• If delinquencies are allowed, a satisfactory explanation is required and is subject to underwriter review.</li><li>• Current mortgage must be current for the month closing</li><li>• Third-party documentation, to verify the monthly payment amount, is required if the credit report does not provide the monthly housing payment.</li><li>• Evidence of verification of mortgage payment history and/or rental payment history for the 12-month period prior to mortgage application must be included in the file.</li></ul>																									
Non-Arm's Length or Identity of Interest Transactions	<ul style="list-style-type: none"><li>• A non-arm's length transaction is a purchase transaction where there is a relationship or business affiliation between the buyer and seller of the property</li><li>• Non-arm's length transactions are eligible for re-sale properties on all occupancy types.</li><li>• When a non-arm's length transaction occurs on a property that is new construction, the property must be a primary residence only. Non-arm's length transactions on new construction properties are ineligible if the property is a second home or investment.</li><li>• An identity of interest transaction involves parties who are not related and do not have close personal ties. However, they have a strong interest in the transaction. Identities of interest transaction are eligible on owner-occupied transactions; however, an additional review will be required to ensure the validity of the transaction, value, etc. Additional documentation and/or a desk review or second appraisal may be required at underwriter discretion.</li></ul>																									
Occupancy	<ul style="list-style-type: none"><li>• Owner-occupied</li><li>• Second home</li><li>• Investment (non-owner occupied)</li></ul>																									
Power of Attorney	<p>A Power of Attorney (POA) is allowed on a case-by-case basis on purchase and rate/term refinance transactions in a hardship or emergency situation, or if an applicable law requires the use of a POA subject to all of the following:</p> <ul style="list-style-type: none"><li>• The person acting as the attorney-in-fact should be a family member or have a personal or fiduciary relationship with the borrower. The attorney-in-fact <b>cannot</b> be employed by or affiliated with any party to the transaction.</li><li>• Must be specific to the transaction.</li><li>• Must include the borrower name, property address and loan amount.</li><li>• The POA must be fully executed and notarized.</li><li>• The POA must be recorded along with the mortgage.</li><li>• Planet to review and approve prior loan closing.</li></ul>																									
Prepayment Penalty	Not permitted																									
Products	Fixed Rate: 10, 15, 20, 25 and 30 year terms																									
Properties- Eligible	<ul style="list-style-type: none"><li>• 1 unit, Single family residences (attached/detached)</li><li>• 2-4 units</li><li>• Condo conversions per <a href="#">Freddie Mac Selling Guide</a>.</li><li>• Condominiums, low and high-rise (attached/detached) Freddie Mac warrantable <b>or</b> Fannie Mae Warrantable with PERS approval or CPM acceptance.</li><li>• Leaseholds meeting Freddie Mac guidelines (Freddie Mac Ground Lease Analysis (Form 461 required) eligible on a case-by-case basis subject to Planet Home Lending review and approval. The lease term must extend a minimum of 5 years from the mortgage maturity date.</li><li>• Modular/prefabricated properties 1-unit only. Factory built but <b>not</b> built on a permanent chassis; built on a site similar to stick-built homes; permanently affixed to the foundation; must conform to local building codes. Property is legally classified as real property and assumes characteristics of stick-built such as permanent connections to water, electrical and waste disposal systems.</li><li>• PUDs (attached/detached)</li><li>• Rural properties</li><li>• <b>Agricultural properties (allowed for Texas 50(a)(6) and Texas 50(f) transactions only)</b></li></ul>																									



## Freddie Mac Conforming and Super Conforming Program Guidelines

<p><b>Properties – Eligible Condominiums</b></p>	<ul style="list-style-type: none"> <li>• Project review must be completed within 180 days prior to the Note date. Warranty must be provided by Seller.</li> <li>• Projects with Fannie Mae PERS approval or projects with a project acceptance certification through CPM are eligible if documentation of the PERS or CPM acceptance is provided.</li> <li>• Freddie Mac Streamlined Review eligible for established projects subject to Freddie Mac guidelines. When a Streamlined Review is performed, the following LTV restrictions (<b>all states except Florida</b>) apply: <ul style="list-style-type: none"> <li>– Owner occupied maximum LTV 90%</li> <li>– Second home maximum LTV 75%</li> <li>– Investment properties ineligible</li> </ul> <p><b>Florida Specific:</b></p> <ul style="list-style-type: none"> <li>– New condo projects require PERS approval</li> <li>– Established Project Review is eligible for established projects</li> <li>– Streamlined Review for established condo project eligible as follows: <ul style="list-style-type: none"> <li>- Maximum 75% &gt; LTV/TLTV/HTLTV for owner-occupied</li> <li>- Maximum 70% &gt; &gt; LTV/TLTV/HTLTV for second home</li> <li>- Non-owner occupied/investment ineligible for streamlined review</li> </ul> </li> </ul> </li> <li>• Projects where the HOA (or developer if not turned over to the HOA) is a party to litigation, arbitration, mediation or other dispute are only eligible in the following circumstances: <ul style="list-style-type: none"> <li>– The litigation amount is known, the insurance company has committed to providing defense, and the litigation amount is covered by the insurance policy, or</li> <li>– The litigation/arbitration involves non-monetary neighbor disputes regarding the rights of enjoyment, or</li> <li>– The HOA is the plaintiff in the litigation, but it can be determined that the matter is minor in nature with insignificant impact to the financial status of the condoproject.</li> </ul> </li> </ul> <p>Comparable sales for attached condominiums require the appraiser to provide a minimum of two comparable sales from outside the subject project and outside the influence of the developer, builder or property seller.</p>
<p><b>Properties - Ineligible</b></p>	<ul style="list-style-type: none"> <li>• Agricultural-type properties, farms, orchards, ranches</li> <li>• Builder bailout properties</li> <li>• Condo Hotels (projects managed or operated as hotel/motel, hotel/motel conversions)</li> <li>• Condominium conversions with characteristics of a Hotel/Motel</li> <li>• Commercial property</li> <li>• Cooperative projects</li> <li>• HomePossible Financing</li> <li>• Incoming producing properties (e.g. adult care facilities, bed &amp; breakfast, etc.)</li> <li>• Industrial zoned property</li> <li>• Land Trust</li> <li>• Manufactured/mobile homes. Manufactured housing is defined as any dwelling built on a permanent chassis. <b>Manufactured homes are ineligible even if the towing hitch, wheels, and axles have been removed.</b></li> <li>• New condominium projects in Florida without a PERS approval</li> <li>• Non-warrantable condominiums</li> <li>• Properties located in the Hawaiian Islands in lava zones one (1) or two(2)</li> <li>• Properties not suitable for year-round occupancy, regardless of location</li> <li>• Properties with an Assignment of Contract</li> <li>• Properties with problem drywall (aka Chinese drywall). Evidence of complete remediation must be provided if property previously contained Chinese drywall.</li> <li>• Properties zoned for agricultural use (<b>Texas 50 (a)(6) and Texas 50(f) loans are eligible</b>)</li> <li>• Property currently in litigation (except as noted above in the Properties Eligible-Condominiums) topic</li> <li>• Unimproved/vacantland</li> <li>• Unique properties (geodesic domes, earth berm homes, log homes, etc.)</li> <li>• Rural property</li> <li>• Timeshares</li> </ul>

## Freddie Mac Conforming and Super Conforming Program Guidelines

<b>Property with an Accessory Unit</b>	<ul style="list-style-type: none"> <li>A 1-unit property with an accessory unit that <b>conforms to zoning</b> and land use requirements. The accessory unit must: <ul style="list-style-type: none"> <li>Have a kitchen and bathroom</li> <li>One comparable sale; must be a 1 unit property with an accessory unit <ul style="list-style-type: none"> <li>The accessory unit must also comply with the land use requirements.</li> </ul> </li> </ul> </li> <li>1 unit property with an accessory unit that <b>Does NOT</b> conform to zoning and land use requirements. <ul style="list-style-type: none"> <li>The Site section of the appraisal report must indicate the accessory unit does not comply with zoning and land use requirements</li> <li>At two comparable sale with each having only 1 accessory unit must be included in the appraisal report</li> <li>The Seller must confirm existence of the accessory unit will not jeopardize future hazard insurance claims.</li> </ul> </li> </ul>
<b>Property Flips</b>	<p>Property flips are subject to:</p> <ul style="list-style-type: none"> <li>Appraisal must support any value increases. Additional documentation may be required and a desk review or second appraisal may be required at underwriter discretion.</li> <li>Borrower must have excellent credit history, employment history, savings pattern, etc.</li> </ul>
<b>Purchase Agreements Amended / Re-negotiated</b>	<ul style="list-style-type: none"> <li>Not eligible if the sales price was increased <b>after</b> the original appraisal was completed if: <ul style="list-style-type: none"> <li>The appraised value is higher than the originally contracted sales price that was provided to the appraiser, <b>and</b></li> <li>The new purchase agreement and/or addendum to the purchase agreement is dated after the appraisal, <b>and</b></li> <li>The only change to the purchase agreement was the sales price.</li> </ul> </li> <li>If the purchase agreement was renegotiated after the completion of the appraisal, the LTV will be based on the <b>lower</b> of the original purchase price or the appraised value, unless: <ul style="list-style-type: none"> <li>The re-negotiation was only for seller paid closing costs and/or pre-pays where the seller paid closing costs/pre-pays are common and customary for the area and are supported by the comparables, or</li> <li>The purchase contract was amended for a new construction property due to improvements made that impact the tangible value of the property. An updated appraisal report must be obtained to validate the value of the improvements.</li> </ul> </li> <li>Assignment of the purchase contract is not allowed.</li> </ul>
<b>Refinance Transactions</b>	<p>Per LPA if:</p> <ul style="list-style-type: none"> <li>At least one borrower is a borrower on the existing mortgage, and</li> <li>Borrower held titled to and resided in subject property for the most recent 12 months. Mortgage file must indicate: <ul style="list-style-type: none"> <li>Timely mortgage payments for the most recent 12 months; or</li> <li>New borrower must be related to the borrower on the existing mortgage, or</li> <li>Property is inherited by or awarded to a borrower on the refinanced mortgage.</li> </ul> </li> <li><b>No cash out refinance transactions</b> are eligible subject to the following: <ul style="list-style-type: none"> <li>Proceeds can be used to pay off a first mortgage, any second mortgage related to the purchase of the subject property, and related closing costs and prepaid items.</li> <li>Cash to the borrower cannot exceed the lesser of 2% of the loan amount or \$2,000. Refer to section 4301.4 of the Freddie Mac Selling Guide for complete details.</li> </ul> </li> <li><b>Cash-out refinance transactions</b> require 6 months seasoning measured from settlement date to the Note date of the new cash-out refinance transaction.</li> <li>If none of the borrowers have been on title for at least 6 months the following requirements apply: <ul style="list-style-type: none"> <li>At least one Borrower on the refinance Mortgage inherited or legally awarded the subject property, or, meet all of the following conditions: <ul style="list-style-type: none"> <li>The executed CD from the original purchase transactions reflects that no financing secured by the subject property was used to purchase the property, <b>and</b></li> <li>The preliminary title report for the refinance transaction must reflect the borrower as the owner of the subject property and indicate there are no existing liens on the property, <b>and</b></li> </ul> </li> </ul> </li> </ul>

## Freddie Mac Conforming and Super Conforming Program Guidelines

<b>Refinance Transactions (cont.)</b>	<ul style="list-style-type: none"> <li>○ The source of the funds used to purchase the subject property must be fully documented, <b>and</b></li> <li>○ If funds were borrowed to purchase the subject property, those funds must be repaid and reflected on the CD for the refinance transaction, <b>and</b></li> <li>○ The amount of the cash-out transaction cannot exceed the sum of the original purchase price, plus related closing costs, financing costs, and prepaids/escrows as documented on the CD for the purchase transaction (subject to the maximum LTV/TLTV ratios for a cash-out transaction based on the current appraised value), <b>and</b></li> <li>○ There must have been no affiliation or relationship between the buyer and seller of the purchase transaction (non-arm's length purchase ineligible), <b>and</b></li> <li>○ An "Accept" Feedback Certificate from LPA is required and the transaction must meet all other cash-out eligibility requirements.</li> </ul> <ul style="list-style-type: none"> <li>• Properties must not be currently listed for sale.</li> <li>• Cash-out transactions where the property was listed for sale in the 6 months prior to the disbursement date: <ul style="list-style-type: none"> <li>– Borrower(s) must provide written confirmation of their intent to occupy the property as for primary residence transactions.</li> <li>– The transaction is limited to the less of 70% LTV/TLTV or the maximum LTV for product/occupancy/property type.</li> </ul> </li> </ul> <p><b>Financing Real Estate Taxes</b> – the following applies when real estate taxes are financed:</p> <ul style="list-style-type: none"> <li>• <b>No Cash-out Refinance:</b> A loan is <b>ineligible</b> as no cash-out refinance and must be considered a cash-out transaction when: <ul style="list-style-type: none"> <li>– The borrower finances the payment of real estate taxes for the subject property in the loan amount but does not establish an escrow account, or</li> <li>– The borrower finances the payment of real estate taxes that are more than 60 days delinquent for the subject property in the loan amount.</li> </ul> </li> <li>• <b>Cash-out Refinance:</b> <ul style="list-style-type: none"> <li>– A loan with financed real estate taxes that are more than 60 days delinquent is eligible as long as an escrow account is established. If an escrow account is <b>not</b> established the loan is <b>ineligible</b>.</li> </ul> </li> </ul>
<b>Reserves</b>	<p>Per LPA Feedback. All reserves entered into LPA must be verified.</p> <ul style="list-style-type: none"> <li>• Reserves are based on the full monthly payment amount for the property including principal and interest, hazard insurance, taxes, and, as applicable, mortgage insurance premium, leasehold payment, HOA dues, and payment on any secondary financing.</li> <li>• Primary residence 1-unit; reserves not required</li> <li>• Primary residence 2-4 units: 6 months for the subject property.</li> <li>• Second home properties require two months reserves for the subject property and two months reserves for each additional second home and/or 1-4 unit investment property that is financed and the borrower has an ownership interest or is obligated on.</li> <li>• Investment properties require 6 months of PITIA (and any of the above as applicable) for the subject property and two months reserves for each additional second home and/or 1-4 unit investment property that is financed and the borrower has an ownership interest or is obligated on.</li> </ul> <p>Reserve requirements when converting a principal residence are subject to <a href="#">Freddie Mac Selling guidelines</a>.</p>
<b>Seller Contributions</b>	<p>Refer to the <a href="#">Interested Party Contributions</a> topic for seller contribution limits.</p>
<b>Secondary Financing or Affordable Seconds</b>	<p>First Lien mortgages with secondary financing under the terms of the purchase documents are acceptable.</p> <p><b>New Secondary Financing</b> requirements:</p> <ul style="list-style-type: none"> <li>• The term of the junior lien must not be less than five years after note date of the first lien mortgage unless the junior is fully amortizing or is a HELOC.</li> <li>• If financing is Employer Assisted Homeownership (EAH), the terms of financing must permit the borrower to continue making payment in the event of separation from employer.</li> <li>• The scheduled payments must be sufficient to meet interest and may not accrue.</li> </ul>

## Freddie Mac Conforming and Super Conforming Program Guidelines

<p><b>Secondary Financing or Affordable Seconds (cont.)</b></p>	<ul style="list-style-type: none"> <li>Amount of monthly payment may be excluded from the monthly housing expense-to-income and debt payment-to-income ratios if: <ul style="list-style-type: none"> <li>EAH benefit and the payment of principal and interest or interest only begins on or after the 61<sup>st</sup> monthly payment under the first lien, or</li> <li>If repayment of the principal is due only upon sale or default.</li> </ul> </li> <li>CD evidencing the fee and costs paid by the borrower at closing; HELOC agreement must be included in the mortgage file.</li> </ul> <p><b>Affordable Seconds</b> requirements under section 4204.1(a) apply in addition to the following:</p> <ul style="list-style-type: none"> <li>Must be provided by an agency under an established, ongoing secondary financing or finance assistance program; however the mortgage may not be sourced by the seller or interested party.</li> <li>The First Lien mortgage must be a fixed rate mortgage, purchase transaction or a “no-cash-out” refinance, and secured by a 1-4 unit primary residence,</li> <li>The term must not require a balloon payment due before the maturity or payment in full of the First Lien.</li> <li>If financing is Employer Assisted Homeownership (EAH), the terms of financing must permit the borrower to continue making payment in the event of separation from employer.</li> <li>The interest rate must not be more than 2% higher than the interest of First Lien mortgage and interest accruals added to the principal may not increase the total TLTV ratio beyond the maximum TLTV allowed for the First Lien mortgage at any time during the term of the First Lien.</li> <li>Amount of monthly payment may be excluded from the monthly housing expense-to-income and debt payment-to-income ratios if: <ul style="list-style-type: none"> <li>EAH benefit and the payment of principal and interest or interest only begins on or after the 61<sup>st</sup> monthly payment under the first lien, or</li> <li>If repayment of the principal is due only upon sale or default.</li> </ul> </li> <li>Affordable Seconds <b>cannot</b> be a HELOC.</li> </ul> <p><b>Existing Secondary Financing</b> requirements:</p> <ul style="list-style-type: none"> <li>Evidence of the subordination must be included in the mortgage file and payments must be sufficient to meet interest due.</li> </ul> <p>Note: Refer to section 4204.1 – 4204.2 of the <a href="#">Freddie Mac Selling Guide</a> for complete details.</p>
<p><b>Texas 50(a)(6)</b></p>	<p><b>This section is specific to Texas 50(a)(6) Transactions.</b> <b>Planet follows Freddie Mac guidelines for any topic not addressed in this section.</b></p> <p>A Texas Section 50(a)(6) loan is a loan originated in accordance with and secured by a lien permitted under the provisions of Article XVI, Section 50(a)(6), of the Texas Constitution, which allow a borrower to take equity out of a homestead property under certain conditions. The transaction must meet all the eligibility criteria specified in the Texas Constitution. Please note the following Planet requirements:</p> <ul style="list-style-type: none"> <li><b>Borrower Eligibility</b> <ul style="list-style-type: none"> <li>Owner-occupied properties only.</li> <li>No power of attorney permitted.</li> <li>Inter vivo revocable transactions must meeting the qualifying trust requirements under Texas law for purposes of owning residential property that qualifies for the homestead exemption.</li> </ul> </li> <li><b>Collateral Eligibility</b> <ul style="list-style-type: none"> <li>Property must be borrower’s Urban Homestead (Rural Homesteads are not allowed).</li> <li>Eligible properties are limited to a single unit, principal residence consisting of: an attached or detached dwelling, a unit in a Planned Unit Development (PUD), or a unit in a Condominium Project.</li> <li>Manufactured housing is ineligible.</li> <li>Property must be residential in nature and zoning; not a farm or ranch.</li> <li>Property site must not exceed 10 acres (actual size of property; larger parcels may not be valued considering only 10 acres).</li> <li>Full appraisal with both interior and exterior inspection is required.</li> <li>Survey or other acceptable evidence that the homestead property and any adjacent land are separate parcels and the homestead property is a separately platted and subdivided lot for which full ingress and egress is available</li> <li>Max 80.00% LTV/CLTV.</li> </ul> </li> </ul>

## Freddie Mac Conforming and Super Conforming Program Guidelines

### Texas 50(a)(6)

- Transaction Details
  - An existing Texas Section 50(a)(6) first or second mortgage on the homestead must have a minimum of 12 months seasoning prior to the new loan closing date.
  - An existing Texas Section 50(a)(6) second mortgage may not be re-subordinated to a new Texas Section 50(a)(6) first mortgage. Only one Texas Section 50(a)(6) lien is allowed at a time.
  - New mortgage may not be assumable.
  - Fixed rate only.
  - LPA Eligible/Accept required
  - FICO per LPA
  - Temporary interest rate Buydowns are ineligible
  - Planet requires the Seller to provide a copy of the Attorney Representation letter as evidence that the closing documents were prepared or reviewed by a Texas licensed attorney prior to closing. Planet will only purchase Texas 50(a)(6) loans where the closing documents were reviewed and/or prepared by one of the following attorneys:
    - o Gregg & Valby
    - o Black, Mann & Graham
    - o Pierson & Patterson
    - o MRG – Mortgage Resource Group
    - o McGlynchey, Stafford
      - No exceptions to the Attorney list above at this time.
      - The Texas Attorney Response Letter must be in the loan file as evidence of the approving attorney and to confirm the attorney's conditions have been met.
- Loan Fees
  - Loan fees paid by the borrower may not exceed 2% of the loan amount. There is a 2% fee Cap for all closing cost, fees and charges except the following:
    - o Discount Points (if bona fide and documented)
    - o Flood Insurance
    - o Hazard Insurance
    - o HOA Maintenance Fees/Dues
    - o Late Charges
    - o Prepaid Per Diem Interest
    - o Property Tax
    - o Appraisal fees paid to a third party appraiser (AMC is not excluded)
    - o Survey Fees
    - o Title Premiums, or
    - o Title Examination charges if less than the title premium
    - o Title Endorsements
- Title Insurance
  - Policy must be written on Texas Land Title Association forms (standard or short form), supplemented by an *Equity Loan Mortgage Endorsement* (Form T-42) and a *Supplemental Coverage Equity Loan Mortgage Endorsement* (Form T-42.1), is required.
  - The title insurance policy cannot include language that:
    - o Excludes coverage for a title defect that arises because financed origination expenses are held not to be "reasonable costs necessary to refinance", or
    - o Defines the "reasonable costs necessary to refinance" requirement as a "consumer credit protection" law since the standard title policy excludes coverage when lien validity is questioned due to a failure to comply with consumer credit protection laws.
    - o The endorsements may have no exceptions or deletions.
  - Closing must take place in the office of an attorney. Closing at the borrower's residence is prohibited.
- Forms
  - **Note**
    - o Texas Home Equity Note (Fixed Rate - First Lien)- Uniform Instrument form 3244.1 01/01 (rev. 1/18)
  - **Security Instrument**
    - o Texas Home Equity Security Instrument (First Lien) - Fannie Mae/Freddie Mac UNIFORM INSTRUMENT Form 3044.1 01/01 (rev. 01/18)

## Freddie Mac Conforming and Super Conforming Program Guidelines

Texas 50(a)(6) (cont.)	<ul style="list-style-type: none"> <li>- <b>Borrower Affidavit</b> <ul style="list-style-type: none"> <li>o Texas Home Equity Affidavit and Agreement (First Lien) - Fannie Mae/Freddie Mac UNIFORM INSTRUMENT Form 3185 01/01 (rev. 01/18). <ul style="list-style-type: none"> <li>▪ The affidavit must be recorded together with the Security Instrument and any applicable riders.</li> </ul> </li> </ul> </li> <li>- <b>Condominium Rider</b> <ul style="list-style-type: none"> <li>o Texas Home Equity Condominium Rider - Fannie Mae/Freddie Mac UNIFORM INSTRUMENT Form 3140.44 01/01 <ul style="list-style-type: none"> <li>▪ If the property is a Condominium Unit.</li> </ul> </li> </ul> </li> <li>- <b>Planned Unit Development (PUD) Rider</b> <ul style="list-style-type: none"> <li>o Texas Home Equity Planned Unit Development Rider - Fannie Mae/Freddie Mac UNIFORM INSTRUMENT Form 3150.44 01/01 <ul style="list-style-type: none"> <li>▪ If the property is in a PUD.</li> </ul> </li> </ul> </li> <li>- Notice Concerning Extensions of Credit Defined by Section 50(a)(6), Article XVI, Texas Constitution (12-day notice). Must be revised version dated 11-17 <ul style="list-style-type: none"> <li>o <b>Per Texas Law, all borrowers must receive a copy of the signed 12 day notice, and</b></li> <li>o <b>Loan cannot close until the 13th day of application submission date.</b></li> </ul> </li> <li>- Texas Home Equity Receipt of Copies</li> <li>- Texas Home Equity Election Not to Rescind <ul style="list-style-type: none"> <li>o Document must be signed 3 business days after rescission date as expired</li> </ul> </li> <li>- Acknowledgement as to Fair Market Value of Homestead Property <ul style="list-style-type: none"> <li>o This document must accompany the appraisal</li> </ul> </li> <li>- Texas Home Equity Loan/HELOC Closing Instructions Addendum</li> <li>- File must evidence a copy of closing instructions and acknowledgment receipt.</li> <li>- Texas Home Equity Certificate from Originating Lender Regarding Compliance with Section 50(a)(6) Article XVI of the Texas Constitution.</li> <li>- Owner's Affidavit Acknowledging Lender's Compliance with Constitutional Requirements to Provide Owner Early Final Itemized Disclosure of Actual Fees and Charges</li> <li>- Owner's Affidavit of Compliance</li> </ul> <p>Refer to the State of Texas Constitution for complete Texas 50(a)(6) laws.</p>
Texas 50(f)	<p><b>Texas 50(f) or Rate/Term Refinance</b></p> <p>Texas borrowers may refinance an existing Texas 50(a)(6) loan to a Non-Equity refinance product if the following criteria is met:</p> <ul style="list-style-type: none"> <li>- 12-month seasoning at closing is evidenced in the file</li> <li>- Borrower receives no-cash-out at closing</li> <li>- No additional advances allowed with the exception of refinancing the existing lien and actual closing costs and reserves.</li> <li>- CLTV does not exceed 80%</li> <li>- Borrower must sign the Notice of Refinance of Texas Home Equity within 3 business days of loan application (12-day notice).</li> <li>- Texas Home Equity Refinance Affidavit executed at closing</li> </ul> <p>Note: Refer to the <a href="#">Refinance Transactions</a> topic in this guide for conventional refinance requirement details.</p> <p>Refer to the State of Texas Constitution for complete Texas 50(f) laws.</p>
Temporary Buydowns	Not available.
Transactions - Eligible	<ul style="list-style-type: none"> <li>• Purchase</li> <li>• No Cash-out refinance</li> <li>• Freddie Owned No cash-out</li> <li>• Cash-out refinance</li> </ul>
Transactions – Ineligible	<ul style="list-style-type: none"> <li>• Any transaction without an LPA “Accept” Feedback Certificate</li> <li>• Community Land Trusts</li> <li>• Freddie Mac HomePossible</li> <li>• Freddie Mac Open Access</li> <li>• High cost loans</li> <li>• Illinois Land Trust</li> <li>• Interest-only</li> <li>• Loans with a tutorship lien</li> </ul>



## Freddie Mac Conforming and Super Conforming Program Guidelines

<b>Transactions – Ineligible</b> (cont.)	<ul style="list-style-type: none"><li>• Manual underwrites</li><li>• Non-arm's length transaction that involves new construction and the loan is secured by a second home or investment property</li><li>• Non-traditional credit</li><li>• Properties in the "Right of Redemption Period" as applicable state law allows</li><li>• Refinance transactions where the property was listed for sale at the time of loan disbursement.</li><li>• Restructured mortgages that do not meet Freddie Mac guidelines</li><li>• Third Party Originated (TPO transactions)</li><li>• Transactions using Mortgage Credit Certificates (MCC) may be considered with approval from the Planet Credit Risk Officer.</li><li>• Transactions, where the property securing the loan is subject to a private transfer fee covenant created on or after Feb. 8, 2011, and the fee collected, does not directly benefit the property.</li></ul>
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## Freddie Mac Conforming and Super Conforming Program Guidelines

### Version History

Version	Date	Descriptions of change
1.0	01/2018	2017 Loan limits updated to new 2018 limits.
1.2	03//2018	<ul style="list-style-type: none"> <li>• Updated Grid to include Texas 50(a)(6) data.</li> <li>• Added Texas 50(a)(6) guidelines</li> <li>• Removed Texas 50(a)(6) from ineligible properties.</li> <li>• Added Texas 50(a)(6) and 50(f) to eligible properties.</li> <li>• Added Agricultural properties to eligible Properties.</li> <li>• Replaced HUD-1/ with the word Settlement where applicable in some instances.</li> <li>• Added MCC to transaction types.</li> <li>• Updated 4506-T requirements.</li> <li>• Added SAM link to the LDP section</li> <li>• Removed GSA link</li> <li>• Update Transaction ineligible content.</li> <li>• Added LPMI table to mortgage insurance section.</li> </ul>



## Prime Jumbo Program Guidelines

Owner-Occupied Primary Residence <sup>5</sup> Fixed Rate & Adjustable Rate					
Transaction Type	Units	LTV <sup>3</sup>	CLTV <sup>3</sup>	Loan Amount <sup>1,2</sup>	Credit Score
Purchase & Rate/Term Refinance	1-2	75%	75%	\$1,000,000	700
		80%	80%	\$2,000,000	720
		65%	65%	\$2,500,000	760
Cash-Out <sup>4</sup>	1-2	70%	70%	\$1,000,000	700
		70%	70%	\$1,500,000	720
Second Home <sup>5</sup> Fixed Rate & Adjustable Rate					
Transaction Type	Units	LTV <sup>6</sup>	CLTV <sup>6</sup>	Loan Amount <sup>1</sup>	Credit Score
Purchase & Rate/Term Refinance	1	70%	70%	\$1,000,000	700
		75%	75%	\$1,000,000	720
		70%	70%	\$2,000,000	
Investment Property <sup>5</sup> Fixed Rate & Adjustable Rate					
Transaction Type	Units	LTV <sup>7</sup>	CLTV <sup>7</sup>	Loan Amount <sup>1</sup>	Credit Score
Purchase & Rate/Term Refinance	1	60%	60%	\$1,000,000	760

**Footnote:**

1. Minimum loan amount \$453,100 or \$1 above the conforming limit (or FHFA High Cost County Limit) based on number of units.
2. Maximum loan amount for 2-Unit properties is \$2,000,000.
3. Maximum LTV/CLTV for a Condo is 75%. High rise condos reduce max LTV/CLTV by an additional 5%.
4. Maximum Cash-Out: \$300,000 for LTV/CLTV > 65%, \$500,000 for LTV/CLTV ≤ 65%.
5. Maximum number of financed properties is limited to four (4). Additional reserves are required for more than two (2) financed properties. Refer to the [Financed Properties](#) topic for details.
6. Maximum LTV/CLTV for a Condo is 70%. High rise condos reduce max LTV/CLTV by an additional 5%.
7. High rise condos reduce max LTV/CLTV by an additional 5%.

Adjustable Rate Criteria						
Product	Index	Margin/Floor	Initial	Periodic	Ceiling	Look Back
5/1 ARM	1 Year LIBOR	2.25%	2%	2%	5%	45 days
7/1 & 10/1 ARM	1 Year LIBOR	2.25%	5%	2%	5%	45 days
<ul style="list-style-type: none"> <li>• 5/1 ARM qualify at the Note Rate + Initial Cap</li> <li>• 7/1 &amp; 10/1 ARM qualify at the Note Rate</li> </ul>						



## Prime Jumbo Program Guidelines

**Sellers should refer to the Fannie Mae Seller Guide for specific information regarding qualification requirements that are not specifically addressed in the Prime Jumbo Program Guidelines**

Topic	Guideline
<b>4506-T</b>	<p>An executed IRS Form 4506-T must be obtained at application and closing for all borrowers. The 4506-T must be processed prior to purchase and all transcript documentation obtained for the most recent two years must be reviewed. For self-employed borrowers, this is required for both personal returns and business returns where borrower has 25% or more ownership of a business.</p> <p>In cases where taxes have been filed and the tax transcripts are not yet available from the IRS:</p> <ul style="list-style-type: none"> <li>• The IRS response to the request must reflect "No Record Found" and be present in the loan file.</li> <li>• Evidence of any IRS filing extensions must also be present in the loan file.</li> </ul>
<b>Ability to Repay/Qualified Mortgage</b>	<p>Planet will purchase owner-occupied and second home transactions that:</p> <ul style="list-style-type: none"> <li>• Meet the Safe Harbor Qualified Mortgage standards, and</li> <li>• Pass the points and fees test, as applicable.</li> </ul> <p>Loan files must contain all disclosures and documentation required under the ATR/QM provisions of the Dodd-Frank Act including Appendix Q/ATR underwriter worksheets which detail the income and obligations considered in the evaluation.</p>
<b>Affidavit of Identity</b>	<p>An Affidavit of Identity may be required if a borrower signature appears incomplete or illegible.</p>
<b>Age of Documents</b>	<ul style="list-style-type: none"> <li>• All credit documents including credit report, income docs, and asset statements must be dated no more than 90 days prior to the Note date. The Note date is utilized for document expiration for all funding types including escrow and non-escrow funding.</li> <li>• Appraisal documents must be dated 120 days from the Note date. Any appraisal seasoned &gt; 120 days will require a recertification of value completed by the original licensed appraiser. Recertification of value will be permitted up to 180 days.</li> </ul>
<b>Appraisal</b>	<ul style="list-style-type: none"> <li>• All appraisals must comply with and conform to USPAP, the Appraisal Independence Requirements, and any requirement for HPMLs, if applicable.</li> <li>• The appraiser must not have a direct or indirect interest, financial or otherwise, in the property or in the transaction. Selection criteria should ensure that the appraiser is independent of the transaction and is capable of rendering an unbiased opinion.</li> <li>• An appraisal prepared by an individual who was selected or engaged by a borrower, property seller, real estate agent or other interested party is not acceptable. Appraisal reports that are altered by the appraiser to replace any references to the original Seller with the lender's name are not acceptable. Additionally, the borrower, property seller, real estate agent or other interested party is not allowed to select an appraiser from an approved appraiser list.</li> <li>• Two appraisals are required for loan amounts &gt; \$1,500,000. Interior photos are required.</li> <li>• A Market Condition Addendum is required on all appraisals.</li> <li>• Legal nonconforming zoned properties must indicate that the subject property can be rebuilt if it is severely damaged or 100% destroyed.</li> <li>• For 2 unit properties, a FNMA 1025 Small Residential Income Property Appraisal Report is required.</li> <li>• A 1004MC is required for all loans.</li> <li>• Market Rents Schedule Form 1007 is required for all SFR rental properties</li> <li>• Appraisal must identify and address properties located within a declining market.</li> <li>• A 5% reduction in LTV/CLTV will be required for all properties identified to be in a declining market as designated by the appraiser.</li> </ul> <p><b>Third Party Appraisal Review</b></p> <ul style="list-style-type: none"> <li>• All appraisal(s) require a Planet ordered appraisal review prior to purchase.</li> <li>• The Appraisal Review final opinion of value must be within 10% (i.e. above or below) of the origination appraisal(s) or sales price.</li> </ul>
<b>Assets</b>	<ul style="list-style-type: none"> <li>• Full Asset Documentation is required for both funds to close and reserves. For most asset types, this would include all pages of the most recent two months statements or the most recent quarterly statement. All Assets from the borrower(s) must be disclosed and verified by the lender.</li> <li>• No business accounts may be used to meet reserve and down payment requirements unless the borrower(s) are 100% owners of the business. A letter from the businesses accountant or cash flow analysis (Per Fannie Mae) must be obtained to confirm that the withdrawal will not negatively impact the business.</li> </ul>



## Prime Jumbo Program Guidelines

<b>Assets (cont.)</b>	<ul style="list-style-type: none"> <li>• Stocks/Bonds/Mutual Funds - 70% may be used for reserves. <ul style="list-style-type: none"> <li>◦ Must be publically traded and liquid accounts</li> </ul> </li> <li>• Vested Retirement Accounts - 60% may be considered for reserves (certain eligible plans can use 70% if borrower &gt; 59 ½ - i.e.401k)</li> <li>• Assets being used for income may not be used to meet reserve requirements</li> <li>• If needed to close, verification that funds have been liquidated (if applicable) is required.</li> <li>• Interested Party Contributions permitted up to 3%.</li> <li>• Proceeds from the sale of a currently owned property are eligible for down payment and closing costs. The final CD for the existing property (not required to be fully executed) must be provided before or at closing to show sufficient net cash proceeds to close the purchase.</li> </ul> <p><b>Ineligible Asset Sources:</b></p> <ul style="list-style-type: none"> <li>• Grant Funds or Pooled Funds</li> <li>• Gift of Equity</li> <li>• Builder Profits</li> <li>• Employer Assistance Funds</li> <li>• Real Estate Commissions</li> <li>• Cash on Hand/Mattress Money</li> </ul>
<b>Assumptions</b>	<ul style="list-style-type: none"> <li>• Not allowed on fixed rate products</li> <li>• Eligible for ARM products after the fixed rate period with prior approval and qualification</li> </ul>
<b>AUS</b>	Automated underwriting systems (AUS) are not allowed. All loans must be manually underwritten. All loans must be designated as Qualified Mortgages and must adhere to the standards set forth in the CFPB's Reg Z, Section 1026.43(e).
<b>Available Markets</b>	<ul style="list-style-type: none"> <li>• <b>Delegated Sellers</b> No delegation is available for this program. All loans must be submitted for prior approval.</li> <li>• <b>Non-Delegated Sellers</b> Planet will purchase loans on a non-delegated basis in <b>all</b> States with the exception of West Virginia.</li> <li>• The U.S. territories of Guam, Puerto Rico, American Samoa, Northern Mariana Islands, and the Virgin Islands are ineligible regardless of Delegation.</li> </ul>
<b>Borrowers Eligible</b>	<ul style="list-style-type: none"> <li>• U.S. citizens</li> <li>• First Time Homebuyers: <ul style="list-style-type: none"> <li>– First Time Homebuyers are individuals that have not owned a home or had a residential mortgage in the last 3 years.</li> <li>– First Time Homebuyer must meet the following requirements: <ul style="list-style-type: none"> <li>◦ Fixed Rate, or 7/1 ARM, or 10/1 ARM</li> <li>◦ 720 Minimum FICO</li> <li>◦ Maximum loan amount \$1,000,000</li> <li>◦ Owner Occupied only. Second home ineligible.</li> <li>◦ Minimum of 12 months reserves required</li> <li>◦ Borrowers living rent free must have 12 months liquid reserves.</li> </ul> </li> </ul> </li> <li>• Permanent Resident aliens: <ul style="list-style-type: none"> <li>– Permanent resident alien borrowers must hold an unexpired "Green Card" issued by the U.S. Citizenship and Immigration Services (USCIS). A copy of both the front and back of the card is required.</li> </ul> </li> <li>• Non-permanent resident aliens: <ul style="list-style-type: none"> <li>– Non-permanent resident aliens are temporary residents who are eligible to live/work in the United States for a specific period of time. Non-Permanent Resident Aliens must meet the following requirements: <ul style="list-style-type: none"> <li>◦ Must have an unexpired passport from their country of citizenship containing INS form I-94 which must be stamped Employment Authorized</li> <li>◦ An Employment Authorization Card along with a copy of the Petition for Non-Immigrant Worker (form I-140) in file.</li> <li>◦ The borrower(s) must have a minimum of 2 years residency, with the likelihood of employment continuance for at least 2 years.</li> <li>◦ Primary Residence only. Second Home ineligible.</li> <li>◦ A valid Visa with a minimum remaining duration of 1 year is required.</li> <li>◦ Borrowers with diplomatic immunity are ineligible</li> <li>◦ 75% LTV/CLTV Maximum</li> <li>◦ Single unit only</li> <li>◦ Maximum 43% DTI</li> <li>◦ An additional 6 months reserve is required.</li> </ul> </li> </ul> </li> </ul>



## Prime Jumbo Program Guidelines

<b>Borrowers – Eligible (cont.)</b>	<ul style="list-style-type: none"> <li>• Inter Vivos Revocable Trust <ul style="list-style-type: none"> <li>– An inter vivos revocable trust (a "living trust") is a trust defined as follows: <ul style="list-style-type: none"> <li>o Created by an individual during his or her lifetime</li> <li>o Becomes effective during its creator's lifetime</li> <li>o Can be changed or canceled by its creator at any time, for any reason, during his or her lifetime</li> </ul> </li> <li>– At least one individual establishing the trust must be used to qualify for the loan</li> <li>– A certification of trust or a summary of trust is acceptable if required by state law</li> <li>– The trust must be established by one or more natural persons, solely or jointly.</li> <li>– Primary residence or Second Home Only</li> </ul> </li> <li>• All borrowers are required to have a social security number</li> </ul>
<b>Borrowers – Ineligible</b>	<ul style="list-style-type: none"> <li>• Foreign Nationals</li> <li>• Borrowers with diplomatic immunity and IMF employees</li> <li>• Borrowers without a social security number</li> <li>• Borrowers with non-traditional credit</li> <li>• Irrevocable or Blind Trusts</li> <li>• Limited partnerships, general partnerships, and corporations</li> <li>• Land Trust</li> </ul>
<b>Borrower Types</b>	<ul style="list-style-type: none"> <li>• <b>Co-Borrower:</b> An individual, who applies jointly with the applicant, takes title to the property and is liable for the debt. The co-borrower signs all documents.</li> <li>• <b>Non-Occupant Co-Borrower:</b> Credit applicants who do not occupy the subject property as a principal residence. Non-Occupant Co-Borrowers must meet the following requirements: <ul style="list-style-type: none"> <li>– Do not occupy the subject property as a principal residence</li> <li>– Must be an immediate relative, proof of relationship is required</li> <li>– Must sign the mortgage or deed of trust</li> <li>– Must not have an interest in the property sales transaction, such as the property seller, builder, or real estate broker</li> <li>– Maximum LTV/CLTV 75%</li> <li>– Primary Residence only</li> <li>– Single unit only</li> <li>– Maximum DTI 40%</li> <li>– An additional 6 months reserves is required</li> <li>– Fixed Rate Mortgage Only</li> <li>– Cash-Out not permitted</li> <li>– Occupying borrower must have documented income equal to 75% of the required PITI</li> </ul> </li> <li>• <b>Non-Borrowing/Non-Purchasing Spouse</b> <ul style="list-style-type: none"> <li>– Generally have no ownership interest in the property and are not liable for the debt. In community property/marital rights states the non-borrowing spouse does have an interest in the property and is required to execute the security instrument and all applicable documents as determined by state law.</li> </ul> </li> </ul> <p>NOTE: Community property states: Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington and Wisconsin.</p>
<b>Conversion of Principal Residence Or Pending Sale</b>	<p>If the borrower is purchasing a new primary residence, and the current primary residence is pending sale and the transaction will not close prior to the new transaction, both the current and the proposed mortgage payments must be used to qualify for the new transaction.</p>
<b>Credit History</b>	<ul style="list-style-type: none"> <li>• Each Borrower's credit profile must include a minimum of 3 open trade lines that have a 24 month history</li> <li>• Current housing not reported on credit can be considered an open trade if supported by bank records (cancelled checks/debits)</li> <li>• Any Borrower not employed, or employed but not using their income to qualify does not need to meet the minimum tradeline requirements listed above</li> <li>• All tradelines with delinquency history in the past 12 months requires a written explanation.</li> <li>• No prior bankruptcies, foreclosure, short-sale, deed-in-lieu or modifications are allowed within 7 years of application date</li> <li>• All Judgments or liens affecting title must be paid</li> <li>• Non-title charge-offs and collections exceeding \$1,000 (individually or in aggregate) must be paid.</li> <li>• All past due accounts must be brought current prior to closing</li> <li>• Borrowers with a history of collection accounts will be required to pay off derogatory accounts.</li> <li>• No authorized user accounts will be used to satisfy minimum trade line requirements</li> <li>• Disputed accounts require a LOE completed according to Fannie Mae guidelines. An updated credit report not required.</li> <li>• Delinquent tax IRS payment plans are ineligible</li> </ul>



## Prime Jumbo Program Guidelines

<p><b>Credit - Installment/Revolving Accounts</b></p>	<ul style="list-style-type: none"> <li>• <b>Payoff or Pay down debt before qualification</b> <ul style="list-style-type: none"> <li>– Paying down debt to qualify is not permitted.</li> <li>– Debt must be paid off and the account closed for the obligation to be excluded from DTI. If debts are being paid off, the source of funds must be documented and verified.</li> <li>– If an installment debt is paid off at closing, the creditor must provide a payoff statement which same balance must be reflected as the payoff amount on the Closing Disclosure.</li> <li>– If a revolving account is not closed, the debt must be included in the debt-to-income ratio.</li> </ul> </li> <li>• <b>Student Loans</b> <ul style="list-style-type: none"> <li>– For all student loans, whether deferred, in forbearance, or in repayment (not deferred), the lender must include a monthly payment in the borrower's recurring monthly debt obligation when qualifying the borrower. The lender must use one of the options below to determine the repayment amount: <ul style="list-style-type: none"> <li>○ If a monthly payment is provided on the credit report, the lender may use that amount as the monthly payment for qualifying purposes.</li> <li>○ If the credit report does not provide a monthly payment for the student loan, or if the credit report shows \$0 as the monthly payment (which may be the case for deferred loans or loans in forbearance), the lender must calculate a qualifying monthly payment using one of the options below: <ul style="list-style-type: none"> <li>▪ 1% of the outstanding student loan balance (even if this amount is lower than the actual fully amortizing payment), or</li> <li>▪ A fully amortizing payment using the documented loan repayment terms.</li> </ul> </li> </ul> </li> <li>– If the lender obtains documentation to evidence the actual payment is \$0, the lender may qualify the borrower with the \$0 payment as long as the \$0 payment is associated with an income driven repayment plan.</li> </ul> </li> <li>• <b>Alimony Child Support/Separate Maintenance Payments</b> <p>Alimony/child support or separate maintenance payments that are required to be paid due to a divorce decree, separation agreement or another legal document may be:</p> <ul style="list-style-type: none"> <li>– Included in the borrower's monthly debt obligations if they will continue for &gt; 10 months</li> <li>– Deducted from the monthly base income</li> </ul> <p>Voluntary payments are <b>not required</b> to be considered in the DTI calculation.</p> <p>There are now two options available with regard to alimony paid by the borrower as summarized below.</p> <ol style="list-style-type: none"> <li>1. The borrowers monthly qualifying income can be reduced by the amount of the monthly alimony payment, or</li> <li>2. Included as a monthly payment in the DTI calculation. <ul style="list-style-type: none"> <li>– <b>Lenders utilizing option 1</b> <ul style="list-style-type: none"> <li>○ Must enter the adjusted income figure as the income amount in DU</li> <li>○ Disregard the DU message requiring the inclusion of the alimony obligation as a monthly liability that is issued whenever the borrower declares on the loan application that they are obligated to pay alimony.</li> </ul> </li> <li>– <b>Lenders utilizing option 2</b> <ul style="list-style-type: none"> <li>○ Follow the standard requirements as outlined in the <i>Monthly Debt Obligations</i> section of the Selling Guide.</li> </ul> </li> </ul> </li> </ol> <p><b>Note:</b> Lenders must continue to obtain documentation confirming the amount of the alimony obligation.</p> </li> </ul>
<p><b>Credit Reports/Scores</b></p>	<p><b>Credit Report</b></p> <ul style="list-style-type: none"> <li>• All borrowers are required to have a credit score.</li> <li>• Planet will accept a credit report, in the Sellers name, from any Fannie Mae acceptable credit vendor.</li> <li>• A tri-merged credit report is required for all borrowers. <ul style="list-style-type: none"> <li>– The representative credit score is determined as follows: <ul style="list-style-type: none"> <li>○ If there are three (3) valid scores, the middle score is used. If two of the three scores are a duplicate, the duplicate score is used.</li> <li>○ If there are two (2) valid scores, the lower of the two is used</li> <li>○ If there is one (1) valid score, the borrower is ineligible for financing under this program unless the income is not used for qualification.</li> </ul> </li> <li>– The representative score for the loan is the lowest representative score of all borrowers.</li> </ul> </li> <li>• The borrower(s) must address <b>all</b> credit inquiries indicated on the credit report within the previous 90 days and indicate the reason for and result of the inquiry (i.e. was new credit obtained or not).</li> </ul>





## Prime Jumbo Program Guidelines

<b>Credit Reports/Scores</b> (cont.)	<ul style="list-style-type: none"> <li>Sellers are required to document that the borrower did not incur any new debt from the time the credit used to make the credit decision was pulled to the time of loan closing. Any of the following is acceptable documentation: <ul style="list-style-type: none"> <li>A new credit report, or</li> <li>A pre-close credit score soft-pull or gap report</li> <li>A "soft pull" credit report, or</li> </ul> </li> <li>The DTI should be recalculated based on any new debt, and any new credit scores must be reviewed for qualifications.</li> </ul>
<b>DTI</b>	<ul style="list-style-type: none"> <li>Primary Residence - 43%</li> <li>Second Home - 40%</li> <li>Investment Property - 38%</li> </ul>
<b>Employment Income</b>	<p><b>Eligible income documentation requirements:</b></p> <ul style="list-style-type: none"> <li><b>Wage Earners:</b> <ul style="list-style-type: none"> <li>Most Recent Paystub including year-to-date earnings (covering minimum of 30 days), two years W2's and a Written Verification of Employment (if needed for the analysis of overtime, bonus or commission).</li> <li>A Verbal Verification of Employment (VVOE) is required for all wage earner borrowers and must be completed within 10 calendar days prior to the funding date.</li> <li>The VVOE should include name of contact at place of employment, phone number and title along with company name, address and borrower's job description and title.</li> </ul> </li> <li><b>Self-Employed Borrowers:</b> <ul style="list-style-type: none"> <li>Two years personal returns (along with all schedules, including K-1's) and business tax returns from any businesses where borrower has 25% or more ownership interest. Year to date P&amp;L and balance sheet. Self-employed borrowers income will be considered only from a business that's been in existence for more than 2 years, unless otherwise stated by the ATR/QM provisions of the Dodd-Frank Act Appendix Q.</li> <li>Self-Employed Borrowers should include verification of a phone listing and address for the borrower's business AND verification through a third party such as a CPA, regulatory agency or applicable licensing bureau. If contact is made verbally, the loan file must be documented to identify both the source of the information obtained and the name &amp; title of the person who obtained the information.</li> </ul> </li> <li><b>IRS Form 4506T – Tax Transcripts:</b> <ul style="list-style-type: none"> <li>All borrowers - IRS Form 4506T is required to be executed and all transcript documentation obtained for the most recent two years must be provided. The 4506-T must be obtained at application and closing. For self-employed borrowers, this is required for both personal returns and business returns where borrower has 25% or more ownership of a business.</li> <li>In the case where taxes have been filed and the tax transcripts are not available from the IRS, the IRS response to the request must reflect "No Record Found" and be present in the loan file.</li> <li>Evidence of any IRS filing extensions must also be present in the loan file.</li> </ul> </li> </ul> <p><b>Ineligible Income Sources:</b></p> <ul style="list-style-type: none"> <li>Restricted Stock Units</li> <li>Deferred Compensation</li> <li>Any business or activity related to marijuana, even if legally permitted under state or local law</li> <li>Foreign Income</li> <li>One-time occurrence or temporary income</li> <li>Retained Earnings</li> <li>Mortgage Credit Certificates</li> </ul>
<b>Escrow Holdbacks</b>	Not Allowed
<b>Escrow/Impound Account</b>	<p>Not required; refer to rate sheet for pricing adjustment</p> <p><b>Escrow for Flood Insurance Premiums</b></p> <p>Escrow for flood insurance premiums are required on all loans. The Seller must provide the following prior to purchase:</p> <ul style="list-style-type: none"> <li>Evidence that all flood insurance premiums have been escrowed (regardless of any other fees and charges associated with the loan).</li> <li>The Seller must use Standard Flood Hazard Determination Form (SFHDF) on all properties.</li> </ul> <p>Note: Planet will not waive the escrow for flood insurance premiums on loans secured by 1-2 unit properties (including PUDs and site condos). Loans closed where flood insurance is required, and no flood escrow has been established are not eligible for purchase.</p>





## Prime Jumbo Program Guidelines

<b>Financed Properties</b>	The maximum number of financed properties owned by any one borrower is limited to four (4). Additional reserves are required for borrowers with greater than 2 financed properties; please see <a href="#">Reserves</a> section for requirements.
<b>Fraud Report</b>	All Loans must include a third party fraud detection report. Report findings must cover standard areas of quality control including but not limited to borrower validation, Social Security verification, property information including other real estate owned.
<b>Gift Funds</b>	The borrower(s) must have a minimum of 5% of their own funds available, but may elect not to use their own funds for the transaction if sufficient gift funds are available. <ul style="list-style-type: none"> <li>• Gift funds may be used for purchase transactions only.</li> <li>• Gift funds cannot be used to meet the reserve requirement.</li> <li>• Gift funds are not permitted on loan amounts exceeding \$1,000,000.</li> <li>• Gift funds are not permitted on second home and investment property transactions.</li> </ul>
<b>Gift of Equity</b>	Not allowed
<b>HPML</b>	Higher-Priced Mortgage Loans (HPML) and High-Cost Mortgages (Section 32) are <b>NOT</b> allowed.
<b>Interested Party Contribution</b>	Interested party contributions (IPC) pay for costs that are normally charged to the buyer of the property (borrower) and are provided by a party that has a financial interest in, or can influence the terms and sale/transfer of the subject property such as: <ul style="list-style-type: none"> <li>• Seller,</li> <li>• Builder/developer,</li> <li>• Real estate agent,</li> <li>• Broker, or</li> <li>• Any affiliate of the above that will benefit from the sale of the property and/or at the highest possible sales price.</li> </ul> <b>Interested party contributions are limited to 3%.</b>
<b>Mortgage/Rental History</b>	<ul style="list-style-type: none"> <li>• Mortgage or Rental history must be 0x30 over prior 24 months</li> <li>• Rental history evidenced by Institutional VOR or 24 months proof of payment</li> </ul>
<b>Non-Arm's Length or Identity of Interest Transactions</b>	Not Allowed
<b>Occupancy</b>	<p><b>Primary Residence:</b></p> <ul style="list-style-type: none"> <li>• A primary residence is a property that the borrower(s) intend to occupy as his or her principal residence.</li> <li>• Characteristics that may indicate that a property is used as a borrower's primary residence include: <ul style="list-style-type: none"> <li>○ It is occupied by the borrower for the major portion of the year.</li> <li>○ It is in a location relatively convenient to the borrower's principal place of employment.</li> <li>○ It is the address of record for such activities as federal income tax reporting, voter registration, occupational licensing, and similar functions.</li> </ul> </li> </ul> <p><b>Second Homes:</b></p> <ul style="list-style-type: none"> <li>• A property is considered a second home when it meets all of the following requirements: <ul style="list-style-type: none"> <li>○ Must be located a reasonable distance away from the borrower(s) principal residence.</li> <li>○ Must be occupied by the borrower(s) for some portion of the year.</li> <li>○ Is restricted to a one-unit dwelling.</li> <li>○ Must be suitable for year-round occupancy.</li> <li>○ The borrower(s) must have exclusive control over the property.</li> </ul> </li> </ul> <p><b>Investment Property:</b></p> <ul style="list-style-type: none"> <li>• A property is considered investment when the borrower does not occupy the subject property.</li> <li>• Borrowers with additional financed properties require an additional 2 months of reserves for each additional financed property. The 2 months additional reserves are based on the PITI plus HOA fees of the other financed properties.</li> </ul>



## Prime Jumbo Program Guidelines

Power of Attorney	<p>A Power of Attorney (POA) is allowed on a case-by-case basis on purchase and rate/term refinance transactions subject to all of the following:</p> <ul style="list-style-type: none"><li>• For extenuating circumstances, active military personnel or individuals with a documented medical condition that prevents them from attending the closing or performing borrower requirements.</li><li>• Must be specific to the transaction</li><li>• Must include the borrower name, property address and loan amount</li><li>• The POA must be fully executed and notarized</li><li>• The borrower must sign the application and disclosures</li><li>• The POA must be recorded along with the mortgage</li><li>• POA is eligible on purchase and rate/term refinance transactions only; cash-out is ineligible.</li><li>• If there are two or more borrowers on the loan, at least one borrower must be present for the closing and sign for the absent borrower (as their attorney-in-fact).</li></ul>																												
Prepayment Penalty	Not permitted																												
Product	<ul style="list-style-type: none"><li>• Fixed Rate: 15, 20, and 30 year</li><li>• ARMs:<table border="1"><thead><tr><th colspan="7">Adjustable Rate Mortgage</th></tr><tr><th>Product</th><th>Index</th><th>Margin/ Floor</th><th>Initial Cap</th><th>Periodic</th><th>Ceiling</th><th>Look Back</th></tr></thead><tbody><tr><td>5/1</td><td>1 year Libor</td><td>2.25%</td><td>2%</td><td>2%</td><td>5%</td><td>45 days</td></tr><tr><td>7/1</td><td>1 year Libor</td><td>2.25%</td><td>5%</td><td>2%</td><td>5%</td><td>45 days</td></tr></tbody></table></li><li>• 5/1 ARM must be qualified at the Note Rate and initial cap</li><li>• 7/10 and 10/1 ARM must be qualified at the Note Rate</li></ul>	Adjustable Rate Mortgage							Product	Index	Margin/ Floor	Initial Cap	Periodic	Ceiling	Look Back	5/1	1 year Libor	2.25%	2%	2%	5%	45 days	7/1	1 year Libor	2.25%	5%	2%	5%	45 days
Adjustable Rate Mortgage																													
Product	Index	Margin/ Floor	Initial Cap	Periodic	Ceiling	Look Back																							
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7/1	1 year Libor	2.25%	5%	2%	5%	45 days																							
Properties – Eligible	<ul style="list-style-type: none"><li>• One Unit Single Family Residences</li><li>• Two Unit Properties</li><li>• PUDs (attached/detached)</li><li>• Condominiums (attached/detached, site condos, live-work) that are Fannie Mae warrantable</li><li>• Townhouse</li></ul>																												
Properties – Ineligible	<ul style="list-style-type: none"><li>• 3 &amp; 4 Unit Properties</li><li>• Agricultural-type properties, farms, orchards, ranches, OR Agriculturally zoned</li><li>• Bed and Breakfast</li><li>• Boarding houses</li><li>• Builder bailout properties</li><li>• Builder Model Leaseback</li><li>• Commercial property</li><li>• Condo Hotels or Timeshares</li><li>• Co-ops</li><li>• Leasehold properties</li><li>• Mixed use</li><li>• Industrial zoned property</li><li>• Income producing properties (e.g. adult care facilities, bed &amp; breakfast, etc.)</li><li>• Properties exceeding 15 acres</li><li>• Log Homes</li><li>• Kiddie Condos</li><li>• Manufactured homes, mobile and modular</li><li>• Multi-family dwellings &gt; 2 units</li><li>• New or newly converted condominium projects in Florida without a PERS approval</li><li>• Non-conforming regulations that prohibit rebuilding</li><li>• Non-warrantable condominiums</li><li>• Properties with oil/gas/or mineral rights</li><li>• Properties &lt; 650 sq. ft.</li><li>• Properties located in areas where a valid security interest in the property cannot be obtained</li><li>• Properties not suitable for year-round occupancy, regardless of location</li><li>• Properties with an Assignment of Contract</li><li>• Properties located in the Hawaiian Islands in lava zones one (1) or two (2)</li><li>• Unique properties (geodesic domes, earth barn homes, log homes, etc.)</li><li>• Working farms</li></ul>																												



## Prime Jumbo Program Guidelines

<b>Property Flips</b>	No property flipping, prior owners must have owned the property greater than 6 months (Bank owned REO are eligible and not considered a flip transaction).
<b>Refinance Transactions</b>	<p><b>Continuity of obligation</b></p> <p>Continuity of obligation occurs on a refinance transaction when at least one of the borrower(s) (or members of the LLC) on the existing mortgage is also a borrower on the new refinance transaction secured by the subject property. When an existing Mortgage will be satisfied as a result of a refinance transaction, the following requirements must be met:</p> <ul style="list-style-type: none"><li>• At least one borrower on the refinance mortgage held title to for the most recent 6 month period and the mortgage file contains documentation evidencing that the borrower, either:<ul style="list-style-type: none"><li>– Has been making timely mortgage payments, including the payments for any secondary financing, for the most recent 6-month period; OR</li><li>– Is a Related Person to a Borrower on the Mortgage being refinanced;</li></ul></li><li>• At least one Borrower on the refinance Mortgage inherited or was legally awarded the Mortgaged Premises by a court in the case of divorce, separation, or dissolution of a domestic partnership.</li></ul> <p><b>Rate/Term Refinance</b></p> <ul style="list-style-type: none"><li>• A Rate/Term Refinance transaction is when the new loan amount is limited to the payoff of the present first lien mortgage, any seasoned non-first lien mortgages, closing costs and prepaids.</li><li>• A seasoned non-first lien mortgage is a purchase money mortgage or a closed end or HELOC mortgage that has been in place for more than 12 months and not having any draws &gt; \$2,000 in the past 12 months for HELOC's. Withdrawal activity must be documented with a transaction history from the HELOC.</li><li>• Cash to the borrower is limited to the lesser of \$5,000 or 1% of the principal amount of the new mortgage to be considered a Rate/Term refinance (Delayed Financing is permitted in accordance with Fannie Mae)</li><li>• If the property is owned less than 12 months, the LTV/CLTV will be based on the lesser of the original purchase price plus improvements or current appraised value. The prior CD will be required for proof of purchase price. Proof of improvements is required.</li><li>• Properties that have been listed for sale within the past 6 months from the loan application date are not eligible for a rate/term refinance transaction. Inherited properties may not be refinanced prior to 12 months of ownership.</li><li>• The rate/term refinance of a construction loan is eligible with the following conditions:<ul style="list-style-type: none"><li>– If the lot was acquired 12 or more months before applying for the subject loan, the LTV/CLTV/HCLTV is based on the current appraised value of the property.</li><li>– If the lot was acquired less than 12 months before applying for the subject loan, the LTV/CLTV/HCLTV is based on the lesser of the current appraised value of the property and the total acquisition costs.</li></ul></li></ul> <p><b>Cash Out Refinance</b></p> <ul style="list-style-type: none"><li>• A Cash Out Refinance transaction allows the borrower to pay off the existing mortgage by obtaining new financing secured by the same property or allows the property owner obtain a mortgage on a property that is currently owned free and clear. The borrower can receive funds at closing as long as they do not exceed the program requirements.</li><li>• To be eligible for a Cash-Out Refinance the borrower must have owned the property for a minimum of six months prior to the application date. Properties listed for sale within the last 12 months are ineligible for cash out.</li><li>• If the property is owned less than 12 months but greater than 6 months, the LTV/CLTV will be based on the lesser of the original purchase price plus improvements or current appraised value. The prior CD will be required for proof of purchase price. Proof of improvements is required.</li></ul>



## Prime Jumbo Program Guidelines

Reserves	<p>Reserves required on all loans. In addition to the reserves identified in the chart below, the following requirements must be met:</p> <ul style="list-style-type: none"><li>• First Time Homebuyers require a minimum of 12 months reserves</li><li>• Borrowers living rent free must have 12 months liquid reserves</li><li>• 2 months PITIA reserves required for each additional financed property.</li></ul> <table><tr><th>Occupancy</th><th>Maximum Loan Amount</th><th>Reserves</th></tr><tr><td rowspan="4">Primary Residence</td><td>\$1.000,000</td><td>6 months</td></tr><tr><td>\$1.500,000</td><td>9 months</td></tr><tr><td>\$2.000,000</td><td>12 months</td></tr><tr><td>\$2.500,000</td><td>24 months</td></tr><tr><td></td><td></td><td></td></tr><tr><td rowspan="3">Second Home</td><td>\$1.000,000</td><td>12 months</td></tr><tr><td>\$1.500,000</td><td>18 months</td></tr><tr><td>\$2.000,000</td><td>24 months</td></tr><tr><td></td><td></td><td></td></tr><tr><td>Investment Property</td><td>\$1.000,000</td><td>18 months</td></tr></table> <p><b>Unacceptable Sources of Reserve</b></p> <ul style="list-style-type: none"><li>• Bridge Loans</li><li>• Cash-out proceeds</li><li>• Gift Funds</li><li>• Loans secured by other assets</li><li>• Non-qualified business assets</li><li>• Proceeds from the sale of non-real estate assets</li><li>• Qualified tuition plans (529 Plan)</li><li>• Unacceptable sources of reserves as defined by <a href="#">Fannie Mae</a>.</li></ul>	Occupancy	Maximum Loan Amount	Reserves	Primary Residence	\$1.000,000	6 months	\$1.500,000	9 months	\$2.000,000	12 months	\$2.500,000	24 months				Second Home	\$1.000,000	12 months	\$1.500,000	18 months	\$2.000,000	24 months				Investment Property	\$1.000,000	18 months
Occupancy	Maximum Loan Amount	Reserves																											
Primary Residence	\$1.000,000	6 months																											
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Investment Property	\$1.000,000	18 months																											
Seller Contribution	Refer to the <a href="#">Interested Party Contributions</a> topic for seller contribution limits.																												
Subordinate Financing	<p>New subordinate financing (institutional) allowed for purchase transactions only.</p> <ul style="list-style-type: none"><li>• Primary Residences only</li><li>• If a HELOC is present the CLTV must be calculated by dividing the sum of the original loan amount of the first mortgage, the amount of the HELOC (whether or not there have been any draws), and the unpaid principal balance of all other subordinate financing by the lower of the property's sales price or appraised value.</li><li>• All subordinate loan obligations must be considered, verified, and taken into account when calculating the Borrower's DTI.</li><li>• If the subordinate financing is a HELOC secured by the subject property, monthly payments equal to the minimum payment required under the HELOC terms considering all draws made on or before closing of the subject transaction.</li><li>• For closed-end fixed rate, fully amortizing simultaneous loans, the qualifying payment is the monthly payment.</li></ul>																												
Transaction - Eligible	<ul style="list-style-type: none"><li>• Purchase</li><li>• Rate and Term Refinance</li><li>• Cash Out Refinance</li><li>• Construction-to-Perm</li></ul>																												
Transaction - Ineligible	<ul style="list-style-type: none"><li>• Non Arm's length</li><li>• Texas 50 (a)(6)</li><li>• Temporary Buydown</li><li>• Builder Bailout</li><li>• HELOCs</li><li>• Employer Assistance Program</li><li>• Lease Options</li></ul>																												



## Prime Jumbo Program Guidelines

### Version History

Version History	Date	Description of Change
1.0	1/02/18	<ul style="list-style-type: none"><li>Revised the minimum loan amount to \$453,101 for 1-unit properties with LTVs 80% or below.</li><li>Added a revised the version date for the 4506-T form (Select QM / Underwriting Guidelines / Income/Employment / General Documentation) to the Forms &amp; Resources" Section of the CORR website.</li><li>Revised the language for ineligible Properties "Properties located on Tribal Lands" to "Properties located in areas where a valid security interest in the property cannot be obtained".</li></ul>



## FHA Conforming and High Balance Program Guidelines

Fixed Rate and ARM

Primary Residence Full Documentation					
Transaction Type	Units <sup>2,4</sup>	LTV	CLTV	Loan Amount <sup>1,3</sup>	Credit Score <sup>2,4</sup>
Purchase	1	90%	90%	FHA Loan Limits	580
Purchase	1	96.50%	96.50%		600
Purchase	1-4	96.50%	105% <sup>5</sup>		620
Cash-out	1	85%	85%		580
Cash-Out	2-4	85%	85%		620
Rate/Term Refinance	1	90%	90%		580
Simple Refinance	1	97.75% <sup>7</sup>	97.75% <sup>7</sup>		580
Rate/Term Refinance	2-4	97.75%	97.75%		620
Manufactured Homes <sup>6</sup>					
Purchase	1	97.75%	97.95%	FHA Loan Limit	640
Rate/Term Refinance	1	97.75%	97.95%		
Presidentially Declared Major Disaster Area (PMDA)					
Purchase	1	100%	100%	FHA Loan Limits	500
Second Home <sup>8</sup>					
Simple Refinance	1	85%	85%	FHA Loan Limits	580

### Footnotes:

1. Eligible conforming and high balance loan amounts can be found at: [FHA Mortgage Limits](#)
2. 2-4 units high balance minimum 660 credit score.
3. Minimum loan amount \$60,000.
4. Borrowers with credit score of 580-619 are also subject to specific guideline restrictions. Refer to the [Credit Score 580-619](#) topic to view requirements.
5. The combined loan amount of the first and second lien cannot exceed the lesser of 105% CLTV or 100% of cost to acquire (cost to acquire equals the sales price plus normal closing costs, prepaids, and discount points) when using a government entity (federal/state/local) DPA. Refer to the [Down Payment Assistance Program](#) topic and [Subordinate Financing](#) topic for additional details.
6. Fixed Rate only for Manufactured Housing.
7. Simple Refinance transactions: Must be an existing FHA-insured owner-occupied primary residence.
8. Simple Refinance transaction: Must be an existing FHA-insured HUD-approved Secondary Residence; approval by a Jurisdictional Home Owner Center (HOC) required.

Refer to Planet's FHA Streamline Refinance matrix for Streamline

guidelines. Complete HUD guidelines can be found at [HUD 4000.1](#)





## FHA Conforming and High Balance Program Guidelines

Mortgage Insurance Premium Factors for Case Numbers Assigned on or after January 26, 2015				
Mortgage term > 15 years				
Loan Amount	LTV	Annual MIP	Up-front MIP	Annual MIP Assessment Period
≤ \$636,150	≤ 90%	0.80%	1.75	11 years
≤ \$636,150	> 90% ≤ 95%	0.80%		Life of loan
≤ \$636,150	> 95%	0.85%		Life of loan
> \$636,150	≤ 90%	1.00%		11 years
> \$636,150	> 90% ≤ 95%	1.00%		Life of loan
> \$636,150	> 95%	1.05%		Life of loan
Mortgage term ≤ 15				
Loan Amount	LTV	Annual MIP	Up-front MIP	Annual MIP Assessment Period
≤ \$636,150	≤ 90%	0.45%	1.75	11 years
≤ \$636,150	> 90%	0.70%		Life of loan
> \$636,150	≤ 78%	0.45%		11 years
> \$636,150	> 90%	0.95%		Life of loan

Hawaiian Home Lands (Section 247)				
	Loan Term in Years			
	≤ 18	>18 and ≤ 22	> 22 and ≤ 25	> 25
MIP Financed	2.40%	3.00%	3.60%	3.80%
MIP NOT Financed	2.344%	2.913%	3.475%	3.661%





## FHA Conforming and High Balance Program Guidelines

Topic	Guidelines
4506-T	<ul style="list-style-type: none"> <li>Tax transcripts, are required per AUS findings or can be obtained in lieu of W-2 or tax returns both personal and business</li> <li>4506-T must be signed by all borrowers at loan closing if transcripts were not obtained to qualify the borrower.</li> </ul> <p>Note: Due to the hacking incidents, Planet will accept transcripts that the borrower obtained from the IRS along with a certification that the returns are true and correct.</p>
Ability to Repay/ HUD QM	<p>Planet requires all loans to be originated and closed in compliance with Agency and Planet guidelines. Planet will purchase owner-occupied and HUD-approved second home transactions as follows:</p> <ul style="list-style-type: none"> <li>Loans eligible under Temporary QM, and</li> <li>Loans that meet the Safe Harbor or Rebuttable Presumption provisions, and</li> <li>Pass the points and fees test, as applicable.</li> <li>Additionally, all disclosures and documentation required under the ATR/QM provisions of the Dodd Frank Act must be provided.</li> </ul>
Affidavit of Identity	Planet may require an Affidavit of Identity if a borrower signature appears incomplete or illegible.
Age of Documents	All credit and asset documentation must be ≤ 120 days from the Note date. The appraisal is valid for 120 days from the effective date. This policy applies to both new and existing construction.
Appraisals	<ul style="list-style-type: none"> <li>Appraisals must be provided by a licensed FHA-approved appraiser</li> <li>Appraisal photos must be taken of the front and rear of the property, at opposite angles, to show all sides of the subject property.</li> <li>Additional photos are required for any improvements with contributory value that are not captured in the front and rear photos.</li> <li>The street scene photo must include a portion of the subject property. <ul style="list-style-type: none"> <li>If the subject property is proposed construction and the improvements have not been started the photos must include the grade of the vacant lot.</li> </ul> </li> </ul> <p>Copies of photographs from the multiple listing service are acceptable only with an explanation of why original photos are not provide, i.e. gated communities where access may require trespass to photograph, etc.</p> <ul style="list-style-type: none"> <li>Comparable sales used for new construction properties are subject to the following: <ul style="list-style-type: none"> <li>If all three of the comparable sales used to support the value of the subject property were obtained from one of the above sources (public source eligible in Vermont and Maine only) no further action is required.</li> <li>If the comparable sales are not all obtained from a MLS, MRIS, MRED, NTREIS, or public source (public source Vermont/Maine only). The appraiser must comment that the subject property development is being marketed in an “open” or “public” environment (i.e. newspaper advertisements, bill board signs, website, etc.). Additionally, the following applies: <ul style="list-style-type: none"> <li>One of the comparable sales must be outside the project the subject property is located</li> <li>Two of the comparable sales must be from sources other than the subject property builder.</li> </ul> </li> </ul> </li> </ul> <p>NOTE: The appraiser is always allowed to provide more than three comparable sales in order to support the property value.</p> <ul style="list-style-type: none"> <li>The subject and all comparables must be appropriately identified. Refer to FHA handbook section IID.3.C <a href="#">Minimum Property Standards</a> topic for property requirements.</li> <li>Comparable photos must include the front view of each comparable sale used. Use of MLS photos to exhibit comparable condition at the time of sale are acceptable, however, the appraiser must include their own photos to document compliance with the “Scope of Work” which requires the appraiser to inspect each comparable sale from the street.</li> <li>Appraisal must identify and address properties located within a declining market. When the property is located in a declining market, the appraiser is required to: <ul style="list-style-type: none"> <li>Provide, at minimum, two comparable sales that closed within 90 days of the subject property appraisal.</li> <li>The comparables must be as similar to the subject property as possible.</li> <li>The appraisal must include, at minimum, two active listings or pending sales.</li> </ul> </li> </ul>



## FHA Conforming and High Balance Program Guidelines

### Appraisals (cont.)

- At minimum, Planet requires the following on all properties:
  - A conventional heat source with the ability to maintain a temperature of 50° in areas of the property where there is plumbing.
  - Any broken glass is a health hazard and must be removed and the opening closed.
- Appraisals are valid 120 days from the effective date. A 30 day extension of the appraisal is allowed subject to HUD guidelines.
- If the appraisal is > 120 days from the effective date an Appraisal Update is required. **The update must be completed prior to the expiration of the original appraisal report.** The appraisal validity period is 240 days. A 30 day extension is **not allowed** when an Appraisal Update has been utilized.
  - The Appraisal Update must be completed by the original appraiser and must also include a Market Conditions Addendum to the Appraisal Report (Fannie Mae Form 1004MC). An Appraisal Update is **not** eligible if any of the following conditions apply:
    - The property has declined in value
    - The building improvements that contribute to the value of the property cannot be seen from the street
    - The exterior inspection of the property identifies deficiencies or other significant changes that did not exist at the time of the effective date of the original appraisal
    - The Update was ordered by a lender not identified as the intended user of the original appraisal report, unless the appraiser includes the original report being updated as an attachment; the original appraisal cannot just be referenced (per Advisory Opinion 3 of USPAP).
- Properties located in a FEMA Disaster Declaration area will be subject to additional appraisal requirements. Refer to [Loan Purchasing Chapter 8](#) for complete requirements.
- See [Manufactured Housing](#) topic for additional requirements.
- HUD REO properties: HUD requires a new full appraisal if any of the following conditions exist:

Condition	Maximum FHA Loan Amount*
1. DE underwriter determines there are material deficiencies with the current appraisal.	Based on the value of the property as determined by the new appraisal.
2. The borrower is applying for a 203(k) loan and an "After Improved" appraisal is required.	
3. The sales contract was not approved within 120 days of the HUD REO appraisal's effective date.	
4. The HUD ordered appraisal is no longer valid (i.e. older than 120 days and not eligible for 30 day extension)	
5. The sales contract price is > the value of the HUD ordered appraisal and/or the "as-is" appraised value is not available.	Limited to the lesser of: <ul style="list-style-type: none"> <li>The sales contract price, <b>or</b></li> <li>The new appraised value, <b>or</b></li> <li>The initial list price of the property</li> </ul> Note: The initial list price is available on the MLS and/or through the property listing agent.

\*Subject to under requirements for down payment, financing of closing costs, etc.

If a new appraisal is required based on the conditions above, the following applies:

- The original HUD ordered appraisal may **not** be used to underwrite the loan
- HUD will **not** pay for the cost of the new appraisal. The borrower **may be charged** for the new appraisal as part of the borrower's closing costs
- A written justification for the new appraisal is required (documentation that one of the above conditions existed);
- Copies of all appraisals of the property must be retained in the loan file.

HUD's policy on establishing the market value for an REO policy is that the price should reflect the appropriate price for a property sold in a competitive and open market and comparables should be based on arm's length transactions. Additionally, properties sold at market value are characterized by the following:

- The buyer and seller are typically motivated
- Both parties are knowledgeable and are acting in their own best interest



## FHA Conforming and High Balance Program Guidelines

<b>Appraisals (cont.)</b>	<ul style="list-style-type: none"> <li>The property was on the open market for a reasonable time</li> <li>Payment is made in cash or a mortgage loan</li> <li>The price represents the normal consideration for the property being sold and is not affected by special/creative financing or sales concessions granted by anyone associated with the transactions.</li> </ul> <p>Comparable sales for REO properties are subject to the following:</p> <ul style="list-style-type: none"> <li>HUD prefers that REO sales and pre-foreclosure sales are <b>not</b> used as comparable sales to establish the value for the REO property being appraised. If REO sales and pre-foreclosure sales are used, the appraiser must address their use in the appraisal report and identify the effect they have on the market and specifically the subject property.</li> <li>Properties where the transfer to a mortgagee or entity owning the mortgage loan by deed of trust through foreclosure sale or sheriff's sale may <b>never</b> be used as a comparable sale (e.g. a property that was foreclosed on by a bank or the property was seized for payment of delinquent debt, such as property taxes and the bank or sheriff's department still has ownership of the property).</li> </ul>								
<b>Assets</b>	<ul style="list-style-type: none"> <li>Loans with an "Approve/Eligible" or "Accept/Eligible" finding require, at minimum, one month's most recent bank statements (all pages). If a copy of the canceled deposit check is used to document the source of funds, the bank statements must cover the period up to and including the date the earnest money check cleared the bank.</li> <li>Sellers who are also the depository for the borrower's account may provide a printout or other alternative verification of the borrower's bank account assets produced directly from the bank or credit union's system in lieu of bank statement(s).</li> <li>Manually underwritten loans require 2 months bank statements.</li> <li><b>Purchase transactions: Credit score of 580-599:</b> Two (2) months most recent bank statements required to document 10% of the borrower own funds down payment requirement. Bank statements must be dated for the two months prior to the loan application date. All other asset documentation requirements must also be met.</li> <li>A Verification of Deposit (VOD) is acceptable as the primary source of verification.</li> <li>Verification and documentation of the deposit amount and source of funds is required, if the earnest money: <ul style="list-style-type: none"> <li>Exceeds 1% of the sales price, or</li> <li>Appears to be excessive based on the borrower's history of accumulated savings. <ul style="list-style-type: none"> <li>Satisfactory documentation includes: <ul style="list-style-type: none"> <li>Copy of the cancelled check and a copy of the bank statement showing the withdrawal</li> <li>Certification from the deposit holder acknowledging receipt of the funds, or</li> <li>Bank statements (all pages) for the most recent 2 months.</li> </ul> </li> </ul> </li> </ul> </li> <li>Cash on hand and unsecured funds are ineligible sources for assets.</li> <li>Sweat Equity may be an acceptable source of borrowers funds as follows: <ul style="list-style-type: none"> <li>New construction purchase transactions only, and</li> <li>The builder must indicate in the sales contract, or on an addendum to the sales contract, a list of services by the appraiser and a specific dollar amount must be assigned to the services (refer to examples below), and</li> <li>All work must be agreed to and performed/completed by the borrower.</li> </ul> </li> </ul> <p><b>Examples</b></p> <p><b><u>Option 1</u></b></p> <table> <tr> <td>Buyer agrees to perform the following:</td> <td><b>Total</b></td> </tr> <tr> <td> <ul style="list-style-type: none"> <li>Prepare and paint all interior walls</li> <li>Paint exterior doors and porch railings(if applicable)</li> </ul> </td> <td>\$ 4500.00</td> </tr> </table> <p><b><u>Option 2</u></b></p> <table> <tr> <td>Buyer agrees to perform the following:</td> <td><b>Total</b></td> </tr> <tr> <td>Install front and rear yard landscaping (sod, plants, flowers)</td> <td>\$ 1200.00</td> </tr> </table>	Buyer agrees to perform the following:	<b>Total</b>	<ul style="list-style-type: none"> <li>Prepare and paint all interior walls</li> <li>Paint exterior doors and porch railings(if applicable)</li> </ul>	\$ 4500.00	Buyer agrees to perform the following:	<b>Total</b>	Install front and rear yard landscaping (sod, plants, flowers)	\$ 1200.00
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## FHA Conforming and High Balance Program Guidelines

### AUS

- A TOTAL Scorecard Approve/Eligible, Refer/Eligible, Accept/Eligible finding is required. All Refer/Eligible finding require a manual downgrade. Manual downgrade not allowed on Manufactured Housing.

NOTE: If data changes are made after the initial submission, the loan must be re-submitted to the AUS and updated findings must be submitted with the loan package.

- Loans receiving a Refer/Eligible finding requires a manual underwrite and compensating factors.
- A manual downgrade is required if additional information, not considered in the Total Scorecard affects the overall insurability or eligibility of the loan that otherwise received an Approve recommendation.

Examples requiring a manual downgrade include, but are not limited to:

- Delinquent federal debt/IRS tax repayment plan
- CAIVRS alert
- Suspended and debarred individuals
- Previous foreclosure within the past 3 years
- Bankruptcy (7 or 13) within the past 2 years
- Handwritten paystubs
- If any mortgage loan, including HELOC payments, in the previous 12 months reflects:
  - o Three or more payments > 30 days late,
  - o One or more payments > 60 days late plus one or more 30 day late payments, or
  - o One payment > 90 days late.

NOTE: A mortgage payment is considered delinquent if it is not paid in the month due.

- A short sale or short pay-off within the previous 12 months
- Disputed, collection accounts and public records
  - o A manual downgrade is not required on a disputed account if:
    - The account has a zero balance, **or**
    - Any late payments on the account are aged 24 months or more, **or**
    - The account is current and paid as agreed.
    - Non-traditional and insufficient credit histories; refer to the Determining Sufficient Credit History topic below for guidance
- Non-occupant co-borrower or co-signer is added to a purchase or rate/term transaction and the occupant borrower does not have a credit score due to insufficient or non-traditional credit history. The credit score of the non-occupant co-borrower or co-signer cannot be used to satisfy FHA requirements so manual underwriting is required.
- Compensating factors are required on all loans downgraded to a manual underwrite.
  - If the DTI exceeds 31%/43% refer to the [Manual Underwrites](#) topic for complete detailed requirements.

#### Evaluating Credit History for Manual Underwrite

A sufficient credit history includes a minimum of 3 credit references. The credit references must be a mix of credit types from Group I and Group II below. While it is preferred that all the credit references be from Group I **at least 1 of the 3 references must be from Group I and the insufficient/non-traditional credit guidelines apply.**



## FHA Conforming and High Balance Program Guidelines

<b>AUS (cont.)</b>	<table border="1"> <thead> <tr> <th data-bbox="386 302 912 336">Group I</th><th data-bbox="912 302 1412 336">Group II</th></tr> </thead> <tbody> <tr> <td data-bbox="386 336 912 898"> <ul style="list-style-type: none"> <li>Housing payments (subject to additional verification if rental payments such as 12 months consecutive cancelled checks or verification from professional property management company)</li> <li>Utility bills including: <ul style="list-style-type: none"> <li>Gas</li> <li>Electric</li> <li>Water</li> <li>Home telephone (land-line)</li> <li>Cable</li> </ul> </li> </ul> </td><td data-bbox="912 336 1412 898"> <ul style="list-style-type: none"> <li>Insurance premiums that are not payroll deducted (e.g. medical, auto life, renter's insurance, etc.)</li> <li>Payment to childcare provides</li> <li>School tuition</li> <li>Retail store credit cards (i.e. department, furniture/appliances or specialty stores).</li> <li>Rent to own (furniture/appliances)</li> <li>Payment of medical bills not covered by insurance</li> <li>Internet or cell phone bills</li> <li>A 12 month history of savings evidences by regular non-payroll deducted deposits which occurred at least quarterly with an increasing account balance with no nonsufficient funds checks.</li> <li>Car lease</li> <li>Personal loan with documented written repayment terms. 12 month cancelled checks required to document payment</li> </ul> </td></tr> </tbody> </table> <p>Manual underwrite for 203(h) allowed (see section <a href="#">PDMDA</a>).</p>	Group I	Group II	<ul style="list-style-type: none"> <li>Housing payments (subject to additional verification if rental payments such as 12 months consecutive cancelled checks or verification from professional property management company)</li> <li>Utility bills including: <ul style="list-style-type: none"> <li>Gas</li> <li>Electric</li> <li>Water</li> <li>Home telephone (land-line)</li> <li>Cable</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Insurance premiums that are not payroll deducted (e.g. medical, auto life, renter's insurance, etc.)</li> <li>Payment to childcare provides</li> <li>School tuition</li> <li>Retail store credit cards (i.e. department, furniture/appliances or specialty stores).</li> <li>Rent to own (furniture/appliances)</li> <li>Payment of medical bills not covered by insurance</li> <li>Internet or cell phone bills</li> <li>A 12 month history of savings evidences by regular non-payroll deducted deposits which occurred at least quarterly with an increasing account balance with no nonsufficient funds checks.</li> <li>Car lease</li> <li>Personal loan with documented written repayment terms. 12 month cancelled checks required to document payment</li> </ul>
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<b>Available Markets</b>	<ul style="list-style-type: none"> <li><b>Delegated Sellers</b> Planet will purchase loans underwritten and closed by the delegated seller in all states.</li> <li><b>Non-delegated Sellers</b> – Planet will purchase loans from non-delegated Sellers in all states on FHA Products. <b>All</b> loans require Planet underwriting approval.</li> <li>The U.S. territories of Guam, Puerto Rico and the Virgin Islands are ineligible regardless of delegation.</li> </ul>				
<b>Borrowers - Eligible</b>	<ul style="list-style-type: none"> <li>U.S. citizens</li> <li>Permanent resident aliens: <ul style="list-style-type: none"> <li>Permanent resident alien borrowers must hold an unexpired "Green Card" issued by the U.S. Citizenship and Immigration Services (USCIS). A copy of both the front and back of the card is required.</li> </ul> </li> <li>Non-permanent resident aliens are eligible as follows: <ul style="list-style-type: none"> <li>Borrower has a valid Social Security number (cannot be used as evidence of eligible work status)</li> <li>Borrower has an unexpired Employment Authorization Document (EAD) issued by the United States Citizenship and Immigration Services (USCIS) as evidence of eligible work status. If the authorization for temporary residency status expires within one year, continuation may be assumed when a prior history of renewals. If no continuation has been previously granted the underwriter must determine the likelihood based on evidence from USCIS.</li> </ul> </li> </ul> <p>NOTE: Borrowers residing in the United States under refugee or asylee status granted by the USCIS are automatically eligible to work in the U.S. therefore an EAD is not required</p> <ul style="list-style-type: none"> <li>Inter vivos trusts that meet HUD guidelines</li> <li>All borrowers are required to have a social security number; a TIN is not acceptable.</li> </ul>				
<b>Borrowers - Ineligible</b>	<ul style="list-style-type: none"> <li>Foreign Nationals</li> <li>Borrowers with diplomatic immunity and International Monetary Fund (IMF) employees</li> <li>Borrowers without a social security number</li> <li>Borrowers currently delinquent on current mortgage</li> <li>Non-U.S. citizens with no lawful residency in the U.S.</li> </ul>				
<b>Borrower Types</b>	<ul style="list-style-type: none"> <li><b>Borrower and Co-Borrower:</b> Owns the property and is liable for the debt. Signs all documents, including the application, Note and Mortgage/Deed of Trust and is on title. Income, assets and debt used in qualification.</li> </ul>				



## FHA Conforming and High Balance Program Guidelines

<b>Borrower Types</b> (cont.)	<ul style="list-style-type: none"> <li>• <b>Non-Occupant Co-Borrower:</b> Owns the property and is liable for the debt, but does not live in the property. Signs the application, Note, Mortgage/Deed of Trust and is on title. Income, assets and debt are used in qualification for purchase and rate/term only. Income is not considered on cash-out transactions for qualification.</li> <li>• <b>Co-Signer:</b> Has no ownership interest in the property but is liable for the debt. Signs the application and Note, but not the Mortgage/Deed of Trust (no ownership interest). Income assets and debt are used in qualification.</li> <li>• <b>Co-Mortgagor:</b> Has ownership interest in the property but is <b>not</b> liable for the debt. Signs all collateral documents (Mortgage/Deed of Trust, TIL &amp; Right to Rescind, as applicable). Signature is to subordinate their interest in the property to the lien. Income, assets and debts are not used in qualification.</li> <li>• <b>Non-Borrowing/Non Purchasing Spouse:</b> Generally have no ownership interest in the property and are not liable for the debt. In community property/marital rights states the non-borrowing spouse does have an interest in the property and is required to execute the security instrument and all applicable documents as determined by state law.</li> </ul> <p>NOTE: Community property states: Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin. Refer to the <a href="#">FHA Handbook 4000.1</a> for additional details on the non-purchasing spouse.</p>										
<b>CAIVRS/LDP/GSA</b>	<ul style="list-style-type: none"> <li>• <b>CAIVRS at <a href="#">CAIVRS</a></b> <ul style="list-style-type: none"> <li>– All borrowers must be checked against the Credit Alert Interactive Voice Response System (CAIVRS) to determine if they have delinquent federal debt or if they are on title to a property in default. Borrowers identified on this site are generally ineligible for FHA financing.</li> </ul> </li> <li>• <b><a href="#">LDP / SAM</a></b> <ul style="list-style-type: none"> <li>– All of the following parties to the transaction must be checked against HUD's Limited Denial of Participation and the System for Award Management (SAM) exclusionary lists:               <table border="0"> <tr> <td>– Appraiser</td><td>– Loan Officer/Processor/Underwriter</td></tr> <tr> <td>– Borrowers</td><td>– Real estate agents (listing and selling agents)</td></tr> <tr> <td>– Seller(s)</td><td>– Closing Attorney</td></tr> <tr> <td>– Lender</td><td>– Escrow/Settlement Company/Agency</td></tr> <tr> <td>– Title Company/Officer</td><td></td></tr> </table> </li> </ul> </li> </ul>	– Appraiser	– Loan Officer/Processor/Underwriter	– Borrowers	– Real estate agents (listing and selling agents)	– Seller(s)	– Closing Attorney	– Lender	– Escrow/Settlement Company/Agency	– Title Company/Officer	
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<b>Case Numbers</b>	<ul style="list-style-type: none"> <li>• Case number requests must comply with HUD Mortgagee Letter 2011-10. To view the Mortgagee Letter in its entirety go to: <a href="#">HUD Mortgagee Letters</a></li> <li>• FHA requires that there is an active loan application for the borrower and property</li> <li>• Case numbers older than 6 months will be automatically canceled when there has been no activity. A <a href="#">Case Reinstatement Request</a> must be submitted to reinstate the case number.</li> </ul>										
<b>Chain of Title</b>	<p>A 12-month chain of title is required for all loans. Title must include all transfers in the previous 12 month period including copies of all recorded deed(s). More than one transfer in previous 12 months <b>or</b> property has significant increase in value since prior transfer an appraisal addendum addressing all transfers required. The addendum must include dates of sales, sales price and the Note if the sale was through an MLS or was a non-arm's length transaction.</p>										
<b>Contingent Liability</b>	<p>A contingent liability exists when an individual is responsible for payment of a debt if another party, jointly or severally obligated, defaults on the payment.</p> <p><b>Co-Signed Debt</b></p> <ul style="list-style-type: none"> <li>• When the borrower is legally obligated on a debt, the debt must be included in the borrower's DTI ratio, even if another party is making the payment. The payment may only be excluded when the person making the payment is also legally obligated on the debt.</li> <li>• Personal debt, where the borrower is a co-signer, may be excluded from the DTI if:       <ul style="list-style-type: none"> <li>– Documentation is provided verifying another borrower is responsible for the debt, and</li> <li>– Copies of the cancelled checks (front and back) are provided from the party paying the debt for the most recent 12 consecutive payments, and</li> <li>– The credit report indicates the account has no late payments.</li> </ul> </li> </ul>										





## FHA Conforming and High Balance Program Guidelines

<b>Contingent Liability</b> (cont.)	<p><b>Business Debt</b></p> <ul style="list-style-type: none"> <li>• Payments attributed to the borrower's business must be included in the borrower's DTI calculation unless:             <ul style="list-style-type: none"> <li>– Documented evidencing that the debt is being paid by the borrower's business,</li> <li>– The debt was considered in the cash flow analysis of the borrower's business, and is the borrower's tax return reflects the business expense related to the obligation, ≥ the amount of payments document as paid out of company funds</li> </ul> </li> <li>• <b>Note:</b> Only the interest expense related to the obligation shown on the borrower's tax return will be considered in the cash flow analysis.</li> <li>• <b>Corporations (Includes Sub-S and most LLCs):</b> A corporation is a legal entity that can be obligated for debts. Officers of the corporation or members of an LLC are often required to personally sign as additional guarantors for debts owed by the Corporation or LLC.             <ul style="list-style-type: none"> <li>– Debts may be excluded from the DTI, if:                 <ul style="list-style-type: none"> <li>○ A minimum of 12 consecutive most recent cancelled checks are provided by the corporation/LLC for payment on the debt, and</li> <li>○ Documentation is provided showing the corp. /LLC is a borrower on the loan.</li> </ul> </li> </ul> </li> <li>• <b>Sole Proprietorship or Partnership:</b> The business is not an entity that can borrow and any debt used by the business is personal obligations regardless of how the debt is paid.             <ul style="list-style-type: none"> <li>– This type of debt must be included in the borrower's DTI. The debt may be added back to the business income so the debt is not counted twice.</li> </ul> </li> </ul>
<b>Credit History</b>	<p>Total Scorecard Approve/Eligible or Accept/Eligible</p> <ul style="list-style-type: none"> <li>• Tradeline requirements per Total Scorecard findings</li> <li>• Authorized user tradelines require review by the underwriter to ensure the trade lines are an accurate reflection of the borrower's credit history.</li> <li>• Borrowers with insufficient credit history are subject to the following DTI requirements:             <ul style="list-style-type: none"> <li>– DTI computed only on the borrowers who will be occupying the property and obligated on the loan</li> <li>– DTI cannot exceed 31%/43%, no exceptions. Compensating factors cannot be used to exceed 31%/43% when the borrower has insufficient credit history.</li> <li>– Two months cash reserves from the borrowers own funds are required. Cash gifts are not eligible to satisfy reserve requirements.</li> </ul> </li> </ul>
<b>Credit Installment/ Revolving Accounts</b>	<p>All debts are run through TOTAL to ensure accurate findings.</p> <ul style="list-style-type: none"> <li>• <b>Installment Debt</b> <ul style="list-style-type: none"> <li>– The Monthly payment shown on credit reports, loan agreement or payment agreement must be used to calculate borrower's liability.</li> <li>– If the actual monthly payment is not available utilize the terms of the debt or 5% of the outstanding balance to establish the monthly payment.</li> <li>– Included in the DTI if &gt; 10 months remaining, or</li> <li>– Included if ≤ 10 months remaining <b>AND</b> payment is &gt; \$100.00 and/or at underwriters discretion</li> <li>– Pay down of installment debt to &lt; 10 months may be considered on an exception basis if the borrower has strong reserves, high credit score, no gifts or grants, and the debt ratio, with the debt(s) included is 43% or less.</li> </ul> </li> <li>• <b>Revolving Debt</b> <ul style="list-style-type: none"> <li>– Revolving debt must be included if there is a balance indicated on the credit report. If the monthly payment is not included in the credit report the underwriter will calculate the payment using the greater of \$10.00 or 5% of the outstanding balance. If the actual dollar amount is documented by the creditor or a current monthly statement, that amount may be used for qualifying.</li> <li>– Cash-out refinance transactions                 <ul style="list-style-type: none"> <li>○ If paid off prior to closing, documentation must be included in the loan file that the account was paid off and closed.</li> <li>○ Payoff must be indicated on the CD</li> <li>○ Closing agent must verify that the account(s) were closed prior to disbursement.</li> </ul> </li> </ul> </li> </ul>





## FHA Conforming and High Balance Program Guidelines

<b>Credit Installment/ Revolving Accounts</b> (cont.)	<ul style="list-style-type: none"> <li>• <b>Student Loans and other Deferred Obligations</b> Monthly payments must be included in the DTI ratios, see calculations below. Provide the following documentation:           <ul style="list-style-type: none"> <li>– Proof of the deferral from the creditor and terms of the liability</li> <li>– Evidence of the outstanding balance and actual monthly payment obligation.</li> </ul> </li> </ul> <p><b>Calculation of Monthly Obligation</b> Regardless of payment status, use the greater of:</p> <ul style="list-style-type: none"> <li>– 1% of the outstanding balance on the loan; or</li> <li>– The monthly payment reported on the credit report; or</li> </ul> <p>The actual documented payment must be used, provided the payment will fully amortize the loan over its term.</p>
<b>Credit Report/Scores</b>	<p><b>Credit Reports</b></p> <ul style="list-style-type: none"> <li>• A tri-merged credit report is required for all borrowers including non-borrowing spouse who resides in a community property state or if the subject property is located in a community property state. Refer to the <a href="#">FHA Handbook 4000.1</a> for additional details on the non-borrowing spouse.</li> <li>• A truncated SSN is acceptable for FHA mortgage insurance purposes provided that the mortgage application captures the full nine-digit SSN.</li> </ul> <p>The Mortgagee must review all credit report inquiries to ensure that all debts, including any new debt payments resulting from material inquiries listed on the credit report, are used to calculate the debt ratios. The Mortgagee must also determine that any recent debts were not incurred to obtain any part of the Borrower's required funds to close on the Property being purchased.</p> <p>Material Inquiries refer to inquiries which may potentially result in obligations incurred by the Borrower for other Mortgages, auto loans, leases, or other Installment Loans. Inquiries from department stores, credit bureaus, and insurance companies are not considered material inquiries</p> <p>The borrower(s) must address <b>all</b> credit inquiries indicated on the credit report within the previous 120 days and indicate the reason for and result of the inquiry (i.e. was new credit obtained or not)</p> <p><b><u>Credit Report – Fraud Alert</u></b></p> <p>When a fraud alert, active duty alert or freeze is included with a credit report, additional steps are required to verify the borrower's identity and documentation must be provided. Documentation should include, but is not limited to:</p> <ul style="list-style-type: none"> <li>– A letter of explanation from the borrower, and</li> <li>– A copy of the identity theft report, and</li> <li>– An additional form of identity verification, and</li> </ul> <p>If the credit alert contains a phone number for a verbal verification prior to credit being issued, documentation must be provided that the borrower was contacted.</p> <p><b>Credit Score</b></p> <ul style="list-style-type: none"> <li>• All borrowers must meet the minimum credit score requirement and as noted below where not all borrowers have a credit score</li> <li>• The representative credit score is determined as follows:           <ul style="list-style-type: none"> <li>– If there are three (3) valid scores, the middle score is used. If two of the three scores are a duplicate, the duplicate score is used.</li> <li>– If there are two (2) valid scores, the lower of the two is used</li> <li>– If there is one (1) valid score, that score is used.</li> </ul> </li> <li>• When there are multiple borrowers on a loan, the lowest representative credit score of all borrowers is the decision credit score.</li> </ul> <p><i>Example:</i></p> <ul style="list-style-type: none"> <li>– Borrower 1: Credit scores are 640, 654, 660; representative score is 654</li> <li>– Borrower 2: Credit scores are 625, 637; representative score is 625</li> </ul>



## FHA Conforming and High Balance Program Guidelines

<b>Credit Report/Scores</b> (cont.)	<p>The loan decision score is 625 which is the lowest representative score of all borrowers Planet will allow loans <b>where not all borrowers have a credit score subject to the following:</b></p> <ul style="list-style-type: none"> <li>Determine if a “primary borrower” exists. If a primary borrower exists (meets all of the requirements below) the loan may proceed without additional documentation. A primary borrower is defined as:           <ul style="list-style-type: none"> <li>The individual who will be occupying the property, <b>and</b></li> <li>Has more than 50% of the qualifying income, and</li> <li>Meets the minimum tradeline requirements (3 tradelines, each with 12 month history and 1 of the 3 must have been active within the past 24months).</li> </ul> </li> </ul> <p>If a “primary borrower” cannot be established and no other borrowers meet all of the above criteria then non- traditional credit requirements apply as detailed in HUD <a href="#">Mortgagee Letter 2008-11</a>. Minimum credit score requirements are as identified in the matrix.</p>
<b>Credit Score 580-619</b>	<p><b>This overlay does not apply to Simple Refinance transactions.</b></p> <p>The following applies when the borrower’s credit score is between 580-619 :</p> <ul style="list-style-type: none"> <li>Maximum LTV/CLTV           <ul style="list-style-type: none"> <li>Credit score 580-599:               <ul style="list-style-type: none"> <li><b>Purchase transactions:</b> 90% LTV/CLTV.</li> <li><b>Refinance transactions:</b> <ul style="list-style-type: none"> <li>Rate/term: 90% LTV/CLTV</li> <li>Cash-out : 85% LTV/CLTV (HUD maximum)</li> <li>Minimum 2 year payment history on the current loan with 0x30 in previous 24 months is required on all refinance transactions</li> </ul> </li> </ul> </li> <li>Credit score 600-619:               <ul style="list-style-type: none"> <li><b>Purchase transactions:</b> 96.50% LTV/CLTV</li> <li><b>Refinance transactions:</b> <ul style="list-style-type: none"> <li>Rate/term: 97.75% LTV</li> <li>Cash-out : 85% LTV/CLTV (HUD maximum)</li> <li>Minimum 2 year payment history on the current loan with 0x30 in previous 24 months is required on all refinance transactions</li> </ul> </li> </ul> </li> </ul> </li> <li>1-unit properties only (attached/detached SFR, PUDs, condos); Manufactured Housing ineligible.</li> <li>Maximum DTI 31%/45%. Maximum applies to both ratios individually (i.e. if the DTI is 33%/42% the loan is ineligible). <b>Noexceptions.</b></li> <li>Gift funds eligible after applicable down payment from borrower own funds requirement is met.           <ul style="list-style-type: none"> <li>Two (2) months bank statements required to document borrower own funds requirement. Bank statements provided must be dated for the two months prior to the application date</li> <li>A letter, signed by all borrowers, stating that all funds used for the 10% down payment requirement are borrower own funds, will be required.</li> </ul> </li> <li>Purchase transactions require a twelve (12) month housing history, indicating 0x30 in previous 12 months. Borrowers without a housing history are <b>ineligible</b>.           <ul style="list-style-type: none"> <li>0x30 12 month housing history must be verified as follows:               <ul style="list-style-type: none"> <li>In-file credit report trade line rating, <b>or</b></li> <li>Checks/money orders with evidence of consistent bank withdrawals.</li> </ul> </li> </ul> </li> </ul> <p>NOTE: VOR, including from professional management company or landlord letter is <b>not</b> acceptable.</p> <ul style="list-style-type: none"> <li>Maximum payment shock is 100%. Payment shock &gt; 50% - 100% is subject to the following:           <ul style="list-style-type: none"> <li>Standard <b>residual income requirement must be doubled</b> (i.e. if VA normally requires residual income of \$350 a minimum of \$700 would be required).</li> <li>VA standard residual income requirements apply.</li> </ul> </li> </ul>



## FHA Conforming and High Balance Program Guidelines

### Credit Score 580-619 (cont.)

#### Residual Income Requirements:

Loan Amounts ≤ 79,999				
Family Size	Northeast	Midwest	South	West
1	\$390	\$382	\$382	\$425
2	\$654	\$641	\$641	\$713
3	\$788	\$772	\$772	\$859
4	\$888	\$868	\$868	\$967
5	\$921	\$902	\$902	\$1,004
Over 5	Add \$75.00 for each additional family member up to 7.			
Loans Amounts ≥ 80,000				
Family Size	Northeast	Midwest	South	West
1	\$450	\$441	\$441	\$491
2	\$755	\$738	\$738	\$823
3	\$909	\$889	\$889	\$990
4	\$1,025	\$1,003	\$1,003	\$1,117
5	\$1062	\$1,039	\$1,039	\$1,158
Over 5	Add \$80.00 for each addition family member up to 7.			

Reminder, residual income requirements must be doubled if payment shock is 50.01% to 100%.

Geographic Regions as Identified by VA			
<b>Northeast</b>	Connecticut	New Hampshire	Pennsylvania
	Maine	New Jersey	Rhode Island
	Massachusetts	New York	Vermont
<b>Midwest</b>	Illinois	Michigan	North Dakota
	Indiana	Minnesota	Ohio
	Iowa	Missouri	South Dakota
	Kansas	Nebraska	Wisconsin
<b>South</b>	Alabama	Kentucky	Puerto Rico
	Arkansas	Louisiana	South Carolina
	Delaware	Maryland	Tennessee
	District of Columbia	Mississippi	Texas
	Florida	North Carolina	Virginia
	Georgia	Oklahoma	West Virginia
<b>West</b>	Alaska	Hawaii	New Mexico
	Arizona	Idaho	Oregon
	California	Montana	Utah
	Colorado	Nevada	Washington
			Wyoming

### Derogatory Credit

#### Disputed Derogatory Credit

Disputed Derogatory Credit Account refers to disputed Charge Off Accounts, collection accounts, and accounts with late payments in the last 24 months. A letter of explanation is required from the borrower whenever a derogatory disputed account is indicated on the credit report regardless of the cumulative balance.

The underwriter determines if the disputed accounts must be considered in the credit decision and at underwriter discretion, the account may be required to be resolved prior to loan closing.

- **Disputed accounts not required in cumulative total:**

- Disputed medical accounts
- Disputed accounts that are the result of documented identity theft. If documentation cannot be provided (e.g. police report) to substantiate the claim the amount must be included in the cumulative total
- Disputed derogatory credit account of a non-purchasing spouse in a community property state.



## FHA Conforming and High Balance Program Guidelines

### Derogatory Credit (cont.)

- **Disputed Accounts – Non-Derogatory**
  - A disputed account with a zero balance, or
  - A disputed account with late payments aged 24 months or greater, or
  - A disputed account that is current and paid as agreed.
- **Disputed Accounts  $\geq$  \$1,000 (cumulative for all borrowers)**
  - Loans with an “Approve/Eligible” Finding must be downgraded to a manual underwrite if the credit report indicates there are disputed accounts with a cumulative total (includes disputed accounts for **all** borrowers)  $\geq$  \$1,000.
- **Disputed Accounts  $<$  \$1,000 (cumulative for all borrowers)**
  - A downgrade to a manual underwrite is not required if the cumulative total of all disputed accounts  $<$  \$1,000
  - Non-derogatory accounts are not included in the cumulative total, however the underwriter must address when considering the borrower's ability to repay the loan including the impact to the DTI

### Tax Liens

Tax liens must be paid or subordinate to Planet's 1st lien. Tax liens may remain unpaid if:

- Borrower has entered into a valid repayment agreement with the lien holder to make regular payments on the debt, and borrower has made timely payments for at least three months of scheduled payments
- The Borrower cannot prepay scheduled payments in order to meet the required minimum of three months of payments
- The lien holder must subordinate the tax lien to the FHA-insured Mortgage.

### Short Sale Eligible

Borrower(s) are **not** eligible for a new FHA insured mortgage if they pursued a short sale agreement within three (3) years unless the following apply.

- If Short sale within 3 years the mortgage must be downgraded to a Refer and manually underwritten
- 3 year period begins on the date of transfer of title by the Short Sale.

### Short Sale Ineligible

- **Borrower Current at Time of Short Sale**
  - Mortgage payments due on the prior mortgage were made within the month due for the 12 months preceding the short sale, and
  - Installment debt payments for the same time period were also made within the month due.

### Exceptions

An exception to the above may be made if the default was due to extenuating circumstances, such as death of the primary wage earner or a long term un-insured illness. A review of the credit report must indicate satisfactory credit prior to the extenuating circumstances that cause the default.

- **Borrower in Default at Time of Short Sale**
  - A borrower in default on their mortgage payment at the time of the short sale (or pre-foreclosure sale) or a borrower is not eligible for a new FHA insured mortgage for 3 years from the date of the pre-foreclosure sale
  - A borrower who sold their property under FHA's pre-foreclosure sale program is not eligible for a new FHA insured mortgage for 3 years from the date that FHA paid the claim associated with the pre-foreclosure sale.



## FHA Conforming and High Balance Program Guidelines

### Derogatory Credit (cont.)

#### **Short Payoff/Modified/Restructured Loans**

Borrowers are eligible for an FHA rate/term refinance when the existing Note holder(s) will write off the amount of the indebtedness that cannot be refinanced in the new FHA insured mortgage subject to the following:

- The borrower is current on their existing mortgage, and
- There is insufficient equity in the home based on its current appraised value, and/or
- The borrower experienced a reduction in income and does not have the capacity to repay the existing mortgage on the property.

In cases where the existing Note holder(s) is reluctant, or not willing, to write down the indebtedness, a new subordinate lien may be obtained for the amount of which the payoff is short. If payments on the new subordinate financing are required, they must be included in the qualifying ratios unless the payment has been deferred for a minimum of 36 months.

#### **Bankruptcy**

Documentation of 2 years since discharge date of the bankruptcy required. No further documentation is required if discharge date is reflected on the credit report. If discharge is not reflected bankruptcy and discharge must be per Total Scorecard.

Bankruptcy does not automatically disqualify the borrower from obtaining FHA insurance subject to the following guidelines.

- **Chapter 13**

- Borrower has completed 1 year of the payout period, and
- Borrower has made all required payment on time, and
- The borrower has received written permission from the bankruptcy court to enter into a mortgage transaction.

When a Total Scorecard "Accept" recommendation is received:

- Document 2 years have elapsed since discharge date and no further documentation required.
- If not discharged for a minimum of 2 years the loan must be downgraded to a "Refer" and a manual underwrite is required. Manual underwriting guidelines apply.

- **Chapter 7**

When a Total Scorecard "Accept" recommendation is received:

- Document 2 years have elapsed since discharge date and no further documentation required.
- An elapsed period of less than two years, but not less than 12 months, may be acceptable if:
  - The bankruptcy was caused by extenuating circumstances beyond the borrower's control
  - Evidence of the ability to manage financial affairs
  - No new credit obligations have incurred
  - Borrowers whose bankruptcy was discharged < 1 year are generally not eligible.

#### **Consumer Credit Counseling**

- One year of payout under the plan has elapsed
- All payments have been made on time
- The Counseling Agency has provided written permission for the borrower to enter into a mortgage transaction
- If a Total Scorecard Approve/Eligible, Accept/Eligible finding is received, follow AUS findings.

#### **Delinquent Child Support**

Delinquent child support must be paid current or in a payment plan.

#### **Foreclosure/Deed-in-Lieu**

- Borrowers are generally not eligible for new FHA financing if a foreclosure or deed-in-lieu has occurred in the previous 3 years.



## FHA Conforming and High Balance Program Guidelines

<p><b>Derogatory Credit (cont.)</b></p>	<ul style="list-style-type: none"> <li>If &lt; 3 years from the foreclosure settlement date to the application date the borrower may be eligible. The loan must be downgraded to manual underwrite and subject to the following: <ul style="list-style-type: none"> <li>Borrower must have re-established credit</li> <li>No late housing or installment payments after the foreclosure, and</li> <li>A letter of explanation as to the reason for foreclosure.</li> </ul> </li> </ul> <p>NOTE: If the foreclosure was included in a Chapter 7 bankruptcy, the date of the foreclosure deed is used for determining the foreclosure date.</p> <p><b>Collection/Charge-off/Judgments</b></p> <ul style="list-style-type: none"> <li>Loans that do not receive an TOTAL Scorecard of Approve/Eligible or Accept/Eligible Finding, the borrower is required to provide a letter of explanation and supporting documentation for all collection, charge-off accounts and judgments. The letter must document that the collection and/or judgment was not due to the borrower's disregard of their financial obligation or their ability to manage debt.</li> <li>Loans that receive a TOTAL Scorecard of Approve/Eligible or Accept/Eligible finding, a letter of explanation is not required for collection accounts, Charge Off Accounts, accounts with late payments, Judgments or other derogatory information.</li> </ul> <p><b>Collections/Charge Offs</b></p> <p>The underwriter must consider the borrower's ability to repay the mortgage when the cumulative balance for all borrowers of collection/charge-off account(s) is &gt; \$2,000 (including any collection accounts of a non-purchasing spouse in community property states unless excluded by state law) on both manual underwrites and loans with a TOTAL Scorecard finding.</p> <p>All medical collection accounts and all charge-off accounts (medical and non-medical) <b>are excluded</b> from the collection/charge-off guidance. All non-medical collection accounts <b>must be included</b>.</p> <ul style="list-style-type: none"> <li><b>Accounts Cumulative ≥ \$2,000</b> One of the following is required: <ol style="list-style-type: none"> <li>Payment in full prior to or at closing. Source of funds for payoff must be documented, <b>or</b> If borrower currently in a payment plan (no minimum time required) the payoff must be included in the DTI, <b>or</b></li> <li>If a payment plan not established, calculate 5% of the outstanding balance and include in the DTI calculation.</li> </ol> </li> <li><b>Accounts Cumulative &lt; \$2,000</b> No action required. Accounts cannot be paid down to &lt; \$2,000.</li> </ul> <p><b>Judgments</b></p> <p>Judgments are required to be paid off, <b>including</b> judgments against a non-purchasing spouse in community property states (unless excluded by state law) <b>and</b> medical judgments. The payment requirement may be waived if the borrower is currently in a payment plan with the creditor:</p> <ul style="list-style-type: none"> <li>A copy of the agreement is provided, and</li> <li>The borrower has made a minimum 3 months of the scheduled payments as agreed prior to credit approval. Supporting documentation is required.</li> <li>Payments must be included in the DTI calculation</li> </ul> <p>NOTE: The borrower <b>cannot</b> prepay scheduled payments to satisfy the 3 month requirement.</p>
<p><b>Down Payment</b></p>	<p>The minimum down payment requirement is 3.5% from the borrower's own funds or from an acceptable gift/donor, grant or DPA program. See <a href="#">Identity of Interest</a> topic for additional requirements.</p>
<p><b>Down Payment Assistance Program</b></p>	<p>Funds from a DPA program are eligible for down payment, closing costs, etc. subject to HUD guidelines. As a reminder, HUD does not approve government entities (federal/state/local) programs that provide subordinate financing or non-profits or charitable organizations that provide gift funds.</p> <ul style="list-style-type: none"> <li>Non-profits and non-profit instrumentalities of government that provide funds for subordinate financing must be approved by HUD. To view HUDs list of eligible non-profits click here: <a href="#">HUD Approved Nonprofits</a>. Sellers are responsible to be in compliance with HUD requirements for DPA funds.</li> </ul>





## FHA Conforming and High Balance Program Guidelines

<b>Down Payment Assistance Program</b> (cont.)	<ul style="list-style-type: none"> <li>The combined loan amount cannot exceed the lesser of 105% CLTV or 100% of the cost to acquire when the subordinate financing is from a government entity (federal/state/or local) only.</li> <li>Max CLTV is 96.50% if funds are from family member, employer or non-profit organization.</li> </ul>
<b>DTI</b>	<ul style="list-style-type: none"> <li>Maximum DTI for loans with a credit score of 580-619 is 31%/45%, <b>no exceptions</b>.</li> <li>Maximum DTI for loans with a credit score of 620 - 639 – per Total Scorecard findings for Conforming and 50% for High Balance.</li> <li>Maximum DTI for loans with a credit score <math>\geq</math> 640 - per TOTAL Scorecard findings.</li> <li>Loans that received a “Refer” Finding from TOTAL Scorecard and require manual underwriting or have been downgraded to manual underwriting after a Total Scorecard Approve/Eligible or Accept/Eligible finding, the maximum DTI is 31%/43% unless HUD compensating factors are met.</li> <li>The debt-to income ratio includes the following:               <ul style="list-style-type: none"> <li>Monthly housing expense, and</li> <li>Additional recurring charges extending 10 months or more, such as                   <ul style="list-style-type: none"> <li>Installment accounts,</li> <li>Child support or separate maintenance payments,</li> <li>Revolving accounts, and</li> <li>Alimony</li> </ul> </li> </ul> </li> <li>Monthly payments on revolving or open-end accounts, regardless of their balances, are counted in the DTI for qualifying purposes even if the account may be paid off within 10 months or less.</li> <li>Debts &lt; 10 months remaining must be included in the DTI if the amount of the debt will affect the borrower's ability to pay the mortgage in the months immediately following loan closing particularly if the borrower has limited or no reserves.</li> </ul> <p>Refer to the <a href="#">Manual Underwrites</a> topic for maximum DTI and acceptable compensating factors as required by HUD.</p>
<b>Employment</b>	<ul style="list-style-type: none"> <li>A two year employment history is required for both wage earners and self-employed borrowers</li> <li>A verbal verification of employment (VVOE) or electronic verification (acceptable to FHA) is required within 10 business days of the Note date for salaried borrowers and 30 calendar days for self-employed borrowers.</li> <li>Sellers must independently obtain the phone number, and when possible, the address of the wage earner borrower's employer using directory assistance/internet/phone book, etc.</li> </ul> <p>NOTE: A sample VVOE form is posted on the Planet website under “Forms and Resources”. Sellers are not required to utilize this exact form, however any form used, must provide the information contained on the Planet form.</p> <p><b>Employed Borrowers</b></p> <ul style="list-style-type: none"> <li>A current paystub with YTD income of at least one month, and W-2s for prior 2 years or per TOTAL Scorecard</li> <li>A borrower who has returned to work after an extended absence (6 months or more) will be allowed to use their current income if:               <ul style="list-style-type: none"> <li>The borrower has been employed in their current job for 6 months or longer, and</li> <li>A 2 year work history, prior to the absence from employment, can be documented (e.g. copies of W-2s or paystubs from previous job required).</li> </ul> </li> </ul> <p><b>Employed by Family Business</b></p> <p>In addition to normal employment verification, a borrower employed by a family owned business is required to provide evidence that they are not the owner of the business. Acceptable evidence includes;</p> <ul style="list-style-type: none"> <li>Copies of signed personal tax returns, or</li> <li>Signed copies of the corporate tax returns showing ownership percentage.</li> </ul>





## FHA Conforming and High Balance Program Guidelines

### Employment and Income

#### Self-employed borrowers

- Self-employed borrowers are individuals who have 25% or greater ownership interest in a business.
- Self-employed borrower's business requires verification of the business by a third party source (e.g. CPA, Federal Tax ID Certificate, and Business License).
- FHA considers income from self-employed borrowers to be stable if the borrower has been self-employed for 2 or more years. Borrowers with 1-2 years self-employment history may be eligible subject to the following:
  - Borrower has 2 years documented previous successful employment in the line of work in which they are self-employed or it is a related occupation, or
  - A combination of one year of self-employment and previously employed in the same line of work or in a related occupation is also acceptable.

NOTE: < 1 year of income from self-employment is not considered effective income.

- Annual earnings that are stable or increasing are acceptable, while businesses that show a significant decline in income over the analysis period are not acceptable, even if the current income and debt ratios meet FHA guidelines
  - Income declining more than 20% per year, require a downgrade to manual underwrite and justified use of income
  - Depreciation and/or depletion may be added back
- Tax transcripts are acceptable in lieu of a signed individual or business tax return
- Corporations, S-Corporation or partnership are required to provide signed copies of Federal Business income tax returns for the last 2 years with all applicable tax schedules
- Year-to-date Profit & Loss (P&L) statement and balance sheet are required if more than a calendar quarter has elapsed since date of most recent calendar or fiscal-year end tax return was filed by the borrower
- If the income used to qualify the borrower exceeds the two year average of tax returns, an audited P&L or signed quarterly tax returns obtained from the IRS are required
- Borrowers who do not use a CPA or Tax Service Professional may supply an unaudited P&L or quarterly tax returns obtained from the IRS
  - An example of a situation of when an unaudited P&L would be acceptable is a borrower who owns a small business where the borrower self-prepares their tax returns or they engage a CPA/Tax preparer on an annual basis
  - Regardless of who prepares the unaudited P&L, it cannot be used in the income calculation.
- If TOTAL Scorecard returns an Approve/Eligible or Accept/Eligible recommendation follow TOTAL income documentation requirements.
  - Individual tax returns show increasing self-employment income over the past 2 years
  - Funds to close are not coming from business accounts, and
  - The proposed FHA insured mortgage is not a cash-out refinance.

#### Rental Income

- Subject Property
  - A current lease agreement
  - 1040's are required unless the property was purchased within the previous 12 months
- Other Real Estate Owned- Borrowers without history of rental income, document the date of acquisition by providing the deed, closing disclosure etc.
  - 1040s required unless property purchased within the past 12 months
  - A current lease agreement or appraisal with Fannie Mae form 216 showing the fair market rent.
- Conversion of Current Residence
  - Rental income from a principal residence that is being vacated will **not** be considered for qualifying purposes **except as follows**:
    - Rental income from all units of the property being vacated can be used to qualify as long as the appropriate vacancy factor is used (determined by the applicable HOC) provided the reason for the relocation is acceptable and the sufficient equity requirement is met as detailed below.



## FHA Conforming and High Balance Program Guidelines

<b>Employment and Income (cont.)</b>	<p>Relocations</p> <ul style="list-style-type: none"> <li>– The borrower is relocating due to new job or job transfer to an area &lt; 100 miles from borrowers current resident</li> </ul> <p>Sufficient Equity in the Property</p> <ul style="list-style-type: none"> <li>– The borrower has an LTV of 75% or less as documented by:</li> <li>– An appraisal that is no more than 6 months old, or</li> <li>– An Exterior-Only appraisal (2055) or (1075).</li> </ul> <p>Borrowers with no history of rental income</p> <ul style="list-style-type: none"> <li>– An executed lease agreement, for a minimum of 1 year, is required. Evidence of the security deposit and/or one months' rent is recommended.</li> </ul> <p><b>Projected Income from New Job</b></p> <p>Projected income from a new job that the borrower is scheduled to start is eligible subject to the following:</p> <ul style="list-style-type: none"> <li>• Written verification and documentation of existence and amount of expected income required from employer</li> <li>• The borrower must be scheduled to start the new position within 60 days of loan closing</li> <li>• Borrower must have sufficient other income or cash reserves to pay the mortgage and all other obligations from loan closing to the start of the new job</li> <li>• A letter, signed by the borrower(s) is required certifying that a paystub or other acceptable documentation to validate the borrower has started employment will be provided as soon as received by the borrower.</li> </ul>
<b>Escrow Holdback</b>	<p>Loans with an escrow holdback are eligible for purchase when all funds are disbursed prior to the loan being purchased by Planet except as noted below. Loans must meet Planet loan seasoning requirements detailed in <a href="#">Chapter 8 – Loan Purchasing</a>. Loans with holdback funds not disbursed prior to purchase are eligible as follows:</p> <ul style="list-style-type: none"> <li>• <b>Newly constructed properties – weather related</b> <ul style="list-style-type: none"> <li>– Funds held for completion of grading of yard/driveway, pouring of concrete for driveway/sidewalks</li> <li>– Seller must provide proof of completion and release of funds post-purchase</li> </ul> </li> <li>• <b>Newly constructed properties with city held bond – weather related</b> <ul style="list-style-type: none"> <li>– Eligible for purchase with temporary Certificate of Occupancy when a city bond is held for completion of roads and/or driveways</li> </ul> </li> <li>• <b>New construction – non-weather related</b> <ul style="list-style-type: none"> <li>– Funds held for completion of landscaping</li> <li>– Seller must provide proof of completion and release of funds post-purchase.</li> </ul> </li> </ul>
<b>Gifts Funds</b>	<ul style="list-style-type: none"> <li>• Gift funds are eligible for down payment, closing costs and reserve requirements if required. Excess funds must be returned to donor.</li> <li>• Credit scores 580-619: No gifts/DPA allowed until down payment requirement has been met. Gift funds eligible after applicable down payment from borrower own funds requirement is met. Two (2) months bank statements dated prior to loan application date and signed letter attesting all funds are borrower funds required.</li> <li>• 3-4 unit properties require the borrower to have personal reserves equivalent to 3 months PITI after closing on purchase and refinance transactions. Reserves cannot be from a gift.</li> <li>• A gift is acceptable if the donor is: <ul style="list-style-type: none"> <li>– A relative of the borrower</li> <li>– Borrower's employer or labor union</li> <li>– A close friend with a clearly defined and documented interest in the borrower</li> <li>– A charitable organization approved by FHA</li> <li>– A government agency or public entity that has a program providing home ownership assistance to low and moderate income families or first-time homebuyers.</li> </ul> </li> <li>• Gift funds must be evidenced by a gift letter and it must: <ul style="list-style-type: none"> <li>– Be signed by the donor and the borrower</li> <li>– Indicate the donors name, address, phone number, and relationship to the borrower</li> <li>– State the source of the funds (bank/brokerage acct. etc.)</li> <li>– Include a statement by the donor that no repayment of the gift funds is expected</li> <li>– Specify the dollar amount.</li> </ul> </li> </ul>



## FHA Conforming and High Balance Program Guidelines

<b>Gifts Funds(cont.)</b>	<ul style="list-style-type: none"> <li>• Gift fund availability and transfer of the funds must be documented as noted below: <ul style="list-style-type: none"> <li>– Gift funds given prior to closing; copy of the donor's cancelled check (front and back) and conclusive evidence that the money was withdrawn from the donor's account (conclusive evidence might be a withdrawal slip or bank statement and the borrower's deposit slip and/or bank statement verifying the deposit)</li> <li>– Gift funds given to closing agent; a copy of donor's check to the closing agent or documentation of the wire transfer is required, and Gift must be reflected on CD.</li> </ul> </li> </ul> <p>NOTE: When a bank statement is used to document funds, the donor <b>may</b> be required to document large deposits to ensure the funds did not come from an interested third party.</p> <ul style="list-style-type: none"> <li>• FHA allows donors to borrow gift funds from any acceptable source provided the borrowers are not obligors to any Note to secure the money borrowed for the gift. Written evidence that the funds were borrowed from an acceptable source and not from a party to the transactions is required <b>OR</b> copy of the loan document verifying the loan is in the name of the donor and borrower is not responsible for repayment. A copy of the deposit slips verifying the deposit.</li> </ul> <p>NOTE: A sample gift letter is available at <a href="http://www.phlcorrespondent.com">www.phlcorrespondent.com</a> under the Forms &amp; Resources tab.</p> <p><b>Ineligible</b></p> <p>The gift donor may <b>not</b> be a person or entity with an interest in the sale of the property including:</p> <ul style="list-style-type: none"> <li>– Seller</li> <li>– Real estate agent or broker</li> <li>– Builder or associated entity</li> </ul> <p>Gifts from these sources are considered "inducements to purchase" and must be subtracted from the sales price.</p> <p>Regardless of when gift funds are made available to the borrower, it must be determined that the gift funds were not provided by an unacceptable source and that the gift funds were the donor's own funds.</p>
<b>Gift of Equity</b>	<ul style="list-style-type: none"> <li>• Allowed from an immediate family member only. Refer to the <a href="#">Identity of Interest</a> topic for HUD's definition of an immediate family member</li> <li>• A gift letter must be provided (refer to gift funds above for gift letter requirements)</li> <li>• The CD must indicate "gift of equity".</li> </ul>
<b>Identity of Interest</b>	<p>Defined as the purchase of a primary residence between parties with a family or business relationship/business affiliates.</p> <ul style="list-style-type: none"> <li>• The maximum LTV for an identity of interest transaction is 85%</li> <li>• For the purpose of Identity of Interest transactions, FHA defines a family member as: <ul style="list-style-type: none"> <li>– Child (son/stepson, daughter/stepdaughter)</li> <li>– Parent or grandparent (step-parent/grandparent or foster parent/grandparent)</li> <li>– Spouse</li> <li>– Legally adopted son or daughter, including a child who is placed with the borrower by an authorized agency for legal adoption</li> <li>– Foster child</li> <li>– Brother/stepbrother</li> <li>– Sister/stepsister</li> <li>– Aunt or Uncle</li> </ul> </li> <li>• If the property being sold between family members is the seller's investment property, the maximum mortgage is the lesser of: <ul style="list-style-type: none"> <li>– 85% of the appraised value, <b>or</b></li> <li>– The appropriate LTV factor applied to the sales prices, plus or minus required adjustments.</li> </ul> </li> </ul> <p><b>Exceptions to the maximum LTV for Identity of Interest Transactions</b></p> <p>FHA will allow financing above 85% in specific circumstances as detailed below:</p> <ul style="list-style-type: none"> <li>• A family member purchases another family member's home as a principal residence.</li> <li>• A current tenant, including a family member, who has been a tenant occupying the property for a minimum of 6 months preceding the purchase contract. Evidence, such as a lease or other written evidence, is required to verify occupancy.</li> </ul>



## FHA Conforming and High Balance Program Guidelines

<b>Identity of Interest (cont.)</b>	<ul style="list-style-type: none"> <li>An employee of a builder purchases one of the builder's new homes or models as a principal residence</li> <li>A Corporation: <ul style="list-style-type: none"> <li>Transfers an employee to another location</li> <li>Purchases the employee's home, and</li> <li>Seller the home to another employee.</li> </ul> </li> </ul>																
<b>Impound Account</b>	Required on all loans, no exceptions																
<b>Inspections/ (well/Septic/Termite)</b>	<p>FHA requires property be connected to public water or sewer, if feasible. FHA considers it feasible if the cost to connect to the public utilities is 3% or less of the properties appraised value. If it is not feasible the appraiser must confirm that the private well/ septic meets FHA requirements detailed in the HUD guidelines.</p> <ul style="list-style-type: none"> <li>Septic inspections are required when: <ul style="list-style-type: none"> <li>The appraiser indicates there is evidence the septic system may be failing, or</li> <li>The property is new construction, or</li> <li>Mandated by state or local jurisdiction, or</li> <li>Customary to the area</li> </ul> </li> <li>Termite inspections are required when the purchase contract requires one, or the appraiser indicates there is evidence of active infestation.</li> <li>Well inspections are required when state or local regulations require, or if there is indication the well may be contaminated.</li> </ul>																
<b>Manual Underwrites and DTI Maximum</b>	<p>Manual underwrites are subject to the following HUD requirements. The table below identifies the maximum eligible DTI as determined by the applicable compensating factor. Non-occupant co-borrower income may not be used to calculate DTI. This section does not apply to 203(h) loans (see section PDMDA for details). Detailed compensating factor requirements follow.</p> <table border="1"> <thead> <tr> <th>Credit Score</th><th>Maximum DTI</th><th>Requirements</th></tr> </thead> <tbody> <tr> <td>620+ and No compensating Factors</td><td>3/1%/43%</td><td> <ul style="list-style-type: none"> <li>Max DTI new requirements; underwriter discretion no longer allowed</li> <li>Cash reserve requirements: <ul style="list-style-type: none"> <li>1-2 units: minimum 1 month reserves</li> <li>3-4 units: minimum 3 months reserve</li> </ul> </li> </ul> </td></tr> <tr> <td>620+ and One compensating Factor</td><td>3/7%/47%</td><td> <p>Compensating factors must be one of the following:</p> <ul style="list-style-type: none"> <li>Cash reserve requirements: <ul style="list-style-type: none"> <li>1-2 units: minimum 3 month reserves</li> <li>3-4 units: minimum 6 months reserves</li> </ul> </li> <li>Residual income</li> <li>Additional income not used for qualification</li> </ul> </td></tr> <tr> <td>620+ and No discretionary Debt</td><td>40%/40%</td><td> <p>All requirements under the "No Discretionary Debt" topic must be met:</p> <ul style="list-style-type: none"> <li>Cash reserve requirements: <ul style="list-style-type: none"> <li>1-2 units: minimum 1 month reserves</li> <li>3-4 units: minimum 3 months reserve</li> </ul> </li> </ul> </td></tr> <tr> <td>620+ and Two Compensating Factor</td><td>40%/50%</td><td> <p>Compensating factors must be two of the following:</p> <ul style="list-style-type: none"> <li>Cash reserve requirements: <ul style="list-style-type: none"> <li>1-2 units: minimum 3 month reserves</li> <li>3-4 units: minimum 6 months reserve</li> </ul> </li> <li>Residual income</li> <li>Additional income not used for qualification</li> </ul> </td></tr> </tbody> </table> <p>Note: Manufactured Houses are ineligible for manual underwrites.</p>		Credit Score	Maximum DTI	Requirements	620+ and No compensating Factors	3/1%/43%	<ul style="list-style-type: none"> <li>Max DTI new requirements; underwriter discretion no longer allowed</li> <li>Cash reserve requirements: <ul style="list-style-type: none"> <li>1-2 units: minimum 1 month reserves</li> <li>3-4 units: minimum 3 months reserve</li> </ul> </li> </ul>	620+ and One compensating Factor	3/7%/47%	<p>Compensating factors must be one of the following:</p> <ul style="list-style-type: none"> <li>Cash reserve requirements: <ul style="list-style-type: none"> <li>1-2 units: minimum 3 month reserves</li> <li>3-4 units: minimum 6 months reserves</li> </ul> </li> <li>Residual income</li> <li>Additional income not used for qualification</li> </ul>	620+ and No discretionary Debt	40%/40%	<p>All requirements under the "No Discretionary Debt" topic must be met:</p> <ul style="list-style-type: none"> <li>Cash reserve requirements: <ul style="list-style-type: none"> <li>1-2 units: minimum 1 month reserves</li> <li>3-4 units: minimum 3 months reserve</li> </ul> </li> </ul>	620+ and Two Compensating Factor	40%/50%	<p>Compensating factors must be two of the following:</p> <ul style="list-style-type: none"> <li>Cash reserve requirements: <ul style="list-style-type: none"> <li>1-2 units: minimum 3 month reserves</li> <li>3-4 units: minimum 6 months reserve</li> </ul> </li> <li>Residual income</li> <li>Additional income not used for qualification</li> </ul>
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## FHA Conforming and High Balance Program Guidelines

**Manual Underwrites  
and DTI Maximum  
(cont.)**

Compensating Factors	Requirements
<b>Additional Cash Reserves</b>	<ul style="list-style-type: none"><li>• 1 and 2 units: 3 months or more of the total monthly mortgage payment (PITI + MIP)</li><li>• 3-4 units: 6 months or more of the total monthly mortgage payment (PITI+MIP)</li></ul> Retirement accounts (IRA, 401K, Keogh, etc. ) are eligible to satisfy reserve requirements subject to: <ul style="list-style-type: none"><li>– Maximum 60% of the vested account, minus any outstanding loan balance (s) may be used any funds used for loan settlement must be excluded)</li><li>– The account allows for withdrawals other than for retirement, death or employment termination. If not, the funds are ineligible towards reserves.</li></ul> The following are <b>ineligible</b> to meet reserve requirements: <ul style="list-style-type: none"><li>• Any cash-back from the cash-out refi transactions</li><li>• Gift or borrowed funds</li><li>• Equity in other real estate owned</li></ul>
<b>Minimal Housing Increase</b>	Minimal housing increase defined as: <ul style="list-style-type: none"><li>• New monthly mortgage payment (PITI+MIP) does not exceed the current housing payment by the lesser of:<ul style="list-style-type: none"><li>– \$100, <b>or</b></li><li>– 5% of the current housing payment, <b>and</b></li></ul></li><li>• Borrower <b>must have</b> a documented 12 month housing history; if 12 months housing cannot be documented the minimal housing increase cannot be used as a compensating factor.</li></ul> The following applies to the required housing history: <ul style="list-style-type: none"><li>• Purchase and rate/term refinance transactions; maximum 1x30 in previous 12 months</li><li>• Cash-out transactions: 0x30 in previous 12 months</li></ul>
<b>No Discretionary Debt</b>	May be considered a compensating factor when: <ul style="list-style-type: none"><li>• The <b>only</b> open account with an outstanding balance that is not paid off monthly is the borrower's mortgage (N/A to purchase borrowers who currently rent), <b>and</b></li><li>• The borrower's credit report indicates established tradelines, open for a minimum of 6 months, in the borrower's name (authorized user accounts <b>not</b> eligible), <b>and</b></li><li>• The borrower has paid any account balances in full for the previous 6 months (documentation of payment is required).</li></ul>



## FHA Conforming and High Balance Program Guidelines

**Manual Underwrites  
and DTI Maximum**  
(cont.)

Compensating Factors	Requirements
<b>Additional Income</b> (income that was not used to qualify for the loan)	<p>The following additional income is eligible, if not used for qualification:</p> <ul style="list-style-type: none"><li>• Bonus</li><li>• Overtime</li><li>• Part-time/seasonal</li></ul> <p>The borrower must be able to document receipt of the income for a minimum of 1 year but &lt; 2 years and is likely to continue <b>AND</b> if the income had been used for qualifying the DTI would not be more than 37%/47%.</p> <p>Eligible as follows:</p> <ul style="list-style-type: none"><li>• If DTI will <b>not</b> exceed 37%/47% may be used as the only compensating factor; no additional compensating factor required.</li><li>• If DTI exceeds 37%/47% but is not more than 40%/50% another compensating factor, in addition to additional income, is required.</li></ul> <p>NOTE: Income from anyone not a borrower on the loan may <b>not</b> be used (non-borrowing spouse, domestic partner, etc.)</p>
<b>Residual Income</b>	<p>Eligible subject to VA residual income guidelines (refer to charts).</p> <ul style="list-style-type: none"><li>• <b>All</b> of the borrower's household members are counted regardless of the relationship to the borrower or if they will be on the loan with the exception of "self-sufficient" household members (i.e. the household member who fully supports themselves, with verifiable income, and that income was not used for qualifying)</li><li>• Residual income is determined by taking the <b>gross</b> monthly income of all occupying borrowers and <b>deducting</b> the following:<ul style="list-style-type: none"><li>– Federal and state taxes, social security</li><li>– Proposed housing payment</li><li>– Fixed monthly expenses (revolving/installment debt child support/alimony obligations, child care expenses, and</li><li>– Home maintenance costs (calculated at 14¢ per square foot)</li></ul></li></ul> <p>NOTE: Non-taxable income cannot be grossed up to meet residual income requirements.</p>



## FHA Conforming and High Balance Program Guidelines

### Manual Underwrites and DTI Maximum (cont.)

#### Residual Income Requirements:

Loan Amounts ≤ 79,999				
Family Size	Northeast	Midwest	South	West
1	\$390	\$382	\$382	\$425
2	\$654	\$641	\$641	\$713
3	\$788	\$772	\$772	\$859
4	\$888	\$868	\$868	\$967
5	\$921	\$902	\$902	\$1,004
Over 5	Add \$75.00 for each additional family member up to 7.			
Loan Amounts ≥ 80,000				
Family Size	Northeast	Midwest	South	West
1	\$450	\$441	\$441	\$491
2	\$755	\$738	\$738	\$823
3	\$909	\$889	\$889	\$990
4	\$1,025	\$1,003	\$1003	\$1,117
5	\$1,062	\$1,039	\$1,039	\$1,158
Over 5	Add \$80.00 for each additional family member up to 7			

Geographic Regions as Defined by VA			
Northeast	Connecticut	New Hampshire	Pennsylvania
	Maine	New Jersey	Rhode Island
	Massachusetts	New York	Vermont
Midwest	Illinois	Michigan	North Dakota
	Indiana	Minnesota	Ohio
	Iowa	Missouri	South Dakota
	Kansas	Nebraska	Wisconsin
South	Alabama	Kentucky	Puerto Rico
	Arkansas	Louisiana	South Carolina
	Delaware	Maryland	Tennessee
	District of Columbia	Mississippi	Texas
	Florida	North Carolina	Virginia
	Georgia	Oklahoma	West Virginia
West	Alaska	Hawaii	New Mexico
	Arizona	Idaho	Oregon
	California	Montana	Utah
	Colorado	Nevada	Washington
			Wyoming





## FHA Conforming and High Balance Program Guidelines

<b>Manufactured Housing</b>	<p><b>Eligible Properties</b></p> <ul style="list-style-type: none"><li>• The manufactured home must be:<ul style="list-style-type: none"><li>– 1 unit, multi-wide dwelling</li><li>– Built and remain on a permanent chassis</li><li>– Classified as real estate</li><li>– Designed to be used as a dwelling with a permanent foundation built to FHA criteria</li><li>– Existing or New construction</li><li>– HUD REOs</li><li>– PUDs</li><li>– The home must not have been installed or previously occupied at any other site or location.</li></ul></li><li>• Minimum 400 square feet of gross living area</li><li>• The home must have been constructed on or after June 15, 1976 in compliance with Federal Manufactured Home Construction and Safety Standards (MHCSS). Manufactured homes produced prior to the above date are ineligible.</li><li>• Running Gear, towing hitch must be removed</li><li>• The perimeter enclosure must be properly enclosed by a continuous wall adequately secured to the perimeter of the unit. If the perimeter enclosure is non-load-bearing skirting comprised of lightweight material, the entire surface area of the skirting must be permanently attached to backing made of concrete, masonry, treated wood or a product with similar strength and durability.</li><li>• Utility hook-ups (electrical, gas, water, sewage, etc.) for manufactured homes are subject to HUDs standard guidelines regarding utilities.</li></ul> <p><b>Ineligible Properties</b></p> <ul style="list-style-type: none"><li>• 2-4 units</li><li>• Condos</li><li>• Leaseholds</li><li>• Properties located in a 100 year Flood zone</li><li>• Singlewide</li></ul> <p><b>Documentation:</b></p> <ul style="list-style-type: none"><li>• A HUD certification label is required. If the label is missing a Label Verification Letter from the <a href="#">Institute for Building Technology and Safety (IBTS)</a> is required.</li><li>• A foundation certification must be obtained from a licensed professional engineer or architect, who is licensed/registered in the state where the manufactured home is located, certifying compliance with the Permanent Foundation Guide for Manufactured Housing (PFGMH 4930.3G). A foundation certification from a previous FHA insured mortgage is acceptable.</li></ul> <p><b>Appraisal Requirements:</b></p> <ul style="list-style-type: none"><li>• A minimum of (2) manufactured home comparable sales, which are permanently affixed to a permanent foundation, in the comparable sales grid of the appraisal is required</li><li>• If any additions or alteration have been made to the home they must be addressed in the foundation certification. If additions/alterations are not addressed the following is required:<ul style="list-style-type: none"><li>– An inspection by a state agency that inspects manufactured homes for compliance, or</li><li>– Certification of the structural integrity from a licensed structural engineer if the state does not employ inspectors</li></ul></li><li>• Information on the HUD Data Plate, which is affixed to the interior of the property, must be included in the appraisal:<ul style="list-style-type: none"><li>– Manufacturer name</li><li>– Serial number</li><li>– Model number</li><li>– Date of manufacture, and</li><li>– Wind, roof load, and thermal zone maps</li></ul></li></ul> <p><b>NOTE:</b> If the Data Plate is missing or the appraiser is unable to locate the appraiser must indicate the on the appraisal report; the appraiser is not required to obtain this information from another source, the Seller must obtain the information from IBTS.</p>
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## FHA Conforming and High Balance Program Guidelines

<b>Manufactured Housing (cont.)</b>	<ul style="list-style-type: none"> <li>Any deficiencies must be disclosed on the appraisal and additional inspections completed as applicable.</li> </ul> <p><b>Flood Zone</b> Finished grade elevation beneath the Manufactured Home or, if a basement is used, the grade beneath the basement floor must be at or above the 100-year return frequency flood elevation. Properties located in a FEMA flood zone A or V, require one of the following items be provided to the appraiser before the appraisal can be completed:</p> <ul style="list-style-type: none"> <li>Letter of Map Amendment (LOMA) - that removes the property from the flood zone and the appraiser does not need to indicate the property is in a flood zone, or</li> <li>Letter of Map Revision (LOMR) - that removes the property from the flood zone and the appraiser does not need to indicate the property is in a flood zone, or</li> <li>Flood elevation certification - the appraiser must indicate property is in a flood hazard area on the appraisal report.</li> </ul> <p>Refer to <a href="#">FHA Handbook 4000.1</a> for complete Manufactured Housing Guidelines. For topics not covered in the section please refer to the FHA standard Program Guide in the Planet Seller guide.</p>
<b>Mortgage/Rental History</b>	<ul style="list-style-type: none"> <li>Mortgage history must be verified for the previous 12 months if it does not appear on the credit report.</li> <li>Rental payment history may be verified as follows per TOTAL Scorecard <ul style="list-style-type: none"> <li>Copies of cancelled rent checks</li> <li>A direct verification of rent (VOR) provided by a professional management company, or</li> <li>Copies of money orders</li> </ul> </li> <li>Mortgage must be current for the month closing</li> <li>Mortgage pay history &lt; 6 months, requires downgrade to manual underwrite</li> <li>Cash-out transactions require 0x30 in previous 12 months. A minimum 6 month pay history is required. If pay history is &gt; 6 months but &lt; 12 all payments must have been made in the month due.</li> <li>0x30 in the previous 12 months on loans downgraded to a manual underwrite</li> <li>1x30 in the previous 12 months may be eligible on purchase or rate/term refinance transactions</li> <li>for extenuating circumstances at underwriter discretion.</li> </ul> <p>Credit score of <b>580-619</b> requires the following:</p> <ul style="list-style-type: none"> <li><b>Purchase transactions:</b> A minimum 12 month documented housing history with 0x30 in previous 12 months. Borrowers without a 12 month housing history are <b>ineligible</b>. VOR, including VOR from professional management company, or landlord letters not eligible to document housing history.</li> <li><b>Refinance transactions:</b> Minimum 2 year payment history on the current loan with 0x30 in previous 24 months required; &lt; 2 year payment history the loan is ineligible.</li> </ul>
<b>Mortgage Seasoning</b>	<p>If the loan being refinanced is an existing government loan, the below mortgage seasoning requirements must be met.</p> <p>On the date of the case assignment:</p> <ul style="list-style-type: none"> <li>Six (6) consecutive monthly payments must have been made on the subject property being refinanced</li> <li>Six (6) months must have passed since the first payment due date of the subject</li> <li>210 days must have passed since the closing date of the subject property being refinanced, and</li> <li>Six (6) payments since assumption date must have passed (if applicable).</li> </ul> <p><b>Note:</b> Refinance of loans on which fewer than six (6) consecutive regularly scheduled payments have been made are not eligible for financing. Borrowers with a credit score of 580-619 require 24 months payments on mortgages being refinanced.</p>
<b>Multiple FHA Loans</b>	<ul style="list-style-type: none"> <li>Generally a borrower is only allowed to have one FHA loan and is not eligible to acquire another FHA mortgage until they have paid off the mortgage or terminated ownership.</li> <li>More than one FHA loan is allowed under very specific circumstances as detailed below.</li> </ul>



## FHA Conforming and High Balance Program Guidelines

<p><b>Multiple FHA Loans</b> (cont.)</p>	<ul style="list-style-type: none"> <li>– <b>Relocations</b> <ul style="list-style-type: none"> <li>○ Borrower is relocating and establishing residency more than 100 miles from his/her current primary residence.</li> <li>○ Relocating for employment related reasons</li> </ul> </li> <li>– <b>Increase in Family Size (Dependents)</b> <ul style="list-style-type: none"> <li>○ Borrower is required to provide evidence of the increase in dependents and the current properties failure to no longer meet the family's needs, and</li> <li>○ The LTV ratio of the current property must be ≤ 75% LTV, based on the outstanding mortgage balance and an appraisal. If not, the borrower must pay the current loan down to 75% LTV or less.</li> </ul> </li> <li>– <b>Vacating a Jointly Owned Property</b> <ul style="list-style-type: none"> <li>○ The residence will remain occupied by a co-borrower</li> </ul> </li> <li>– <b>Non-Occupying Co-Borrower</b> <ul style="list-style-type: none"> <li>○ Borrower who is currently a non-occupant co-borrower on another FHA mortgage may qualify for a new FHA loan on their own primary residence.</li> </ul> </li> </ul>
<p><b>New Construction Documentation Requirements</b></p>	<p>Maximum financing to 96.5% is allowed. New Construction of Manufactured Housing is eligible. LTV is limited to 90% unless the property:</p> <ul style="list-style-type: none"> <li>• Has a HUD-accepted insured 10-year protection plan covering the property, and</li> <li>• Meets HUD Pre-Approval Requirements as follows: <ul style="list-style-type: none"> <li>– The Property was appraised and the Mortgagee issued form <a href="#">HUD-92800.5B</a>, <i>Conditional Commitment Direct Endorsement Statement of Appraised Value</i>, before construction started; <b>AND</b></li> <li>– A building permit or its equivalent has been issued by a local jurisdiction (not applicable to Manufactured Housing); <b>OR</b></li> <li>– The Mortgagee issued an Early Start Letter.</li> </ul> </li> </ul> <p>The following documentation is required for new construction:</p> <ul style="list-style-type: none"> <li>• Builders Certification of Plans, Specifications and Site(HUD-92541)</li> <li>• Wood Infestation Report, unless the property is located in an area of no-to-slight infestation as indicated on HUD's 'Termite Treatment Exception Areas' list <ul style="list-style-type: none"> <li>– <i>Subterranean Termite Protection Builder's Guarantee</i> (HUD-NPMA-99-A)NewConstruction</li> <li>– <i>Subterranean Termite Service Record</i> (HUD-NPMA-99-B) when the soil is treated with a termiticide</li> </ul> </li> <li>• Well water analysis and/or Septic report from local Health Authority where required by local jurisdictional authority.</li> <li>• Inspections required: <ul style="list-style-type: none"> <li>– LTV ≤ 90%: Final inspection or appraisal showing the property is 100%complete</li> <li>– Maximum financing: inspections required per FHA guidelines</li> </ul> </li> <li>• Warranty of Completion of Construction (HUD 92544)required</li> <li>• <b>Under Construction:</b> <ul style="list-style-type: none"> <li>– Building permit and Certificate of Occupancy (or equivalent);or</li> <li>– A 10-year warranty and final inspection issued by the local authority with jurisdiction over the Property or an FHA Roster Inspector.</li> </ul> </li> <li>• <b>Existing for Less than One Year (100%Complete)</b> <ul style="list-style-type: none"> <li>– Copies of the building permit and CO (or equivalent);or</li> <li>– A 10-year warranty and final inspection issued by the local authority with jurisdiction over the Property or an FHA Roster Inspector;or</li> <li>– An appraisal evidencing Property is 100 percent complete.</li> </ul> </li> </ul>
<p><b>Non-Occupying Co-Borrower</b></p>	<ul style="list-style-type: none"> <li>• Maximum 75% LTV for 1-4 units</li> <li>• The 75% LTV may be exceeded up to the maximum allowable LTV on a 1 unit property only if the non-occupant co-borrower is: <ul style="list-style-type: none"> <li>– Related by blood, marriage or law (i.e. spouses, parent-child, siblings, step- children, aunt, uncle, domestic partner, etc.).</li> </ul> </li> <li>• LTV's <b>may not</b> exceed the maximum allowable LTV if: <ul style="list-style-type: none"> <li>– A family member is selling to a non-occupying familymember</li> <li>– A transaction on a 2-4 unit property</li> <li>– A parent is selling to a child, and the parent will be the non-occupying co- borrower, the maximum LTV is limited to 75%.</li> </ul> </li> </ul>



## FHA Conforming and High Balance Program Guidelines

<b>Non-Occupying Co-Borrower (cont.)</b>	<ul style="list-style-type: none"> <li>• All borrowers, regardless of occupancy status, must sign the security instrument and Note: Co-signers do not execute the security instrument or take title, but they must sign the Note.</li> <li>• Non-occupant co-borrower cannot be added to a cash-out refinance transaction. A non-occupant co-borrower may remain on the cash-out refinance if on the original transaction, however the loan will be subject to a manual underwrite and manual underwriting guidelines.</li> <li>• Non-occupant borrower income may not be used to calculate ratios.</li> </ul>
<b>Non-Purchasing Spouse</b>	<p>The debts of the non-purchasing spouse must be included in the borrower's qualifying ratios, unless specifically excluded by state law, if:</p> <ul style="list-style-type: none"> <li>• The borrowers reside in a community property state, or</li> <li>• The property being purchased is located in a community property state</li> </ul> <p>NOTE: The credit history of the non-purchasing spouse is not considered a reason to deny a loan, however, their obligations must be considered in the DTI unless excluded by state law. A credit report for the non-purchasing spouse must be obtained to determine if the obligations should be included in the DTI.</p>
<b>Occupancy</b>	Owner-occupied primary residence
<b>PDMDA Mortgages (203(h))</b>	<p style="text-align: center;"><b>This section is specific to 203(h) guidelines.</b></p> <p>Section 203(h) provides mortgages to victims of a Presidentially-Declared Major Disaster Area (PDMDA) for the purchase or reconstruction of a single family property.</p> <p>Mortgages to be insured under Section 203(h) must be processed and underwritten in accordance with the regulations and requirements applicable to the 203(b) program.</p> <p>The borrower is not required to make the Minimum Required Investment (MRI).</p> <p><b>LTV</b> Maximum LTV 100% of Adjusted Value</p> <p><b>Refinance</b> Refinance transactions used to reconstruct or repair a damaged residence must be underwritten under the FHA 203(k) program. FHA 203(h) credit and documentation flexibilities may be applied to the FHA 203(k) transactions. The residence only needs to have been completed and ready for occupancy at the time of the disaster. The 203(k) LTV applies.</p> <p><b>AUS</b> DU Approve/Eligible or LPA Accept/Eligible. Manual underwriting permitted.</p> <p><b>Borrower Eligibility</b></p> <ul style="list-style-type: none"> <li>• FHA case number must have been assigned within one year of the PDMDA declaration, unless an additional period of eligibility is provided.</li> <li>• Primary residence only</li> <li>• Minimum credit score 500</li> <li>• Previous Residence documentation:             <ul style="list-style-type: none"> <li>– The borrower's previous residence, owned or rented, was in the disaster area</li> <li>– The property was destroyed or damaged to such an extent that reconstruction or replacement is necessary, and</li> <li>– Proof of damage to the previous house must accompany the mortgage application.</li> </ul> </li> <li>• For purchase transactions, the property does not have to be located in the area where the previous house was located and where the disaster occurred.</li> </ul> <p><b>Underwriting - Special Consideration</b> Seller is required to make every effort to obtain traditional documentation regarding employment, assets and credit and must document all attempts.</p> <p>Where traditional documentation is unavailable, the underwriter may use alternative documentation outlined below. Where specific requirements are not provided, the Seller may use alternative documentation that is reasonable and prudent to rely upon in underwriting the loan. Seller should be as flexible as prudent decision making permits.</p>



## FHA Conforming and High Balance Program Guidelines

<b>PDMDA Mortgages (203(h) (cont.))</b>	<ul style="list-style-type: none"> <li>• <b>Assets</b> Statements downloaded from borrower's financial institution website are acceptable to evidence sufficient assets to close the mortgage if traditional asset documentation is not available.</li> <li>• <b>Credit</b> Borrower with derogatory credit may be considered a satisfactory credit risk if: <ul style="list-style-type: none"> <li>– The credit report indicates satisfactory credit prior to a disaster, and</li> <li>– Any derogatory credit subsequent to the date of the disaster is related to the effects of the disaster.</li> </ul> </li> <li>• <b>Income</b> W-2s and tax returns will be accepted from the IRS to confirm prior employment/Income when: <ul style="list-style-type: none"> <li>– Income/employment records have been destroyed by a disaster, and</li> <li>– Borrower is in the same and/or similar field of work.</li> </ul> <p>Income from Short-term employment obtained after the disaster is acceptable and may be included as qualifying income.</p> </li> <li>• <b>Liabilities</b> The mortgage payment of a disaster declared property may be excluded from liability when the borrower is purchasing a new home. To exclude mortgage payment(s), the Seller must: <ul style="list-style-type: none"> <li>– Ensure the borrower is working with servicing mortgagee to address mortgage obligations, and</li> <li>– Insurance proceeds from the damaged property must be applied to the mortgage of the damaged house.</li> </ul> </li> <li>• <b>Payment History</b> Seller may disregard any late payments on a previous obligation on PDMDA properties when: <ul style="list-style-type: none"> <li>– Late payments are a result of destroyed or damaged property, and</li> <li>– Borrower is not three or more month's delinquent on mortgage at time of the disaster.</li> </ul> <p>The Seller may justify approval if the borrower was 3 or more months delinquent if extenuating circumstances are documented in the file.</p> </li> </ul> <p><b>Eligible Property</b></p> <ul style="list-style-type: none"> <li>– Single Family Residence</li> <li>– FHA approved Condo</li> </ul>
<b>Power of Attorney</b>	<p>A Power of Attorney (POA) is allowed on a case-by-case basis subject to:</p> <ul style="list-style-type: none"> <li>• For extenuating circumstances only; active military personnel or individuals with a documented medical condition that prevents them from attending the closing or performing borrower requirements</li> <li>• Must be specific to the transaction</li> <li>• Eligible on purchase and rate/term refinance transactions only; POA ineligible on cash-out</li> <li>• Must include the borrower name, property address and loan amount</li> <li>• Planet to review and approve prior to loan closing</li> <li>• The POA must be fully executed and notarized</li> <li>• If there are two or more borrowers on the loan, at least one borrower must be present for the closing and sign for the absent borrower as their attorney-in-fact.</li> <li>• The POA must be recorded along with the mortgage.</li> <li>• The borrower must sign the application and disclosures</li> <li>• Certified copy by settlement agent or Lender.</li> </ul>
<b>Prepayment Penalty</b>	<p>Not permitted</p>
<b>Product</b>	<ul style="list-style-type: none"> <li>• Fixed Rate: 15, 20, 25 and 30 year</li> <li>• ARMs: 3/1 and 5/1; T-Bill; Caps: 1/1/5; Margin/Floor: 2.00; Qualified at Note rate</li> <li>• Manufactured Housing is limited to fixed rate only.</li> <li>• See section PDMDA for restrictions.</li> </ul>



## FHA Conforming and High Balance Program Guidelines

<b>Properties - Eligible</b>	<ul style="list-style-type: none"> <li>• Single family residences</li> <li>• 2-4 units</li> <li>• PUDs (attached/detached). PUDs do not require a questionnaire/warranty form.</li> <li>• Condominiums. Must be in an FHA approved project (HRAP approval <b>only</b>) and the approval must be valid when case number issued.</li> <li>• Manufactured Houses classified as real property for a minimum of 12 months</li> <li>• Modular/prefabricated properties 1-unit only. Factory built but not built on a permanent chassis; built on-site similar to stick-built homes; permanently affixed to the foundation; must conform to local building codes. Property is legally classified as real property and assumes characteristics of stick-built such as permanent connections to water, electrical and waste disposal systems.</li> <li>• Mixed use subject to: <ul style="list-style-type: none"> <li>– Property must conform to residential nature of the neighborhood, <b>and</b></li> <li>– Commercial use cannot exceed 25% of the gross living area</li> </ul> </li> <li>• Rural properties. Property must meet HUD guidelines and be accessible from a publicly maintained road and have adequate sewage, water and utilities.</li> <li>• Properties owned free and clear properties (no existing lien). A copy of the tax transcript indicating no mortgage interest is required. If the borrower owns multiple properties, a 1098 is required matching the lien(s) on the 1003 with the 1098 and <b>one</b> of the following: <ul style="list-style-type: none"> <li>– Copy of the hazard insurance declaration page with no mortgagee listed, <b>or</b></li> <li>– Copy of the MERS report for the property showing no mortgage listed, <b>or</b></li> <li>– Copy of the data Verify report showing no mortgage listed.</li> </ul> </li> </ul>
<b>Properties - Ineligible</b>	<ul style="list-style-type: none"> <li>• Builder bailout properties</li> <li>• Commercial Property</li> <li>• Condo Hotels (projects managed or operated as hotel/motel, hotel/motel conversions)</li> <li>• Farms, orchards, ranches</li> <li>• Income producing properties (adult care facilities, bed &amp; breakfast, boarding house, etc.)</li> <li>• Kiddie condos</li> <li>• Manufactured/mobile homes (any property that had/has wheels, axles, towing hitch, etc.)</li> <li>• Multi-family dwellings &gt; 4 units</li> <li>• New Construction of Manufactured Houses/Mobile homes (any property that had/has wheels, axles, towing hitch, etc.)</li> <li>• Non FHA approved condominium projects (DELRAP approvals ineligible)</li> <li>• Cooperative projects</li> <li>• Properties located in the Hawaiian Islands in Lava zones on (1) or two (2) Properties on tribal land</li> <li>• Tax sheltered syndications</li> <li>• Timeshares</li> <li>• Unimproved land</li> <li>• Unique properties (geodesic domes, earth berm homes, log homes, etc.)</li> </ul>
<b>Property Flips</b>	<p><b>Property Re-sold 91 to 180 Days from Acquisition</b></p> <ul style="list-style-type: none"> <li>• Two appraisals are required if the sales price has increased greater than 100% of the acquisition cost. At underwriter discretion, a second appraisal may be required when the increase is &lt; 100%. The borrower cannot be charged for the second appraisal.</li> <li>• The time frame for determining a property flip is measured from the date the seller acquired the property to the date of the purchase contract.</li> </ul> <p><b>Property Flip Exemptions:</b> The following sellers are exempt from FHA's property flipping rules:</p> <ul style="list-style-type: none"> <li>• HUD, VA, FNMA, FHLMC and other Government Agencies</li> <li>• Banks and/or mortgage companies</li> <li>• Properties acquired through inheritance</li> <li>• Relocation firms</li> <li>• Properties acquired by non-profits under agreements with state/local government agencies, and</li> <li>• Builders selling a new built (i.e. not previously occupied) home.</li> <li>• <b>Properties within PDMDA's, only upon issuance of notice of an exemption from HUD.</b></li> </ul>





## FHA Conforming and High Balance Program Guidelines

### Refinance Transactions

Planet will not accept any mortgage that refinances or otherwise replaces a mortgage that has been subject to eminent domain condemnation or seizure, by a state, municipality or other political subdivision of a state.

#### Cash-Out Refinance

- Must have been owned and occupied by the borrower as their primary residence 12 months prior to the case assignment date evidenced by employment documentation or utility bills (exceptions allowed per FHA guidelines).
- On the date of case assignment, at least six (6) consecutive regularly scheduled monthly payments must have been made and applied on the existing loan. Six months must have passed since the first payment due date, and at least 210 days must have passed since the closing date of existing loan.

Note: Refinances of loans on which fewer than six (6) consecutive regularly scheduled monthly payments have been made are not eligible for cash-out financing.

- Properties owned free and clear are eligible for cash-out refinance.
- Maximum LTV/CLTV is 85%:
  - If owned < 12 month; the lesser of the original sales price or the appraised value
  - If owned > 12 months; use the current appraised value

#### Rate/Term (no Cash-Out)

- Permitted on owner occupied primary residence and HUD-approved secondary residences.
- Mortgage payment history
  - < 6 months all payments must have been made on time
  - ≥ 6 months maximum 1x30 day late
- Must have been owned and occupied by the borrower as their primary residence 12 months prior to the case assignment date evidenced by employment documentation or utility bills.
- Maximum LTV/CLTV, based on the current appraised value, is the lesser of:
  - 97.75% max LTV on owner occupied for previous 12 months, or since acquisition if acquired within 12 months at case number assignment,
  - 85% max LTV on owner occupied properties owned fewer than 12 months prior to case assignment date; or if owned less than 12 and borrower has not occupied the property for the entire period of ownership, or
  - 85% LTV for all HUD approved Secondary Residences.

#### Simple Refinance

Existing FHA-insured Mortgage in which all proceeds are used to pay the existing FHA-insured mortgage lien on the subject property and costs associated with the transaction.

- Permitted on owner occupied primary residence and HUD-approved secondary residences.
- Evidence that borrower currently occupies the subject property must be proven with employment documentation and/or utility bills.
- Secondary residence must be approved by [Jurisdictional HOC](#).
- Mortgage payment history
  - < 6 months all payments must have been made on time
  - ≥ 6 months
    - All payments must have been made on time for six months prior to the case number assignment
    - Maximum 1x30 day late for previous 6 months for all mortgages
  - All mortgages secured by subject property must be paid the month prior to disbursement.
  - 12 month history VOM required when mortgage is not reported on borrowers credit report.





## FHA Conforming and High Balance Program Guidelines

<b>Refinance Transactions (cont.)</b>	<ul style="list-style-type: none"> <li>• <b>Maximum LTV/CLTV</b> <ul style="list-style-type: none"> <li>– 97.75% max LTV on owner occupied</li> <li>– 85% for HUD-Approved Secondary Residence.</li> </ul> </li> </ul>
<b>Reserves</b>	<p>Approve/Eligible or Accept/Eligible Findings</p> <ul style="list-style-type: none"> <li>• 1-2 units: not required</li> <li>• 3-4 units: 3 months PITI reserves</li> </ul> <p>Manual Underwrites (loans downgraded or with a “Refer/Eligible” Finding)</p> <ul style="list-style-type: none"> <li>• Credit of 620 or &gt; <ul style="list-style-type: none"> <li>– 1-2 units: 1 month PITI reserves</li> <li>– 3-4 units: 3 months PITI reserves</li> </ul> </li> <li>• Credit scores &lt; 620 see manual underwrite section</li> </ul>
<b>Seller Contributions (Interested Party)</b>	<ul style="list-style-type: none"> <li>• Seller and other interested party contributions are limited to 6% of the sales price</li> <li>• Certain expenses, paid by the seller and other interested parties on behalf of the borrower, are considered “inducements to purchase”. A dollar-for-dollar reduction to the lesser of the sales price or appraised value to the property is required prior to applying the appropriate LTV factor. These expenses include: <ul style="list-style-type: none"> <li>– Contributions exceeding 6% of the sales price</li> <li>– Contributions exceeding the actual costs of prepaid expenses</li> <li>– Discount points and other financing concessions</li> <li>– Decorating allowances</li> <li>– Moving costs</li> <li>– Repair allowances, and</li> <li>– Other costs as determined by the applicable Homeownership Center (HOC).</li> </ul> </li> <li>• FHA also considers the payment of consumer debt by third parties as “inducement to purchase”. When someone other than a family member has paid off debts or other expenses on behalf of the borrower: <ul style="list-style-type: none"> <li>– The funds must be treated as an inducement to purchase, and</li> <li>– There must be a dollar for dollar reduction to the sales price when calculating the maximum insurable mortgage.</li> </ul> </li> </ul> <p>NOTE: The dollar for dollar reduction to the sales price also applies to gift funds not meeting the requirements that the gift be for down payment assistance and provided by an acceptable source.</p>
<b>Subordinate Financing/Secondary Financing</b>	<p>Maximum CLTV 105%. Refer to the chart at the beginning of the FHA program guide for limitations.</p> <ul style="list-style-type: none"> <li>• Acceptable sources of subordinate financing and the maximum CLTV are: <ul style="list-style-type: none"> <li>– Government Entities; CLTV limited to 105%</li> <li>– HOPE Grantees; CLTV limited to 105%</li> <li>– Charitable Organizations; CLTV limited to 105%</li> <li>– HUD Approved Nonprofit; CLTV limited to 105%</li> <li>– Family Members; CLTV limited to 100%</li> <li>– Private Individuals and Other Organizations; CLTV limited to applicable LTV limit</li> </ul> </li> <li>• The CLTV ratio, calculated using the base loan amount and secondary financing amount, must not exceed the CLTV limitations shown above</li> <li>• If existing subordinate financing is a HELOC, the maximum credit limit must be used to determine the HCLTV</li> <li>• Documentation of all subordinate financing terms and loan instruments must be provided.</li> </ul> <p>For complete guidance refer to the <a href="#">HUD Handbook 4000.1</a> and search Secondary Financing.</p>



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<b>Temporary Buydowns</b>	<p>2/1 Buydown allowed</p> <ul style="list-style-type: none"> <li>• An escrow for temporary interest rate buydowns must be established.</li> <li>• Funds must be paid by the Seller and cannot be paid by the borrower, lender or any other third party.</li> <li>• Fixed Rate Loans only; ARMs are ineligible</li> <li>• Acceptable AUS required; Manual underwrite ineligible</li> <li>• Purchase transactions only; Refinance ineligible</li> <li>• The buydown must be for a period of at least 2 years and scheduled reductions in the payments must occur annually.</li> <li>• The effective first year interest rate must be 2% below note rate</li> <li>• The effective interest rate cannot exceed more than 1% per adjustment</li> <li>• Borrower must be qualified at the note rate</li> <li>• Financing contribution limits apply.</li> </ul> <p><b>Interested Party Contribution (IPC)</b> Interested Parties may contribute up to 6% of the sales price toward the borrower's origination fees, other closing costs and discount points. The 6% limit includes IPC payment for temporary interest rate buydowns.</p> <p><b>Calculating Total Mortgage Payment</b> The Seller must use the Note rate when calculating principle and interest for mortgages that involve a temporary interest rate buydown.</p> <p><b>Documentation</b> Seller is responsible for delivering an executed buydown agreement with closing package. Unapplied buydown funds will be netted from the purchase of the loan.</p> <p>Not permitted on refinance transactions.</p>
<b>Transactions - Eligible</b>	<ul style="list-style-type: none"> <li>• Planet limits its exposure to a maximum of 2 loans per borrower and one must be a primary residence</li> <li>• 1031 Exchange subject to HUD guidelines</li> <li>• CEMA (3172). New York CEMAs allowed on refinance transactions. CEMA not eligible on purchase transactions. Sellers must include the recorded original CEMA, including Exhibits A-D and all mortgage assignments</li> <li>• Cash-out</li> <li>• Land contracts subject to HUD guidelines</li> <li>• Limited cash-out refinance (rate/term)</li> <li>• MCC (Mortgage Credit Certificates) on a case basis with Planet Credit Risk Officer approval</li> <li>• Purchase. The assignment of a purchase contract is not allowed</li> <li>• Simple Refinance</li> <li>• Property flips, transactions involving a property being re-sold &gt; 90 days of previous acquisition. See <a href="#">Property Flips</a> topic for exceptions.</li> </ul>
<b>Transactions – Ineligible</b>	<ul style="list-style-type: none"> <li>• Community Land Trusts</li> <li>• FHA Energy Efficient Mortgage (EEM)</li> <li>• FHA Secure</li> <li>• FHA Section 8 loans</li> <li>• Hope for Homeowners</li> <li>• HUD REO \$100 Down program</li> <li>• MCC (Mortgage Credit Certificates) – without Planet Credit Risk Officer approval</li> <li>• Non- HUD approved secondary residences and investment transactions</li> <li>• Texas 50(a)(6)</li> </ul>



## FHA Conforming and High Balance Program Guidelines

<b>Transaction Type</b>	<ul style="list-style-type: none"><li>• <b>Purchase</b><ul style="list-style-type: none"><li>– Mortgage amount is limited to 96.50% of the lesser of the sales price or appraised value.</li></ul></li><li>• <b>Rate/Term Refinance/Simple Refinance</b><ul style="list-style-type: none"><li>– Maximum mortgage amount is limited to the lesser of 97.75% LTV or the existing debt.</li><li>– The mortgage may include the sum of the unpaid principal balance, closing costs points, prepaids and, if applicable, the amount required to satisfy any subordinate liens that were used for the original purchase of the property.</li><li>– Cash back to the borrower cannot exceed \$500.00</li><li>– Subordinate second liens require one year seasoning from funding and must have been a part of the acquisition or for home improvements. If draws on a HELOC exceed \$1,000 within the previous 12 months and were used for purposes other than home improvements, the HELOC is not eligible for a rate/term.</li></ul></li><li>• <b>Cash-out Refinance</b><ul style="list-style-type: none"><li>– Mortgage limited to a maximum of 85% LTV. The mortgage amount must be used to pay the current unpaid principal balance of the existing 1<sup>st</sup> lien and may also be used to pay closing costs, points, prepaids, subordinate mortgage liens and provide additional cash to the borrower</li><li>– No seasoning requirement on the subordinate lien(s)</li><li>– Borrowers who are currently delinquent, in arrears or who have had mortgage delinquencies with the most recent 12 months are not eligible for cash-out transactions</li><li>– Cash-out transactions require 0x30 in previous 12 months. A minimum 6 month pay history is required. If pay history is &gt; 6 months but &lt; 12 all payments must have been made in the month due</li><li>– Properties owned free and clear are eligible for cash-out.</li><li>– Co-borrowers and co-signers cannot be added to the Note to meet underwriting guidelines.</li></ul></li></ul>
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## FHA Conforming and High Balance Program Guidelines

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### Version History

Version	Date	Description of Change
1.0	1/02/18	<ul style="list-style-type: none"><li>• Updated LTV/CLTV for Manufactured housing to 96.50%.</li><li>• Added to Temporary buydowns: not permitted on refinance Transactions.</li></ul>
1.2	2/12/18	<ul style="list-style-type: none"><li>• Added footnotes 7,8</li><li>• Updated 4506-T requirements</li><li>• Removed reference to the Tax Transcript reference document.</li><li>• Added simple Refinance requirements to the Refinance Transaction section.</li><li>• Added: Simple Refinance and MCC (Mortgage Credit Certificates) on case basis with Planet Credit Risk Officer approval as eligible transactions.</li><li>• Update MCC ineligible transaction.</li><li>• Removed the Properties listed for sale . . . verb in the refinance transaction section.</li><li>• Added Simple Refinance header to Transaction type section.</li><li>• Updated Refinance Transaction section: Cash-out.</li><li>• Added mortgage seasoning section.</li></ul>



## FHA Streamline Program Guidelines

Conforming and High Balance

Fixed Rate and ARMs

Primary Residence and Investment <sup>3</sup>					
Transaction Type	Units	LTV	CLTV	Loan Amount <sup>1</sup>	Credit Score
Credit Qualifying Streamline	1	N/A	90%	FHA Limit	580
Credit Qualifying Streamline	1	N/A	125%	FHA Limit	620
Non-credit Qualifying Streamline	1	N/A	125% <sup>2</sup>	FHA Limit	620

**Footnotes:**

1. Eligible conforming and high balance loan amounts by county can be found at: [FHA Mortgage Limits](#)
2. CLTV is based on the value from the previous mortgage.
3. Investment property is eligible with single family residence only.

Complete FHA guidelines can be found in the [HUD Handbook 4000.1](#)

### FHA Streamline Standard Program Overview

Streamline Refinance refers to the refinance of an existing FHA-insured Mortgage requiring limited borrower credit documentation and underwriting. No appraisal is required and CLTV is calculated based upon original value of the property. There are two different streamline options available:

- Credit Qualifying
  - All credit qualifying transactions must meet all FHA manual underwrite requirements except for any requirements for appraisals or LTV Calculations.
  - Qualifying exemptions apply: Refer to the HUD Handbook for complete details.
- Non-Credit Qualifying
  - No credit/capacity analysis
  - No qualifying ratios required
  - Additional qualifying exceptions apply: Refer to the HUD Handbook for complete details.



## FHA Streamline Program Guidelines

Mortgage Insurance Premium Factors for Case Numbers Assigned on or after January 26, 2015				
Mortgage term > 15 years				
Loan Amount	LTV	Annual MIP	Up-front MIP	Annual MIP Duration
≤ \$636,150	≤ 90%	0.80%	1.75	11 years
≤ \$636,150	> 90% ≤ 95%	0.80%		Life of loan
≤ \$636,150	> 95%	0.85%		Life of loan
> \$636,150	≤ 90%	1.00%		11 years
> \$636,150	> 90% ≤ 95%	1.00%		Life of loan
> \$636,150	> 95%	1.05%		Life of loan
Mortgage term ≤ 15				
Loan Amount	LTV	Annual MIP	Up-front MIP	Annual MIP Duration
≤ \$636,150	≤ 90%	0.45%	1.75	11 years
≤ \$636,150	> 90%	0.70%		Life of loan
> \$636,150	≤ 78%	0.45%		11 years
> \$636,150	> 90%	0.95%		Life of loan

For refinance of previous Mortgage endorsed on before May 31, 2009 UFMIP: 1 (bps) (.01%) All mortgages			
All Mortgage Terms			
Loan Amount	LTV	Annual MIP	Annual MIP Duration
All	≤ 90%	0.55%	11 years
	> 90%		Mortgage term
For mortgages where FHA does not require an appraisal, the value from the previous mortgage is used to calculate the LTV.			

Hawaiian Home Lands (Section 247)				
	Loan Term in Years			
	≤ 18	>18 and ≤ 22	> 22 and ≤ 25	> 25
MIP Financed	2.400 %	3.000 %	3.600 %	3.800 %
MIP NOT Financed	2.344 %	2.913 %	3.475 %	3.661 %
Annual MIP is not assessed on Section 247 Mortgages.				





## FHA Streamline Program Guidelines

Planet follows HUD's 4000.1 guidelines for any topic not addressed below.

Topic	Guideline																				
4506-T	<ul style="list-style-type: none"><li>• Credit Qualifying<ul style="list-style-type: none"><li>– Tax transcripts, are required per AUS findings or can be obtained in lieu of W-2 or tax returns both personal and business</li><li>– 4506-T must be signed by all borrowers at loan closing.</li></ul></li></ul> <p>Note: Due to the hacking incidents, Planet will accept transcripts that the borrower obtained from the IRS along with a certification that the returns are true and correct.</p> <ul style="list-style-type: none"><li>• Non-Credit Qualifying<ul style="list-style-type: none"><li>Not required</li></ul></li></ul>																				
Ability to Repay/ HUD Qualified Mortgage	Planet requires all loans to be originated and closed in compliance with Agency and Planet guidelines. Planet will purchase owner-occupied, HUD-approved second home, and investment property transactions as follows: <ul style="list-style-type: none"><li>• Loans eligible under Temporary QM, and</li><li>• Loans that meet the Safe Harbor or Rebuttable Presumption provisions, and</li><li>• Pass the points and fees test, as applicable.</li></ul> Additionally, all disclosures and documentation required under the ATR/QM provisions of the Dodd Frank Act must be provided.																				
Affidavit of Identity	Planet may require an Affidavit of Identity if a borrower signature appears incomplete or illegible.																				
Appraisals	Not required																				
Assets	<ul style="list-style-type: none"><li>• Credit Qualifying<ul style="list-style-type: none"><li>– Standard asset verification required</li></ul></li><li>• Non-Credit Qualifying<ul style="list-style-type: none"><li>– Asset verification not required unless assets required for closing is in excess of the total mortgage payment of the new mortgage.</li></ul></li></ul>																				
AUS	Not applicable. All Streamlines require manual underwrite.																				
Available Markets	<ul style="list-style-type: none"><li>• <b>Delegated Sellers</b> Planet Home Lending will purchase loans underwritten and closed by the delegated seller in <b>all</b> states.</li><li>• <b>Non- Delegated Sellers</b> Planet will purchase loans from non-delegated Sellers in all states on FHA Products. <b>All</b> loans require Planet underwriting approval.</li><li>• The U.S. territories of Guam, Puerto Rico, and the Virgin Islands are ineligible regardless of delegation.</li></ul>																				
Borrower Benefit	<p>All Streamline transactions <b>must</b> have a net tangible benefit to the borrower. Net tangible benefit requirements are as follows:</p> <table><tr><th></th><th colspan="3">TO</th></tr><tr><th>FROM</th><th>Fixed Rate New Combined Rate</th><th>1-Year ARM New Combined Rate</th><th>Hybrid ARM New Combined Rate</th></tr><tr><td>Fixed Rate</td><td>0.5% points below prior Combined Rate</td><td colspan="2">Rate must be at least 2% below the prior Combined Rate.</td></tr><tr><td>Any ARM &lt; 15 months to Next Payment Change Date</td><td>Rate must not be &gt; 2% points above the prior Combined Rate.</td><td colspan="2">Rate must at least 1% point below the prior Combined Rate.</td></tr><tr><td>Any ARM ≥ 15 months to Next Payment Change Date</td><td>Rate must not be &gt; 2% points above the prior Combined Rate.</td><td>Rate must at least 2% point below the prior Combined Rate.</td><td>Rate must at least 1% point below the prior Combined Rate.</td></tr></table> <p>A reduction in term is eligible when the benefit test is met:</p> <ul style="list-style-type: none"><li>• Remaining amortization period of the existing mortgage is reduced</li><li>• New Interest rate does not exceed the current interest rate, and</li><li>• The combined principal, interest and MIP payment of new mortgage must not exceed the combined principal, interest and MIP of the refinanced mortgage by more than \$50.</li></ul>		TO			FROM	Fixed Rate New Combined Rate	1-Year ARM New Combined Rate	Hybrid ARM New Combined Rate	Fixed Rate	0.5% points below prior Combined Rate	Rate must be at least 2% below the prior Combined Rate.		Any ARM < 15 months to Next Payment Change Date	Rate must not be > 2% points above the prior Combined Rate.	Rate must at least 1% point below the prior Combined Rate.		Any ARM ≥ 15 months to Next Payment Change Date	Rate must not be > 2% points above the prior Combined Rate.	Rate must at least 2% point below the prior Combined Rate.	Rate must at least 1% point below the prior Combined Rate.
	TO																				
FROM	Fixed Rate New Combined Rate	1-Year ARM New Combined Rate	Hybrid ARM New Combined Rate																		
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Any ARM ≥ 15 months to Next Payment Change Date	Rate must not be > 2% points above the prior Combined Rate.	Rate must at least 2% point below the prior Combined Rate.	Rate must at least 1% point below the prior Combined Rate.																		



## FHA Streamline Program Guidelines

Borrowers – Eligible	<ul style="list-style-type: none"> <li>• Credit Qualifying Borrower(s) <ul style="list-style-type: none"> <li>– At least one borrower from the existing mortgage must remain as a borrower on the new mortgage.</li> </ul> </li> <li>• Non-Credit Qualifying Borrower(s) <ul style="list-style-type: none"> <li>– Existing borrower (s) who will remain on the new mortgage</li> <li>– Borrower (s) may be added to the title and mortgage without a credit worthiness review.</li> </ul> </li> </ul> <p>Planet <b>does not allow</b> borrowers to be removed from non-credit qualifying streamline transactions except as follows:</p> <ul style="list-style-type: none"> <li>– Borrower(s) may be removed from title and new mortgage in cases of: <ul style="list-style-type: none"> <li>o Divorce</li> <li>o Legal separation, or</li> <li>o Death when: <ul style="list-style-type: none"> <li>▪ A divorce decree or legal separation agreement awarded the property and responsibility for payment to the remaining borrower, if applicable, and</li> <li>▪ The remaining borrower demonstrates all mortgage payments have been paid for a minimum of six (6) months prior to case number assignment. Refer to Mortgage seasoning topic.</li> </ul> </li> </ul> </li> </ul> <ul style="list-style-type: none"> <li>• U.S. citizens</li> <li>• Permanent resident aliens: <ul style="list-style-type: none"> <li>– Permanent resident alien borrowers must hold an unexpired “Green Card” issued by the U.S. Citizenship and Immigration Services (USCIS). A copy of both the front and back of the card is required</li> </ul> </li> <li>• Non-permanent resident aliens are eligible as follows: <ul style="list-style-type: none"> <li>– Borrower has a valid Social Security number (cannot be used as evidence of eligible work status)</li> <li>– Borrower has an unexpired Employment Authorization Document (EAD) issued by the United States Citizenship and Immigration Services (USCIS) as evidence of eligible work status. If the authorization for temporary residency status expires within one year, continuation may be assumed when a prior history of renewals. If no continuation has been previously granted the underwriter must determine the likelihood based on evidence from USCIS.</li> </ul> </li> </ul> <p>NOTE: Borrowers residing in the United States under refugee or asylee status granted by the USCIS are automatically eligible to work in the U.S. therefore an EAD is not required.</p> <ul style="list-style-type: none"> <li>• Inter vivos trusts that meet HUD guidelines</li> <li>• All borrowers are required to have a social security number; a TIN is not acceptable.</li> <li>• Borrowers can only be removed on credit qualifying Streamlines subject to HUD guidelines. Refer to <u>HUD Handbook</u> for guidance.</li> </ul>
Case Numbers	<ul style="list-style-type: none"> <li>• Case number requests must comply with HUD Mortgagee Letter 2011-10. To view the Mortgagee Letter in its entirety go to: HUD Mortgagee Letters</li> <li>• FHA requires that there is an active loan application for the borrower and property Case numbers older than 6 months will be automatically canceled when there has been no activity. A <u>Case Reinstatement Request</u> must be submitted to reinstate the case number.</li> </ul>
Credit Report/Score	<ul style="list-style-type: none"> <li>• Credit Qualifying <ul style="list-style-type: none"> <li>– Full tri-merge credit report required</li> <li>– Minimum 580 credit score (580-619 restrictions apply). Refer to the Credit score 580-619 topic below.</li> </ul> </li> <li>• Non-credit qualifying <ul style="list-style-type: none"> <li>– Mortgage only credit report with credit score <b>on the subject property only.</b></li> </ul> </li> </ul>
Credit Score 580-619	<p>Credit qualifying only</p> <ul style="list-style-type: none"> <li>• Maximum 90% CLTV</li> <li>• Maximum DTI 31%/43%, <b>no exceptions.</b> Maximum applies to both ratios individually (i.e. if the DTI is 34%/42% the loan is <b>ineligible</b>).</li> </ul>



## FHA Streamline Program Guidelines

<b>Credit Score 580-619</b> (cont.)	<ul style="list-style-type: none"> <li>• A minimum 24 month mortgage seasoning with 0x30 in previous 24 months on the loan currently being refinanced. Borrowers without a 24 month mortgage seasoning on the current loan are <b>ineligible</b>.</li> <li>• VA standard residual income requirements apply.</li> </ul> <p>Refer to the <a href="#">HUD Handbook</a> for detailed requirements.</p>
<b>Derogatory Credit</b>	<p><b>The following guidance applies to credit qualifying Streamlines only.</b></p> <p><b>Disputed Derogatory Credit</b> Disputed Derogatory Credit Account refers to disputed Charge Off Accounts, collection accounts, and accounts with late payments in the last 24 months. A letter of explanation is required from the borrower whenever a derogatory disputed account is indicated on the credit report regardless of the cumulative balance. The underwriter determines if the disputed accounts must be considered in the credit decision and at underwriter discretion, the account may be required to be resolved prior to loan closing.</p> <ul style="list-style-type: none"> <li>• <b>Disputed accounts not required in cumulative total:</b> <ul style="list-style-type: none"> <li>– Disputed medical accounts</li> <li>– Disputed accounts that are the result of documented identity theft. If documentation cannot be provided (e.g. police report) to substantiate the claim the amount must be included in the cumulative total</li> <li>– Disputed derogatory credit account of a non-purchasing spouse in a community property state.</li> </ul> </li> <li>• <b>Disputed Accounts – Non-Derogatory</b> <ul style="list-style-type: none"> <li>– A disputed account with a zero balance, or</li> <li>– A disputed account with late payments aged 24 months or greater, or</li> <li>– A disputed account that is current and paid as agreed.</li> </ul> </li> <li>• <b>Disputed Accounts ≥ \$1,000 (cumulative for all borrowers)</b> <ul style="list-style-type: none"> <li>– Loans with an “Approve/Eligible” Finding must be downgraded to a manual underwrite if the credit report indicates there are disputed accounts with a cumulative total (includes disputed accounts for <b>all</b> borrowers) ≥ \$1,000.</li> </ul> </li> <li>• <b>Disputed Accounts &lt; \$1,000 (cumulative for all borrowers)</b> <ul style="list-style-type: none"> <li>– A downgrade to a manual underwrite is not required if the cumulative total of all disputed accounts &lt; \$1,000.</li> <li>– Non-derogatory accounts are not included in the cumulative total, however the underwriter must address when considering the borrower’s ability to repay the loan including the impact to the DTI.</li> </ul> </li> </ul> <p><b>Tax Liens</b> Tax liens must be paid or subordinate to Planet’s 1st lien. Tax liens may remain unpaid if:</p> <ul style="list-style-type: none"> <li>– Borrower has entered into a valid repayment agreement with the lien holder to make regular payments on the debt, and borrower has made timely payments for at least three months of scheduled payments</li> <li>– The Borrower cannot prepay scheduled payments in order to meet the required minimum of three months of payments</li> <li>– The lien holder must subordinate the tax lien to the FHA-insured Mortgage.</li> </ul>



## FHA Streamline Program Guidelines

<b>Derogatory Credit</b> (cont.)	<p><b>Short Sale Eligible</b></p> <p>Borrower(s) are <b>not</b> eligible for a new FHA insured mortgage if they pursued a short sale agreement within three (3) years unless the following apply.</p> <ul style="list-style-type: none"><li>– If Short sale within 3 years the mortgage must be downgraded to a Refer and manually underwritten</li><li>– 3 year period begins on the date of transfer of title by the Short Sale.</li></ul> <p>• <b>Borrower Current at Time of Short Sale</b></p> <ul style="list-style-type: none"><li>– Mortgage payments due on the prior mortgage were made within the month due for the 12 months preceding the short sale, and</li><li>– Installment debt payments for the same time period were also made within the month due.</li></ul> <p><b>Exceptions</b></p> <p>An exception to the above may be made if the default was due to extenuating circumstances, such as death of the primary wage earner or a long term un-insured illness. A review of the credit report must indicate satisfactory credit prior to the extenuating circumstances that cause the default.</p> <p>• <b>Borrower in Default at Time of Short Sale</b></p> <ul style="list-style-type: none"><li>– A borrower in default on their mortgage payment at the time of the short sale (or pre-foreclosure sale) or a borrower is not eligible for a new FHA insured mortgage for 3 years from the date of the pre-foreclosure sale</li><li>– A borrower who sold their property under FHA's pre-foreclosure sale program is not eligible for a new FHA insured mortgage for 3 years from the date that FHA paid the claim associated with the pre-foreclosure sale.</li></ul> <p><b>Short Payoff/Modified/Restructured Loans</b></p> <p>Borrowers are eligible for an FHA rate/term refinance when the existing Note holder(s) will write off the amount of the indebtedness that cannot be refinanced in the new FHA insured mortgage subject to the following:</p> <ul style="list-style-type: none"><li>– The borrower is current on their existing mortgage, and</li><li>– There is insufficient equity in the home based on its current appraised value, and/or</li><li>– The borrower experienced a reduction in income and does not have the capacity to repay the existing mortgage on the property.</li></ul> <p>In cases where the existing Note holder(s) is reluctant, or not willing, to write down the indebtedness, a new subordinate lien may be obtained for the amount of which the payoff is short. If payments on the new subordinate financing are required, they must be included in the qualifying ratios unless the payment has been deferred for a minimum of 36 months.</p> <p><b>Bankruptcy</b></p> <p>Documentation of 2 years since discharge date of the bankruptcy required. No further documentation is required if discharge date is reflected on the credit report. If discharge is not reflected bankruptcy and discharge must be per Total Scorecard.</p> <p>Bankruptcy does not automatically disqualify the borrower from obtaining FHA insurance subject to the following guidelines.</p> <p>• <b>Chapter 13</b></p> <ul style="list-style-type: none"><li>– Borrower has completed 1 year of the payout period, and</li><li>– Borrower has made all required payment on time, and</li><li>– The borrower has received written permission from the bankruptcy court to enter into a mortgage transaction.</li></ul>
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## FHA Streamline Program Guidelines

<b>Derogatory Credit</b> (cont.)	<p>When a Total Scorecard “Accept” recommendation is received:</p> <ul style="list-style-type: none"><li>– Document 2 years have elapsed since discharge date and no further documentation required.</li><li>– If not discharged for a minimum of 2 years the loan must be downgraded to a “Refer” and a manual underwrite is required. Manual underwriting guidelines apply.</li></ul> <p>• <b>Chapter 7</b></p> <p>When a Total Scorecard “Accept” recommendation is received:</p> <ul style="list-style-type: none"><li>– Document 2 years have elapsed since discharge date and no further documentation required.</li><li>– An elapsed period of less than two years, but not less than 12 months, may be acceptable if:<ul style="list-style-type: none"><li>o The bankruptcy was caused by extenuating circumstances beyond the borrower’s control</li><li>o Evidence of the ability to manage financial affairs</li><li>o No new credit obligations have incurred</li><li>o Borrowers whose bankruptcy was discharged &lt; 1 year are generally not eligible.</li></ul></li></ul> <p><b>Consumer Credit Counseling</b></p> <ul style="list-style-type: none"><li>• One year of payout under the plan has elapsed</li><li>• All payments have been made on time</li><li>• The Counseling Agency has provided written permission for the borrower to enter into a mortgage transaction</li><li>• If a Total Scorecard Approve/Eligible, Accept/Eligible finding is received, follow AUS findings.</li></ul> <p><b>Delinquent Child Support</b></p> <p>Delinquent child support must be paid current or in a payment plan.</p> <p><b>Foreclosure/Deed-in-Lieu</b></p> <ul style="list-style-type: none"><li>• Borrowers are generally not eligible for new FHA financing if a foreclosure or deed-in-lieu has occurred in the previous 3 years.</li><li>• If &lt; 3 years from the foreclosure settlement date to the application date the borrower may be eligible. The loan must be downgraded to manual underwrite and subject to the following:<ul style="list-style-type: none"><li>– Borrower must have re-established credit</li><li>– No late housing or installment payments after the foreclosure, and</li><li>– A letter of explanation as to the reason for foreclosure.</li></ul></li></ul> <p>NOTE: If the foreclosure was included in a Chapter 7 bankruptcy, the date of the foreclosure deed is used for determining the foreclosure date.</p> <p><b>Collection/Charge-off/Judgments</b></p> <ul style="list-style-type: none"><li>• Loans that do not receive an TOTAL Scorecard of Approve/Eligible or Accept/Eligible Finding, the borrower is required to provide a letter of explanation and supporting documentation for all collection, charge-off accounts and judgments. The letter must document that the collection and/or judgment was not due to the borrower’s disregard of their financial obligation or their ability to manage debt.</li><li>• Loans that receive a TOTAL Scorecard of Approve/Eligible or Accept/Eligible finding, a letter of explanation is not required for collection accounts, Charge Off Accounts, accounts with late payments, Judgments or other derogatory information.</li></ul> <p><b>Collections/Charge Offs</b></p> <p>The underwriter must consider the borrower’s ability to repay the mortgage when the cumulative balance for all borrowers of collection/charge-off account(s) is &gt; \$2,000 (including any collection accounts of a non-purchasing spouse in community property states unless excluded by state law) on both manual underwrites and loans with a TOTAL Scorecard finding.</p> <p>All medical collection accounts and all charge-off accounts (medical and non-medical) <b>are excluded</b> from the collection/charge-off guidance. All non-medical collection accounts <b>must be included</b>.</p>
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## FHA Streamline Program Guidelines

<b>Derogatory Credit</b> (cont.)	<ul style="list-style-type: none"> <li>• <b>Accounts Cumulative ≥ \$2,000</b> One of the following is required:               <ol style="list-style-type: none"> <li>1. Payment in full prior to or at closing. Source of funds for payoff must be documented, <b>or</b> If borrower currently in a payment plan (no minimum time required) the payoff must be</li> <li>2. included in the DTI, or</li> <li>3. If a payment plan not established, calculate 5% of the outstanding balance and include in the DTI calculation.</li> </ol> </li> <li>• <b>Accounts Cumulative &lt; \$2,000</b> No action required. Accounts cannot be paid down to &lt; \$2,000.</li> </ul> <p><b>Judgments</b> Judgments are required to be paid off, <b>including</b> judgments against a non-purchasing spouse in community property states (unless excluded by state law) <b>and</b> medical judgments. The payment requirement may be waived if the borrower is currently in a payment plan with the creditor:</p> <ul style="list-style-type: none"> <li>– A copy of the agreement is provided, and</li> <li>– The borrower has made a minimum 3 months of the scheduled payments as agreed prior to credit approval. Supporting documentation is required.</li> <li>– Payments must be included in the DTI calculation.</li> </ul> <p>NOTE: The borrower <b>cannot</b> prepay scheduled payments to satisfy the 3 month requirement.</p>
<b>Documentation</b>	<ul style="list-style-type: none"> <li>• Payoff statement on existing mortgage</li> <li>• Employment documentation or utility bills required to evidence property is the current primary residence</li> <li>• Evidence of approved Jurisdictional HOC required on all Secondary Residence</li> <li>• Transaction must be processed as a non-owner occupied Property if:               <ul style="list-style-type: none"> <li>– Evidence that the borrower occupies the property either as a Principal or Secondary Residence <b>cannot</b> be obtained.</li> </ul> </li> </ul> <p><b>Special Documentation</b></p> <ul style="list-style-type: none"> <li>• Credit Qualifying               <ul style="list-style-type: none"> <li>– Full 1003 required</li> </ul> </li> <li>• Non-Credit Qualifying               <ul style="list-style-type: none"> <li>– An abbreviated 1003 is allowed provided all other information is required. The following <b>are not required to be completed and may be left blank.</b> <ul style="list-style-type: none"> <li>o Section IV - Employment Information,</li> <li>o Section V - Monthly Income and Combined Housing Expense Information,</li> <li>o Section VI - Assets and Liabilities, and</li> <li>o Section VIII – Declarations questions A-K</li> </ul> </li> </ul> </li> </ul> <p>NOTE: Planet requires Section VIII Declarations Question "L" be completed.</p>
<b>DTI</b>	<ul style="list-style-type: none"> <li>• Credit Qualifying               <ul style="list-style-type: none"> <li>– Credit scores 580-619 Maximum 31%/43% on credit qualifying unless compensating factors required by HUD are met. Refer to the HUD Handbook for detailed underwriting guidelines and acceptable HUD compensating factors as detailed in <a href="#">HUD ML 2014-02</a>.</li> </ul> </li> </ul> <p>Note: All transactions must meet the manual underwriting requirements except for any requirements for appraisal or LTV calculations.</p> <ul style="list-style-type: none"> <li>• Non-credit qualifying Not required</li> </ul>



## FHA Streamline Program Guidelines

Employment	<ul style="list-style-type: none"><li>• Credit Qualifying<ul style="list-style-type: none"><li>– A verbal verification of employment (VVOE) or electronic verification (acceptable to FHA) on credit qualifying transaction and is required within 10 business days of the Note date for salaried borrowers and 30 calendars for self- employed borrowers.</li><li>– Sellers must independently obtain the phone number, and when possible, the address of the wage earner borrower’s employer using directory assistance/internet/phone book, etc.</li></ul></li><li>• Non-credit qualifying Not required</li></ul>			
Escrow /Impound Account	Required on all loans, no exceptions.			
Higher Priced Mortgage Loans	HPML eligible on all Streamlines, however, credit qualifying are subject to the DTI restrictions detailed in HUD ML-2014-02 dated January 21, 2014.			
Income	<ul style="list-style-type: none"><li>• Credit qualifying requires the following:<ul style="list-style-type: none"><li>– Wage earners – current 30 day paystub with YTD earnings and most recent 2-years W -2s</li><li>– Self-employed – tax returns that include a minimum 2-years self-employed income.</li></ul></li><li>• Non-Credit Qualifying<ul style="list-style-type: none"><li>– Not applicable</li></ul></li></ul>			
LDP/SAM	<p><u>LDP</u> / <u>SAM</u></p> <p>All of the following parties to the transaction must be checked against HUD’s Limited Denial of Participation and the System for Award Management (SAM) Exclusionary lists:</p> <table><tr><td>Appraiser Borrower(s) Sellers</td><td>Lender Title Company/Officer Loan Officer/Processor/Underwriter</td><td>Real estate agents (listing and selling agents) Closing Attorney Escrow/Settlement Company/Agent</td></tr></table>	Appraiser Borrower(s) Sellers	Lender Title Company/Officer Loan Officer/Processor/Underwriter	Real estate agents (listing and selling agents) Closing Attorney Escrow/Settlement Company/Agent
Appraiser Borrower(s) Sellers	Lender Title Company/Officer Loan Officer/Processor/Underwriter	Real estate agents (listing and selling agents) Closing Attorney Escrow/Settlement Company/Agent		
Maximum Mortgage Amortization	<ul style="list-style-type: none"><li>• The maximum amortization period is limited to the lesser of:<ul style="list-style-type: none"><li>– The remaining amortization period of the existing Mortgage plus 12 years; or</li><li>– 30 years.</li></ul></li></ul>			
Maximum Mortgage Calculation	<ul style="list-style-type: none"><li>• For owner-occupied principal residences and HUD-approved secondary residences, the maximum base loan amount for Streamline Refinances is:<ul style="list-style-type: none"><li>– The lesser of:<ul style="list-style-type: none"><li>○ Outstanding principal balance of the existing mortgage as of the month prior to mortgage disbursement; plus:<ul style="list-style-type: none"><li>▪ Interest due on the existing mortgage; and</li><li>▪ MIP due on existing mortgage; or</li></ul></li><li>○ The original principal balance of the existing mortgage (including financed UFMIP);<ul style="list-style-type: none"><li>– Less any refund of UFMIP.</li></ul></li></ul></li></ul></li><li>• For Investment properties, the maximum base loan amount for is:<ul style="list-style-type: none"><li>– The lesser of:<ul style="list-style-type: none"><li>○ Outstanding principal balance of the existing mortgage as of the month prior to mortgage disbursement, or</li><li>○ The original principal balance of the existing mortgage (including financed UFMIP);<ul style="list-style-type: none"><li>– Less any refund of UFMIP.</li></ul></li></ul></li></ul></li></ul>			
Mortgage Payment History	<ul style="list-style-type: none"><li>• Credit Qualifying credit scores 620<ul style="list-style-type: none"><li>– Payments for properties with &lt; 6 months payment history must be paid within the month due.</li><li>– Payments for Properties with &gt; 6 months payment history must be paid for 6 months prior to case assignment date.<ul style="list-style-type: none"><li>○ 1 x30 for previous 6 months</li><li>○ All secured mortgage payments must have been made within the month due for the month prior to mortgage disbursement.</li></ul></li></ul></li><li>• Credit Qualifying Credit scores of 580-619<ul style="list-style-type: none"><li>– A minimum 24 month mortgage seasoning with 0x30 in previous 24 months on the loan currently being refinanced.</li><li>– Current mortgages without a 24 month payment history are ineligible.</li></ul></li></ul>			



## FHA Streamline Program Guidelines

<b>Mortgage Payment History (cont.)</b>	<ul style="list-style-type: none"> <li>• Non-Credit Qualifying <ul style="list-style-type: none"> <li>– All payments must have been made within the month due for six (6) months prior to case number assignment date, and <ul style="list-style-type: none"> <li>o 1 x 30 for the previous 6 months</li> </ul> </li> </ul> </li> <li>• All secured mortgage payments must have been made within the month due for the month prior to mortgage disbursement.</li> </ul>
<b>Mortgage Seasoning</b>	<p>If the loan being refinanced is an existing government loan, the below mortgage seasoning requirements must be met.</p> <p>On the date of the case assignment:</p> <ul style="list-style-type: none"> <li>• Six (6) consecutive monthly payments must have been made on the subject property being refinanced</li> <li>• Six (6) months must have passed since the first payment due date of the subject</li> <li>• 210 days must have passed since the closing date of the subject property being refinanced, and</li> <li>• Six (6) payments since assumption date must have passed (if applicable).</li> </ul> <p><b>Note:</b> Refinance of loans on which fewer than six (6) consecutive regularly scheduled payments have been made are not eligible for financing. Borrowers with a credit score of 580-619 require 24 months payments on mortgages being refinanced.</p>
<b>Occupancy</b>	<ul style="list-style-type: none"> <li>• Owner-occupied primary residence</li> <li>• HUD-approved Secondary residence (fixed rate only) with evidence of Jurisdictional HOC required</li> <li>• 1-unit Investment (fixed rate only)</li> </ul>
<b>Prepayment Penalty</b>	Not permitted
<b>Products</b>	<ul style="list-style-type: none"> <li>• Fixed rate: 15 and 30 year only</li> <li>• ARMs: 3/1 AND 5/1; T-Bill; Caps: 1/1/5; Margin/Floor: 2.00; ARMs: 3/1 and 5/1; T-Bill; Caps: 1/1/5; Margin/Floor: 2.00</li> </ul>
<b>Properties – Eligible</b>	<ul style="list-style-type: none"> <li>• Single family residences</li> <li>• 2-4 units</li> <li>• PUDs (attached/detached). PUDs do not require a questionnaire/warranty form.</li> <li>• Mixed use subject to: <ul style="list-style-type: none"> <li>– Property must conform to residential nature of the neighborhood, <b>and</b></li> <li>– Commercial use cannot exceed 25% of the gross living area</li> </ul> </li> <li>• Condominiums <ul style="list-style-type: none"> <li>– Condos no longer on FHA's approved list are eligible</li> <li>– Condos without H0-6 insurance are acceptable.</li> </ul> </li> </ul>
<b>Properties listed for sale</b>	Properties listed for sale in the previous 12 months require proof of being taken off the market prior to application.
<b>Reserves</b>	<ul style="list-style-type: none"> <li>• Credit Qualifying: 1 month PITI</li> <li>• Non-Credit Qualifying: Not required</li> </ul>
<b>Subordinate Financing</b>	<p>Existing subordinate financing may remain in place but must re-subordinate to the new mortgage. New subordinate financing allowed only when subordinate finance proceeds are used to:</p> <ul style="list-style-type: none"> <li>– Reduce the principal amount of the existing FHA-insured mortgage, or</li> <li>– Finance the origination fees, other closing cost, or discount points</li> </ul>
<b>Temporary Buydowns</b>	Not permitted

## FHA Streamline Program Guidelines

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Version	Date	Description of Change
1.0	3/2018	Revised FHA Streamline requirements.



## FHA Standard 203(k) Program Guidelines Conforming and High Balance

Fixed Rate

Primary Residence Full Documentation					
Transaction Type	Units <sup>2</sup>	LTV	CLTV	Loan Amount <sup>1,3</sup>	Credit Score <sup>2</sup>
Purchase	1-4	96.50%	110% <sup>4</sup>	FHA Limit	620
Rate/Term Refinance	1-4	97.75%	110% <sup>4</sup>	FHA Limit	620
Cash-Out	N/A	N/A	N/A	N/A	N/A

**Footnotes:**

1. Eligible conforming and high balance loan amounts by county and units can be found at [FHA Mortgage Limits](#)
2. 2-4 units high balance minimum 660 credit score
3. Minimum loan amount \$60,000
4. Maximum 110% CLTV allowed on all subordinate financing transactions.

Refer to Planet Home Lending's FHA 203 (k) Limited matrix for Limited guidelines.

Complete HUD guidelines can be found at [HUD 4000.1](#).

### 203(k) Standard Program Overview – Construct/Replace/Add

The Standard 203(k) program is designed for more extensive construction/rehab projects and allows a borrower to obtain a single loan to:

- Rehabilitate an existing 1-4 unit structure, which will be used primarily for residential purposes
- Rehabilitate such a Structure and refinance outstanding indebtedness on the Structure and the Real Property on which the Structure is located; or
- Purchase and rehabilitate a Structure and purchase the Real Property on which the Structure is located.

Mortgages to be insured under Section 203(k) must be processed and underwritten in accordance with the requirements in [Origination Through Post-Closing/Endorsement](#).

### General Parameters

- Repairs must be a minimum of \$5,000, and the total mortgage amount on the property including the cost of repairs must fall within the FHA mortgage limit for the area where the property is located.
- All renovation work must start within 30 days of loan closing date. The work cannot stop for more than 30 consecutive days and must be completed within the established time frame.
- A Rehabilitation Reserve escrow account is established, and funds are released as work is completed. A maximum of 5 draws is allowed.
- The mortgage amount is based on the projected value of the property with all work completed ("After-Improved" value).
- Hazard insurance must be in place for the after improved value of the property at the time of loan closing.
- Requires a Consultant who works directly with borrower and contractor, provides initial work write-up, performs draw inspections to approve disbursement to the general contractor and establishes the Contingency Reserve amount.
- Planet Home Lending does not allow "self-help" (borrower completes work); work must be completed by a contractor. One general contractor is allowed, and specialized subcontractors are allowed under the general contractor. Additionally, the borrower cannot pay for or supply materials.



## FHA Standard- 203(k) Program Guidelines

**This section is specific to 203(k) Standard FHA guidelines.**

**Planet Home Lending follows FHA's guidelines for any topic not addressed below.**

Topic	Guideline
<b>203(k) Forms and Documents</b>	<ul style="list-style-type: none"> <li>• 203(k) Borrower's Acknowledgement. (HUD Form 92700-A) Borrower must complete the "Loan Requirements" section of the Acknowledgment form indicating how the interest earned on the Rehabilitation Escrow Account is to be applied after the Final Release Notice is issued.</li> <li>• 203(k) Maximum Mortgage Worksheet (HUD Form 92700) on case numbers issued before 9/2015. FHA also provides an online <a href="#">203(k) Mortgage Calculator</a> to assist in the completion of the worksheet.</li> <li>• Borrower/Contractor Identity of Interest Certification (from the general contractor)</li> <li>• Completed Federal W-9 by Contractor (Rev. August 2013) (from the general contractor)</li> <li>• Consultant Borrower Agreement</li> <li>• Consultant Identity of Interest Certification</li> <li>• Consultant Work Write-Up and Cost Estimate <ul style="list-style-type: none"> <li>– Must specify the type of repair and cost of each work item, and</li> <li>– Ensure that all health and safety issues identified were addressed before, including additional work items.</li> </ul> </li> <li>• Contractor Acknowledgement – Standard 203(k) Program</li> <li>• Contractor bid(s)</li> <li>• Contractor Profile (Fannie Mae Form 1202). Profile must include: <ul style="list-style-type: none"> <li>– Evidence of current liability insurance which meets, local/state insurance requirements</li> <li>– Evidence of current workman's Comp insurance (if applicable)</li> <li>– Copy of current license and bond as required by local/state jurisdiction</li> </ul> </li> <li>• Draw Request (9746-A)</li> <li>• Feasibility Site Report, aka Feasibility Study (not required)</li> <li>• Homeowner/Contractor Certification (from the general contractor)</li> <li>• Homeowner/Contractor Agreement-HUD Form 2420 (from the general contractor)</li> <li>• Mortgage Payment Disclosure Sample (recommended but not required)</li> <li>• Rehabilitation Loan Agreement</li> <li>• Rehabilitation Loan Rider</li> </ul>
<b>Appraisals</b>	<ul style="list-style-type: none"> <li>• Appraisals must be provided by an FHA approved appraiser</li> <li>• All 203(k) appraisals are completed "subject to" completion</li> <li>• Except as described below in cases of property flipping and refinance transactions, an "As-Is" appraisal is <b>not</b> required, and alternative methods to establish the "As-Is" value may be utilized.</li> </ul> <p>203(k) loans require both an "<b>Adjusted As-Is</b>" value and an "<b>After Improved</b>" value as outlined below.</p> <p><b>Adjusted As-Is Value</b></p> <ul style="list-style-type: none"> <li>• <b>Purchase transactions</b> require one value: <ul style="list-style-type: none"> <li>– An "After Improved" value (value after improvements have been complete) is always required.</li> <li>– HUD assumes the purchase price is the "As-Is" value and does not require an "As-Is" value on the appraisal.</li> </ul> </li> <li>• <b>Refinance transactions</b> require two values: <ul style="list-style-type: none"> <li>– An "As-Is" value is required, and it is typically provided in the Addendum to the appraisal report, and</li> <li>– An "After-Improved" value that is provided in the Reconciliation section of the appraisal report</li> </ul> </li> </ul> <p>For properties acquired ≥ 12 months prior to the case assignment date</p> <ul style="list-style-type: none"> <li>– If the existing debt on the property plus allowable fees (see below) <b>exceeds</b> the "After Improved" value, an additional "As-Is" appraisal is required</li> </ul>



## FHA Standard- 203(k) Program Guidelines

<b>Appraisals (cont.)</b>	<ul style="list-style-type: none"> <li>- If the existing debt on the property plus allowable fees (see below) <b><u>does not exceed</u></b> the "After Improved" value PHL may:             <ul style="list-style-type: none"> <li>- Use the existing debt plus the allowable fees, or</li> <li>- Obtain an "As-Is" appraisal.</li> </ul> </li> </ul> <p><b>Allowable fees:</b></p> <ul style="list-style-type: none"> <li>- Financeable Repairs and Improvement Costs;</li> <li>- Financeable Mortgage Fees;</li> <li>- Financeable Contingency Reserves; and</li> <li>- Financeable Mortgage Payment Reserves (for Standard 203(k) only).</li> </ul> <p>For properties acquired &lt; 12 months prior to the case assignment date, an "As- Is" appraisal is required (The "Adjusted As-Is" value is the "As-Is" property value).</p> <ul style="list-style-type: none"> <li>- If property is acquired by inheritance or through a gift from a family member, use the calculation of an Adjusted As-Is value for properties ≥ 12 months prior to the case assignment date.</li> </ul> <p><b>After Improved Value</b></p> <p>An appraisal of the property must be obtained subject to the repairs and improvements. Refer to the FHA Handbook section II.A.8 for complete <u>203(k) Standard Appraisal details</u>.</p> <ul style="list-style-type: none"> <li>• Repairs and bid(s) in the appraisal report must match the Work Write-Up provided by the consultant</li> <li>• Additional photos are required for any improvements with a contributory value that are not captured in the front and rear photos.</li> </ul> <p><b>Utilities</b></p> <ul style="list-style-type: none"> <li>• Utilities must be inspected to ensure they are in proper working order unless they are being completely updated</li> <li>• If the utilities were not on at the time of the appraisal/inspection or are determined to not be in good working order, a 15% Contingency Reserve must be established (including homes that have been "winterized")</li> <li>• When obtaining bids, the contractor should provide a bid that allows for any repairs that may be required.</li> </ul> <p><b>Utilities on at Time of Appraisal/Inspection</b></p> <p>Appraiser or other licensed professional (consultant, contractor, inspector, plumber, electrician) must confirm in writing that the utilities have been visually inspected and appear to be in good working order.</p> <p><b>Utilities NOT on at time of Appraisal Inspection</b></p> <p>If utilities were not on at the time of the appraisal and the Work Write-Up does not include repairs to the utilities, Planet Home Lending will accept alternative documentation to validate the condition of utilities.</p> <ul style="list-style-type: none"> <li>- If home was winterized, a winterization certification indicating all utilities were working properly when turned off.</li> <li>- A certification by a licensed professional (consultant, contractor, inspector, plumber, electrician) that the utilities have been inspected and appear to be in good working order.</li> </ul> <p>If the utility inspection reveals utilities are not in good working order, the Work Write-up must include detailed required repairs, and the contractor bid(s) must match the Work Write-Up.</p>
<b>AUS</b>	DU "Approve/Eligible and LPA "Accept/Eligible". Manual underwrite ineligible.
<b>CLTV/Secondary Financing</b>	For purchase transactions a maximum 110% CLTV on all subordinate financing including but not limited to government entities, HUD approved non-profits, family members and private individual.
<b>Credit Report/Scores</b>	<ul style="list-style-type: none"> <li>• A minimum credit score of 620 regardless of DU/LPA Findings except high balance units</li> <li>• 2-4 units high balance minimum 660 credit score.</li> </ul>
<b>DTI</b>	<ul style="list-style-type: none"> <li>• Per AUS Findings</li> </ul>



## FHA Standard- 203(k) Program Guidelines

<b>Fees and Charges</b>	<p>The following fees and charges apply, as applicable, and are included in the rehabilitation costs:</p> <p><b>Fees and Charges</b></p> <ul style="list-style-type: none"><li>• Appraisal fee</li><li>• Architectural and engineering fees</li><li>• Consultant fees based on the cost of the proposed renovation (refer to chart below)</li><li>• Contingency Reserve (10% to 20% of the total renovation cost)</li><li>• Cost of construction, repairs and rehabilitation</li><li>• Discount points</li></ul> <p>The Mortgagee may finance a portion of the borrower-paid discount points not to exceed an amount equal to the discount point percentage multiplied by the total of the repair cost and fees including Contingency Reserves and Mortgage Payment Reserves.</p> <ul style="list-style-type: none"><li>• Feasibility Study</li><li>• Standard 203(k) Mortgage Fee (supplemental Origination Fee)</li></ul> <p>A supplemental origination fee is required. The supplemental origination fee is the greater of:</p> <ul style="list-style-type: none"><li>– \$350, or</li><li>– 1.5% of the rehabilitation portion of the loan</li></ul> <p><b>Example:</b></p> <p><i>If the total loan amount is \$300,000 and the rehab costs are \$30,000 calculate as \$30,000 multiplied by 1.5% equals \$450.00, so the supplemental origination fee in this example is \$450.00</i></p> <ul style="list-style-type: none"><li>• Maximum \$350 Inspection fees (applies to each draw)</li><li>• Mortgage payment (up to 6 months PITI may be financed when home is uninhabitable during the renovation if approved by the Consultant)</li><li>• Permits Fee(s)</li><li>• Title Update fee(s)</li></ul> <table><tr><th colspan="4">Consultant Fees*</th></tr><tr><th>Renovation Cost</th><th>Fee</th><th>Renovation Cost</th><th>Fee</th></tr><tr><td>\$5,000 - \$7500</td><td>\$400.00</td><td>\$50,001 - \$75,000</td><td>\$800.00</td></tr><tr><td>\$7501 - \$15,000</td><td>\$500.00</td><td>\$75,001 - \$100,000</td><td>\$900.00</td></tr><tr><td>\$15,001 - \$30,000</td><td>\$600.00</td><td>\$100,001 and up</td><td>\$1,000.00</td></tr><tr><td>\$30,001 - \$50,000</td><td>\$700.00</td><td></td><td></td></tr></table> <p>*An additional \$25.00 per unit applies</p>	Consultant Fees*				Renovation Cost	Fee	Renovation Cost	Fee	\$5,000 - \$7500	\$400.00	\$50,001 - \$75,000	\$800.00	\$7501 - \$15,000	\$500.00	\$75,001 - \$100,000	\$900.00	\$15,001 - \$30,000	\$600.00	\$100,001 and up	\$1,000.00	\$30,001 - \$50,000	\$700.00		
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\$30,001 - \$50,000	\$700.00																								
<b>Hazard Insurance</b>	Hazard insurance must be in place for the after improved value of the property at the time of loan closing.																								
<b>Identity of Interest/Conflict of Interest</b>	<ul style="list-style-type: none"><li>• Not allowed on transactions deemed Identity of Interest or Conflict of Interest except:<ul style="list-style-type: none"><li>– Permitted on sales transactions between family members.</li></ul></li><li>• Both the borrower(s) and consultant must sign an Identity of Interest Certification stating there is no relationship between them and <b>any party</b> to the transaction.</li></ul>																								
<b>Improvements – Eligible</b>	<p>Minimum of \$5,000 in eligible improvements. The 203(k) program can be used to finance painting, room additions, decks, etc. even if the home does not require other improvements. All health, safety, and energy conservation items must be addressed prior to completing general home improvements. Items eligible for 203(k) funds include, but are not limited to:</p> <ul style="list-style-type: none"><li>• Changes to improve function/modernization (bath/kitchen remodel)</li><li>• Converting single family to 2,3 or 4 unit dwelling or from a multi-family to a 1-4 unit</li><li>• Elimination of health/safety hazards (lead based paint, mold, etc.) Follow state and local government requirements where property is located for removal and testing</li><li>• Enhancing accessibility for a disabled person</li><li>• Installation of new well and/or septic system</li><li>• Interior/exterior painting</li></ul>																								



## FHA Standard- 203(k) Program Guidelines

<b>Improvements – Eligible (cont.)</b>	<ul style="list-style-type: none"> <li>Major landscaping that adds permanent value to the property and/or corrects any fire, health or safety issue</li> <li>Major structural alterations/additions (room/garage additions, finish attics/basements, repair of termite damage)</li> <li>Repair/replace flooring, appliances</li> <li>Repair/replace roofing, gutters and down spouts</li> <li>Repair/replacement/upgrade of plumbing, heating, air conditioning and electrical systems</li> <li>Repairs to existing swimming pool (maximum \$1,500)</li> <li>Weatherization including storm windows/doors, insulation, weather stripping</li> <li>Well/septic repair/replacement work. Must be completed prior to beginning other repairs.</li> <li>Window and door replacement</li> </ul> <p>Refer to section II.A.8 of the <a href="#">FHA Handbook 4000.1</a> for complete eligible improvement details.</p>
<b>Improvements – Ineligible</b>	<p>Luxury items and improvements that do not become part of the real property are <b>not eligible</b> as a cost of rehabilitation. Examples of items <b>not eligible</b> as an improvement or for repair, include, but are not limited to:</p> <ul style="list-style-type: none"> <li>Additions or alterations to allow for commercial use</li> <li>Barbeque pits, outdoor fireplaces or hearths</li> <li>Exterior hot tubs, saunas, spas or whirlpool baths</li> <li>Photo murals</li> <li>Swimming pool installation (if existing, maximum \$1,500 repairs/renovations eligible)</li> <li>Television satellite dishes/antennas</li> <li>Tennis courts</li> <li>Tree trimming/removal.</li> </ul>
<b>Inspections</b>	<ul style="list-style-type: none"> <li>The following inspections, if required by the appraiser and/or consultant, must be completed: <ul style="list-style-type: none"> <li>Termite/pest</li> <li>Well or Septic certification</li> <li>Additional HVAC or system certifications</li> <li>Additional architectural exhibits as required</li> </ul> </li> <li>Construction related inspections are completed by the consultant (if applicable)</li> </ul> <p>Refer to the <a href="#">Contingency Reserve</a> topic for additional property inspection information.</p>
<b>Inspections and Draw Disbursement</b>	<p>Funds are must be disbursed and documented as follows:</p> <p><b>Inspections</b></p> <ul style="list-style-type: none"> <li>An authorized Form HUD 9746-A must be signed by borrower and contractor which certifies completion of work and included in the case file.</li> <li>Evidence of compliance with federal, state and local ordinances (i.e. final permit(s) as applicable). For structures being moved special guidelines apply.</li> <li>Inspections by appraisers or consultants as applicable</li> </ul> <p><b>Draw Disbursements</b></p> <ul style="list-style-type: none"> <li>Funds must be released within five (5) business days after receipt of a properly executed inspection, title update, and draw request.</li> <li>Maximum of 5 draws/disbursement (four intermediate and one final draw). 10% is withheld from each draw. <ul style="list-style-type: none"> <li><b>Exception:</b> No holdbacks required if a work item is 100% complete, and the necessary Lien Waivers or equivalent have been provided.</li> </ul> </li> <li>Up to 50% of the material costs can be disbursed directly to the manufacturer for custom ordered materials (i.e. cabinets, flooring, windows, etc.)</li> <li>Architectural/engineering fees and inspection permits are considered “soft costs” funds may be released at loan closing. Invoices are required.</li> </ul>





## FHA Standard- 203(k) Program Guidelines

<b>Inspections and Draw Disbursement</b> (cont.)	<ul style="list-style-type: none"> <li>Any excess funds at project completion will be applied to the principal balance of the loan. If the borrower funded the Contingency Reserve from their own funds, any residual funds may be released to the borrower.</li> </ul> <p>Refer to section II.A.8.1 "Release of funds" in the <a href="#">FHA Handbook</a> for detailed release instructions.</p> <p><b>Disbursements made by Seller</b></p> <p>Seller must ensure that the repairs and improvements have been completed. Draws disbursed by Seller must be fully documented per FHA guidelines.</p>
<b>Maximum Mortgage Amount</b>	<p><b>Purchase Transaction</b> is the lesser of:</p> <ol style="list-style-type: none"> <li>The appropriate LTV multiplied by the lesser of:             <ul style="list-style-type: none"> <li>The Adjusted As-Is Value, plus:                 <ul style="list-style-type: none"> <li>Repair and improvement cost</li> <li>Mortgage fees</li> <li>Contingency Reserves, and</li> <li>Mortgage Payment Reserves (Standard 203k only), or</li> </ul> </li> <li>110% of the After Improved Value (100% for Condominiums); or</li> </ul> </li> <li>The <a href="#">Nationwide Mortgage Limits</a>.</li> </ol> <p>Refer to the <a href="#">Property Flips</a> topic for FHA requirements when a property is being re-sold within one (1) year of acquisition.</p> <p><b>Refinance Transaction</b> is the lesser of:</p> <ol style="list-style-type: none"> <li>The existing debt associated with the new mortgage, plus:             <ul style="list-style-type: none"> <li>Repair and improvement cost</li> <li>Mortgage Fees</li> <li>Contingency Reserves, and</li> <li>Mortgage Payments Reserves (Standard 203k only), or</li> </ul> </li> <li>Appropriate LTV multiplied by the lesser of:             <ul style="list-style-type: none"> <li>The Adjusted As-Is Value, plus:                 <ul style="list-style-type: none"> <li>Repair and improvement cost</li> <li>Mortgage fees</li> <li>Contingency Reserves, and</li> <li>Mortgage Payment Reserves (Standard 203k only), or</li> </ul> </li> <li>110% of the After Improved Value (100% for Condominiums); or</li> </ul> </li> <li>The <a href="#">Nationwide Mortgage Limits</a>.</li> </ol>
<b>Mortgage Insurance</b>	<p>Mortgages to be insured under Section 203(k) must comply with the MIP requirements found in the <a href="#">MIP Chart</a>.</p> <ul style="list-style-type: none"> <li>Divide the base loan amount by the After Improved Value</li> </ul>
<b>Products</b>	<p>30 year Fixed Rate only</p>
<b>Properties – Eligible</b>	<p>Must be an existing property that has been completed for a minimum of 1 year prior to the case number assignment date. If unsure, follow FHA guidelines. File must include a Certificate of Occupancy or equivalent. All health and safety issues must be addressed.</p> <ul style="list-style-type: none"> <li>1-4 unit primary residences</li> <li>Conversion of single family structure to a 2,3 or 4 unit structure and vice versa is acceptable</li> <li>Condos (Specific requirements apply. Refer to <a href="#">Property Eligibility – Condos</a> topic for details)</li> <li>Converting from a non-203(k) to a 203(k) mortgage</li> <li>Mixed use property with 1-4 residential units are acceptable if 25% of the Gross Building Area (GBA) is for residential use and the commercial use does not affect the safety of residential occupants</li> <li>Modular Homes</li> <li>PUDs (attached/detached)</li> <li>Site Condominium unit</li> </ul>



## FHA Standard- 203(k) Program Guidelines

<b>Property Eligibility – Condos</b>	<p>Condos subject to the following:</p> <ul style="list-style-type: none"> <li>• Condo must be located in an FHA approved condominium project at the time of case number assignment.</li> <li>• Rehabilitation limited to the interior of the unit. Rehabilitation of the exterior of the condo or any area that is the responsibility of the condominium association is not allowed with the exception of installation of firewalls in the attic for the unit.</li> <li>• Maximum mortgage cannot exceed 100 percent of the “After-Improved” value.</li> <li>• Rehab at any one time is limited to the lesser of: <ul style="list-style-type: none"> <li>- 5 units, or</li> <li>- 25% of the total number of units in the project.</li> </ul> </li> <li>• The individual condo <b>building</b> cannot have more than 4 units in the subject property building. HUD allows greater than 4 units in a building only when the renovation reduces the number of units to 4 or less. The project <b>as a whole</b> can have more than 4 units (i.e. the project consists of 5 buildings, each with 4 units, for a total of 20 units in the project).</li> <li>• Projects made up of attached townhomes are not subject to the 4 unit per building restriction. HUD considers each townhome an individual building as long as each unit is separated by a firewall that reaches from the foundation to the roof and is rated 1 ½ hours.</li> </ul>
<b>Properties- Ineligible</b>	<ul style="list-style-type: none"> <li>• Commercial property</li> <li>• Condo Hotels (projects managed or operated as hotel/motel, hotel/motel conversions)</li> <li>• Cooperative projects</li> <li>• Farms, orchards, ranches</li> <li>• Manufactured/mobile homes. Manufactured housing is defined as any dwelling built on a permanent chassis. <b>Manufactured homes are ineligible even if the towing hitch, wheels, and axles have been removed.</b></li> <li>• New Construction (Certificate of Occupancy was issued within the previous 12 months)</li> <li>• Properties currently boarded up, condemned and uninhabitable</li> <li>• Property located in the Hawaiian Islands in lava zones one (1) or two (2)</li> <li>• Properties not completed</li> <li>• Properties that will be completely torn down during the rehab process (eligible if some of the existing foundation remains in place)</li> <li>• Real Estate Owned (REO) Property</li> <li>• Rural property &gt;10 acres</li> <li>• Unique properties</li> </ul>
<b>Property Flips</b>	<p>In addition to the standard FHA program guidelines, the 203(k) mortgage must be based on the lowest sales price in the previous year. “As-is” appraisal is required.</p>
<b>Rehabilitation Escrow Account</b>	<p>Required on all loans, no exceptions. Refer to the <b><u>Rehabilitation Escrow Account</u></b> guidelines in the <a href="#">FHA Handbook 4000.1</a>.</p> <p>The Custodian of the repair escrow funds is responsible for ensuring all funds from the escrow account are properly distributed.</p> <ul style="list-style-type: none"> <li>• After closing all proceeds designated for the rehabilitation, including Contingency Reserves, Inspection fees, and any mortgage payments must be placed in an interest bearing account.</li> <li>• Any net income earned by the rehabilitation escrow account must be disbursed to the Borrower through an agreed upon method of payment.</li> </ul> <p>Effective for case numbers assigned on or after October 31, 2016, after the repair escrow account is closed, the Mortgagee must complete the Escrow Closeout Certification screen in FHAC within 30 Days after the escrow account is closed.</p> <p><b>Contingency Reserves</b></p> <p>Contingency Reserves are required to cover any health, safety and/or unplanned expenses arising from the renovation. Unused financed Contingency Reserve funds may be used for any additional improvements that will add value to the property.</p>



## FHA Standard- 203(k) Program Guidelines

### Rehabilitation Escrow Account (cont.)

- The minimum and maximum Contingency Reserve is established as a % of the financeable repair and improvement cost.
- A Contingency Reserve is subject to the following:

Structures < 30 years	Minimum	Maximum
Required when evidence of termite damage	10%	20%
Discretionary	No Minimum	
Structures > 30 years	Minimum	Maximum
Required	10%	20%
Required when utilities are in-operable as reference in the Work Write-Up	15%	

- The Contingency Reserve may be financed or funded by the borrower from their own funds, but the reserves must be noted under a separate category on the Repair Escrow Account.
  - Standard 203(k) financed funds must be made available for further improvements or applied to the principal balance.
  - When the Contingency Reserve funds are provided by the borrower, any funds remaining at the end of the renovation process are returned to the borrower, or at borrower's request funds may be applied towards the principal balance.

#### Financeable Mortgage Payment Reserves

- Must not exceed 6 months of mortgage payments, and
- Must include mortgage payments only for the period during which the property cannot be occupied
- The number of payments cannot exceed the completion time frame required in the rehab agreement.

For 2-4 unit properties, if one or more units are occupied, the Mortgage Payment Reserve may only include the portion of the mortgage attributable to the units that cannot be occupied.

To calculate the amount that can be included in the monthly payment reserve:

- Divide the monthly mortgage payment by the number of units in the property
- Multiply that figure by the number of units that cannot be occupied

*Example:* \$2500 / 4 units = \$625 x 3 units = **\$1875** (amount that must be paid through the mortgage payment reserve.)

Note: The borrower is responsible for paying the servicing fee not covered by the MPR.

### Transactions - Eligible

In addition to the standard FHA program guidelines, the following transactions are eligible:

- Transactions where the work will require ≤ 6 months to complete
- Properties converting from a non 203(k) to a 203(k) transaction.

### Transactions-Ineligible

- Transactions where the work will require > 6 months to complete
- See [Identity of Interest/Conflict of Interest](#) for additional information.



## FHA Limited 203(k) Program Guidelines Conforming and High Balance

Fixed Rate

Primary Residence Full Documentation					
Transaction Type	Units <sup>2</sup>	LTV	CLTV	Loan Amount <sup>1,3</sup>	Credit Score <sup>2</sup>
Purchase	1-4	96.50%	110% <sup>4</sup>	FHA Limit	620
Limited Cash-Out	1-4	97.75%	110% <sup>4</sup>	FHA Limit	620
Cash-Out	N/A	N/A	N/A	N/A	N/A

### Footnotes:

1. Eligible conforming and high balance loan amounts by county and units can be found at [FHA Mortgage Limits](#)
2. 2-4 units high balance minimum 660 credit score
3. Minimum loan amount \$60,000
4. Maximum 110% CLTV allowed on all subordinate financing transactions.

Refer to Planet Home Lending's FHA 203(k) Standard matrix for Standard guidelines.

Complete HUD guidelines can be found at [HUD 4000.1](#).

### 203(k) Limited Program Overview – Repair/Modify/Upgrade

The Limited 203(k) program is designed for minor rehabilitation/renovation projects and allows a borrower to obtain a single loan to purchase a property or refinance an existing loan and complete repairs and improvements after loan closing using the "After-Improved" value of the property.

Mortgages to be insured under Section 203(k) must be processed and underwritten in accordance with the requirements in [Origination Through Post-Closing/Endorsement](#).

### General Parameters

- Repairs/renovation limited to a maximum of \$35,000 (including **all** renovation costs, fees, Contingency Reserve, etc.). The total mortgage amount on the property including the cost of repairs, must fall within the FHA mortgage limit for the area where the property is located. There is no minimum renovation amount.
- All renovation work must start within 30 days of loan closing date. The work cannot stop for more than 30 consecutive days and must be completed within the established timeframe.
- A Rehabilitation Reserve escrow account is established, and funds are released as work is completed. A maximum of 2 draws is allowed.
- The mortgage amount is based on the projected value of the property with all work completed ("After-Improved" value).
- Hazard insurance must be in place for the after improved value of the property at the time of loan closing.
- Licensed contractors provide written work plans and cost estimates. State/county/municipality licensing requirements must be followed. Planet Home Lending does not allow "self-help" (borrower completes work); work must be completed by a licensed.



## FHA Limited-203(k) Program Guidelines

This section is specific to 203(k) Limited FHA guidelines.

Planet Home Lending follows FHA's guidelines for any topic not addressed below.

Topic	Guideline
203(k) Forms and Documents	<p><b>203(k) Limited Program documents must be included in case file as follows:</b></p> <ul style="list-style-type: none"> <li>• <u>203(k) Borrower's Acknowledgement</u> - (HUD Form 92700-A) Borrower must complete the "Loan Requirements" section of the Acknowledgment form indicating how the interest earned on the Rehabilitation Escrow Account is to be applied after the Final Release Notice is issued.</li> <li>• 203(k) Maximum Mortgage Worksheet (HUD Form 92700) on case numbers issued before 9/2015. FHA also provides an online <a href="#">203(k) Mortgage Calculator</a> to assist in the completion of the worksheet.</li> <li>• Borrower/Contractor Identity of Interest Certification (1 from each contractor)</li> <li>• Completed Federal W-9 by Contractor (Rev. August 2013) (1 from each contractor)</li> <li>• Contractor Written Proposal and Cost Estimate <ul style="list-style-type: none"> <li>– Must list each work item that require permits and indicate that repairs are non-structural, and</li> <li>– Cost Estimate must indicate the nature and type of repair and cost for each work item, broken down by labor and materials</li> <li>– Evidence that the contractor is licensed and bonded.</li> </ul> </li> <li>• Contractor Acknowledgement – Limited 203(k) Program</li> <li>• Contractor bid(s)</li> <li>• Contractor Profile (Fannie Mae Form 1202). Profile must include: <ul style="list-style-type: none"> <li>– Evidence of current liability insurance which meets, local/state insurance requirements</li> <li>– Evidence of current workman's Comp insurance (if applicable)</li> <li>– Copy of current license and bond as required by local/state jurisdiction</li> </ul> </li> <li>• Draw Request (9746-A)</li> <li>• Homeowner/Contractor Certification (1 from each contractor)</li> <li>• Homeowner/Contractor Agreement-HUD Form 2420 (1 from each contractor)</li> <li>• Rehabilitation Loan Agreement</li> <li>• Rehabilitation Loan Rider</li> <li>• Work Plan (when not using a consultant)</li> </ul> <p><b>Optional Consultant Documentation</b></p> <p>The borrower has the option to use a Consultant to manage his/her rehabilitation process. With this option the following documents must be included in the case file:</p> <ul style="list-style-type: none"> <li>• Consultant Borrower Agreement</li> <li>• Consultant Identity of Interest Certification</li> <li>• Consultant Work Write-Up and Cost Estimate</li> </ul>
Appraisals	<ul style="list-style-type: none"> <li>• Appraisals must be provided by an FHA approved appraiser</li> <li>• All 203(k) appraisals are completed "subject to" completion</li> <li>• Except as described below in cases of property flipping and refinance transactions, an "As-Is" appraisal is <b>not</b> required, and alternative methods to establish the "As-Is" value may be utilized.</li> </ul> <p>203(k) loans require both an "<b>Adjusted As-Is</b>" value and an "<b>After Improved</b>" value as outlined below.</p> <p><b>Adjusted As-Is Value</b></p> <ul style="list-style-type: none"> <li>• <b>Purchase transactions</b> require one value: <ul style="list-style-type: none"> <li>– An "After Improved" value (value after improvements have been complete) is always required.</li> <li>– HUD assumes the purchase price is the "As-Is" value and does not require an "As-Is" value on the appraisal.</li> </ul> </li> </ul>

## FHA Limited-203(k) Program Guidelines

<b>Appraisals (cont.)</b>	<ul style="list-style-type: none"> <li>• <b>Refinance transactions</b> require two values: <ul style="list-style-type: none"> <li>– An “As-Is” value is required, and it is typically provided in the Addendum to the appraisal report, and</li> <li>– An “After-Improved” value that is provided in the Reconciliation section of the appraisal report</li> </ul> <p>For properties acquired <math>\geq 12</math> months prior to the case assignment date</p> <ul style="list-style-type: none"> <li>– If the existing debt on the property plus allowable fees (see below) <b>exceeds</b> the “After Improved” value, an additional “As-Is” appraisal is required</li> <li>– If the existing debt on the property plus allowable fees (see below) <b>does not exceed</b> the “After Improved” value PHL may: <ul style="list-style-type: none"> <li>– Use the existing debt plus the allowable fees, or</li> <li>– Obtain an “As-Is” appraisal.</li> </ul> </li> </ul> <p><b>Allowable fees:</b></p> <ul style="list-style-type: none"> <li>– Financeable Repairs and Improvement Costs;</li> <li>– Financeable Mortgage Fees;</li> <li>– Financeable Contingency Reserves; and</li> <li>– Financeable Mortgage Payment Reserves (for Standard 203(k) only).</li> </ul> <p>For properties acquired <math>&lt; 12</math> months prior to the case assignment date, an “As- Is” appraisal is required (The “Adjusted As-Is” value is the “As-Is” property value).</p> <ul style="list-style-type: none"> <li>– If property is acquired by inheritance or through a gift from a family member, use the calculation of an Adjusted As-Is value for properties <math>\geq 12</math> months prior to the case assignment date.</li> </ul> <p><b>After Improved Value</b></p> <p>An appraisal of the property must be obtained subject to the repairs and improvements. Refer to the FHA Handbook section II.A.8 for complete <u>203(k) Appraisal details</u>.</p> <ul style="list-style-type: none"> <li>• Repairs and bid(s) in the appraisal report must match the Work Write-Up by a consultant or Work Plan provided by the borrower.</li> <li>• Additional photos are required for any improvements with a contributory value that are not captured in the front and rear photos.</li> </ul> <p><b>Utilities</b></p> <ul style="list-style-type: none"> <li>• Utilities must be inspected to ensure they are in proper working order unless they are being completely updated</li> <li>• If the utilities were not on at the time of the appraisal/inspection or are determined to not be in good working order, a 15% Contingency Reserve must be established (including homes that have been “winterized”)</li> <li>• When obtaining bids, the contractor should provide a bid that allows for any repairs that may be required.</li> </ul> <p><b>Utilities on at Time of Appraisal/Inspection</b></p> <p>Appraiser or other licensed professional (consultant, contractor, inspector, plumber, electrician) must confirm in writing that the utilities have been visually inspected and appear to be in good working order.</p> <p><b>Utilities NOT on at time of Appraisal Inspection</b></p> <p>If utilities were not on at the time of the appraisal and the Work Write-Up/Work Plan does not include repairs to the utilities, Planet Home Lending will accept alternative documentation to validate the condition of utilities.</p> <ul style="list-style-type: none"> <li>- If home was winterized, a winterization certification indicating all utilities were working properly when turned off.</li> <li>- A certification by a licensed professional (consultant, contractor, inspector, plumber, electrician) that the utilities have been inspected and appear to be in good working order.</li> </ul> <p>If the utility inspection reveals utilities are not in good working order, the Work Write-Up/Work Plan must include detailed required repairs, and the contractor bid(s) must match the Work Write-Up/Work Plan.</p> </li> </ul>
<b>AUS</b>	DU “Approve/Eligible and LPA “Accept/Eligible”. Manual underwrite ineligible.





## FHA Limited-203(k) Program Guidelines

<b>CLTV/Secondary Financing</b>	For purchase transactions a maximum 110% CLTV on all subordinate financing including but not limited to government entities, HUD approved non-profits, family members and private individual.
<b>Credit Report/Scores</b>	<ul style="list-style-type: none"> <li>A minimum credit score of 620 regardless of DU/LPA Findings except high balance units</li> <li>2-4 units high balance minimum 660 credit score.</li> </ul>
<b>DTI</b>	<ul style="list-style-type: none"> <li>Per AUS Findings</li> </ul>
<b>Fees and Charges</b>	<p>The following fees and charges apply, as applicable, and are included in the rehabilitation costs:</p> <p><b>Fees and Charges</b></p> <ul style="list-style-type: none"> <li>Appraisals</li> <li>Contingency Reserves</li> <li>Cost of construction, repairs and rehabilitation</li> <li>Discount Points</li> </ul> <p>The Mortgagee may finance a portion of the Borrower-paid discount points not to exceed an amount equal to the discount point percentage multiplied by the total of the repair cost and fees including Contingency Reserves.</p> <ul style="list-style-type: none"> <li>Inspection fees; provided they are reasonable and customary for the area</li> <li>Limited 203(k) Mortgage Fees (Supplemental Origination Fee)</li> </ul> <p>A supplemental origination fee is required. The supplemental origination fee is the greater of:</p> <ul style="list-style-type: none"> <li>– \$350, or</li> <li>– 1.5% of the rehabilitation portion of the loan</li> </ul> <p><b>Example:</b></p> <p><i>If the total loan amount is \$300,000 and the rehab costs are \$30,000 calculate as \$30,000 multiplied by 1.5% equals \$450.00, so the supplemental origination fee in this example is \$450.00</i></p> <ul style="list-style-type: none"> <li>Permit Fee(s)</li> <li>Title update fees</li> </ul> <p><b>Costs and Fees that <u>may not</u> be financed</b></p> <p>The following fees and costs <b>may not</b> be financed under the Limited 203(k) program:</p> <ul style="list-style-type: none"> <li>Mortgage Payment Reserves</li> <li>architectural/engineering professional fees</li> <li>203(k) Consultant fee</li> <li>A Feasibility Study</li> </ul>
<b>Hazard Insurance</b>	Hazard insurance must be in place for the after improved value of the property at the time of loan closing.
<b>Identity of Interest/Conflict of Interest</b>	<ul style="list-style-type: none"> <li>Not allowed on transactions deemed Identity of Interest or Conflict of Interest except: <ul style="list-style-type: none"> <li>– Permitted on sales transactions between family members.</li> </ul> </li> <li>Both the borrower(s) and consultant must sign an Identity of Interest Certification stating there is no relationship between them and <b>any party</b> to the transaction.</li> </ul>
<b>Improvements – Eligible</b>	<p>The Limited 203(k) may only be used for minor remodeling and non-structural repairs. The total rehabilitation cost may not exceed \$35,000 and has no minimum repair cost.</p> <p>All health, safety and energy conservation items must be addressed prior to completing general home improvements.</p> <p>All improvement to existing structures must comply with HUD's MPR and meet or exceed local building codes.</p> <p>Items eligible for 203(k) funds include, but are not limited to:</p> <ul style="list-style-type: none"> <li>Changes to improve function/modernization (bath/kitchen remodel). Cannot include structural changes</li> <li>Elimination of health/safety hazards (lead base paint, mold, etc.) that violate <a href="#">HUD's MPR</a></li> <li>Connecting to water public water and sewage systems</li> </ul>





## FHA Limited-203(k) Program Guidelines

<b>Improvements – Eligible (cont.)</b>	<ul style="list-style-type: none"> <li>• Repair/replacement/upgrade of plumbing, heating, air conditioning and electrical systems.</li> <li>• Repair/replace/installing roofs, sidings, gutter, down sprouts, flooring, appliances, windows and doors improvements.</li> <li>• Elimination of obsolescence</li> <li>• Repairs to existing swimming pool (maximum \$1,500)</li> <li>• Well/septic repair/replacement work. Must be completed prior to beginning other repairs.</li> </ul> <p>Note: Patios and decks must increase the “As-Is” value equal to the dollar amount spent on the improvements.</p> <p>Refer to the <b>Limited 203(k) Eligible Improvements</b> section of the <a href="#">FHA Handbook 4000.1</a> for complete details.</p>
<b>Improvements – Ineligible</b>	<p>PHL follows FHA guidelines. Refer to the <b>Limited 203(k) Ineligible Improvement</b> section of the <a href="#">FHA Handbook 4000.1</a> for complete details.</p>
<b>Inspections</b>	<ul style="list-style-type: none"> <li>• The following inspections, if required by the appraiser, must be completed: <ul style="list-style-type: none"> <li>- Termite/pest</li> <li>- Well or Septic certification</li> <li>- Additional HVAC or system certifications</li> <li>- Additional architectural exhibits as required</li> </ul> </li> <li>• Construction related inspections are completed by the appraiser or inspector.</li> </ul>
<b>Inspections and Draw Disbursement</b>	<p>The following funds can be disbursed at closing:</p> <ul style="list-style-type: none"> <li>• Permit fees (the permit must be obtained before work commences)</li> <li>• Origination fees</li> <li>• Discount points; and</li> <li>• Up to 50% of the estimated materials and labor costs before beginning construction: <ul style="list-style-type: none"> <li>– Only when the contractor is not willing or able to defer receipt of payment until completion of the work, or</li> <li>– Payment represents the cost of materials incurred prior to construction. A statement from the contractor is sufficient to document.</li> </ul> </li> <li>• Maximum of 2 disbursements (draws)</li> </ul> <p><b>Disbursements made by Seller</b></p> <p>Seller must ensure that the repairs and improvements have been completed. Draws disbursed by the Seller must be documented by:</p> <ul style="list-style-type: none"> <li>– Contractor's receipts</li> <li>– Performing an inspection or obtaining an inspection by a third party</li> <li>– A signed Borrower's Letter of Completion</li> </ul> <p><b>Note:</b> Any disbursement made by the Seller must be fully documented and submitted prior to purchase by Planet.</p>
<b>Maximum Mortgage Amount</b>	<p><b>Purchase Transaction</b> is the lesser of:</p> <ol style="list-style-type: none"> <li>1. The appropriate LTV multiplied by the lesser of: <ul style="list-style-type: none"> <li>• The Adjusted As-Is Value, plus: <ul style="list-style-type: none"> <li>– Repair and improvement cost</li> <li>– Mortgage fees</li> <li>– Contingency Reserves</li> </ul> </li> <li>• 110% of the After Improved Value (100% for Condominiums); or</li> </ul> </li> <li>2. The <a href="#">Nationwide Mortgage Limits</a>.</li> </ol> <p>Refer to the <a href="#">Property Flips</a> topic for FHA requirements when a property is being re-sold within one (1) year of acquisition.</p>



## FHA Limited-203(k) Program Guidelines

<b>Maximum Mortgage Amount (cont.)</b>	<p><b>Refinance Transaction</b> is the lesser of:</p> <ol style="list-style-type: none"> <li>The existing debt associated with the new mortgage, plus: <ul style="list-style-type: none"> <li>Repair and improvement cost</li> <li>Mortgage Fees</li> <li>Contingency Reserves</li> </ul> </li> <li>Appropriate LTV multiplied by the lesser of: <ul style="list-style-type: none"> <li>The Adjusted As-Is Value, plus: <ul style="list-style-type: none"> <li>Repair and improvement cost</li> <li>Mortgage fees</li> <li>Contingency Reserves</li> </ul> </li> <li>110% of the After Improved Value (100% for Condominiums); or</li> </ul> </li> <li>The <u>Nationwide Mortgage Limits</u>.</li> </ol>
<b>Mortgage Insurance</b>	<p>Mortgages to be insured under Section 203(k) must comply with the MIP requirements found in the <a href="#">MIP Chart</a>.</p> <ul style="list-style-type: none"> <li>Divide the base loan amount by the After Improved Value.</li> </ul>
<b>Products</b>	30 year Fixed Rate only
<b>Properties – Eligible</b>	<p>Must be an existing property that has been completed for a minimum of 1 year prior to the case number assignment date. If unsure, follow FHA guidelines. File must include a Certificate of Occupancy or equivalent. All health and safety issues must be addressed.</p> <ul style="list-style-type: none"> <li>1-4 unit primary residences</li> <li>Condos (Specific requirements apply. Refer to <a href="#">Property Eligibility – Condos</a> topic for details)</li> <li>Converting from a non-203(k) to a 203(k) mortgage</li> <li>Mixed use property with 1-4 residential units are acceptable if 25% of the Gross Building Area (GBA) is for residential use and the commercial use does not affect the safety of residential occupants</li> <li>Modular Homes</li> <li>PUDs (attached/detached)</li> <li>Site Condominium unit</li> </ul>
<b>Property Eligibility – Condos</b>	<p>Condos subject to the following:</p> <ul style="list-style-type: none"> <li>Condo must be located in an FHA approved condominium project at the time of case number assignment.</li> <li>Rehabilitation limited to the interior of the unit. Rehabilitation of the exterior of the condo or any area that is the responsibility of the condominium association is not allowed with the exception of installation of firewalls in the attic for the unit.</li> <li>Maximum mortgage cannot exceed 100 percent of the “After-Improved” value.</li> <li>Rehab at any one time is limited to the lesser of: <ul style="list-style-type: none"> <li>5 units, or</li> <li>25% of the total number of units in the project.</li> </ul> </li> <li>The individual condo <b>building</b> cannot have more than 4 units in the subject property building. HUD allows greater than 4 units in a building only when the renovation reduces the number of units to 4 or less. The project <b>as a whole</b> can have more than 4 units (i.e. the project consists of 5 buildings, each with 4 units, for a total of 20 units in the project).</li> <li>Projects made up of attached townhomes are not subject to the 4 unit per building restriction. HUD considers each townhome an individual building as long as each unit is separated by a firewall that reaches from the foundation to the roof and is rated 1 ½ hours.</li> </ul>
<b>Properties- Ineligible</b>	<ul style="list-style-type: none"> <li>Commercial property</li> <li>Condo Hotels (projects managed or operated as hotel/motel, hotel/motel conversions)</li> <li>Cooperative projects</li> <li>Farms, orchards, ranches</li> <li>Manufactured/mobile homes. Manufactured housing is defined as any dwelling built on a permanent chassis. <b>Manufactured homes are ineligible even if the towing hitch, wheels, and axles have been removed.</b></li> </ul>



## FHA Limited-203(k) Program Guidelines

<b>Properties- Ineligible (cont.)</b>	<ul style="list-style-type: none"> <li>• Conversion of single family structure to 2,3 or 4 unit structure</li> <li>• Decreasing a multi-unit structure to a 1-4 unit dwelling</li> <li>• New Construction (Certificate of Occupancy was issued within the previous 12 months)</li> <li>• Properties currently boarded up, condemned and uninhabitable</li> <li>• Property located in the Hawaiian Islands in lava zones one (1) or two (2)</li> <li>• Properties not completed</li> <li>• Properties that will be completely torn down during the rehab process (eligible if some of the existing foundation remains in place)</li> <li>• Real Estate Owned (REO) Property</li> <li>• Rural property &gt;10 acres</li> <li>• Unique properties</li> </ul>
<b>Property Flips</b>	In addition to the standard FHA program guidelines, the 203(k) mortgage must be based on the lowest sales price in the previous year. "As-is" appraisal is required.
<b>Rehabilitation Escrow Account</b>	<p>Required on all loans, no exceptions. Refer to the <b>Rehabilitation Escrow Account</b> guidelines in the <a href="#">FHA Handbook 4000.1</a>.</p> <p>The Custodian of the repair escrow funds is responsible for ensuring all funds from the escrow account are properly distributed.</p> <ul style="list-style-type: none"> <li>• After closing all proceeds designated for the rehabilitation, including Contingency Reserves, Inspection fees, and any mortgage payments must be placed in an interest bearing account.</li> <li>• Any net income earned by the rehabilitation escrow account must be disbursed to the Borrower through an agreed upon method of payment.</li> </ul> <p>Effective for case numbers assigned on or after October 31, 2016, after the repair escrow account is closed, the Mortgagee must complete the Escrow Closeout Certification screen in FHAC within 30 Days after the escrow account is closed.</p> <p><b>Contingency Reserves</b></p> <p>A Contingency Reserve is not mandated but may be required at Sellers discretion. If required:</p> <ul style="list-style-type: none"> <li>• The reserves may be financed</li> <li>• Cannot exceed 20% of the Financeable Repair and Improvement Costs.</li> </ul> <p>Additionally, the borrower may provide their own funds to establish the Contingency Reserves. Where the Borrower has provided their own funds for Contingency Reserves, they must be noted under a separate category in the Repair Escrow Account.</p> <p><b>Contingency Release</b></p> <p>Financed Funds must be applied towards the principal balance.</p> <p><b>Financeable Mortgage Payment Reserves</b></p> <p>Not applicable on 203(k) Limited</p>
<b>Transactions - Eligible</b>	<p>In addition to the standard FHA program guidelines, the following transactions are eligible:</p> <ul style="list-style-type: none"> <li>• Transactions where the work will require ≤ 6 months to complete</li> <li>• Properties converting from a non 203(k) to a 203(k) transaction.</li> </ul>
<b>Transactions- Ineligible</b>	<ul style="list-style-type: none"> <li>• Transactions where the work will require &gt; 6 months to complete</li> <li>• See <a href="#">Identity of Interest/Conflict of Interest</a> for additional information.</li> </ul>

## VA Program Conforming and High Balance

Fixed Rate and ARMs

Primary Residence Full Documentation					
Transaction Type	Units	LTV	CLTV	Loan Amount <sup>1,2,3</sup>	Credit Score
Purchase	1	90%	90%	VA Limit	580 <sup>6</sup>
Purchase	1-4 <sup>5</sup>	100%	100%	VA Limit	600
Cash-Out	1	90%	90%	VA Limit	580 <sup>6</sup>
Cash-out	1-4	100% <sup>4</sup>	115%	VA Limit <sup>4</sup>	600
Manufactured Housing					
Purchase	1	100%	100%	VA Limit	640
Rate/Term	1	100%	100%		

Refer to Planet' VA IRRRL matrix for IRRRL guidelines.

### Footnotes:

1. VA loan limits can be found at [VA Loan Limits](#)
2. Minimum loan amount \$60,000
3. Maximum loan amount \$1,000,000 excluding Hawaii; maximum loan amount in Hawaii \$1,500,000. Loan amounts that exceed the county limit established by VA will require a down payment from the borrower.
4. Maximum base loan amount \$453,100 (Alaska/ Hawaii \$679,650 or \$721,050 in Honolulu county, HI). Refer to the [Transaction Types](#) topic for specific requirements for cash-out > 90%.
5. 2-4 unit properties subject to a Short Sale Agreement must have been listed on the MLS for a minimum of 30 days prior to the execution of the sales contract. Properties designated as an "Exclusive Listing" are **ineligible**.
6. Borrowers with a credit score of 580-599 are subject to specific guideline restrictions. Refer to the [Credit Score 580-599](#) topic to view requirements.

VA Funding Fee*		
Regular Military		
Down Payment	First Time Use	Subsequent Use
None	2.15%	3.30%
≥ 5%	1.50%	1.50%
≥ 10%	1.25%	1.25%
Reserves / National Guard		
Down Payment	First Time Use	Subsequent Use
None	2.40%	3.30%
≥ 5%	1.75%	1.75%
≥ 10%	1.50%	1.50%
Refinance Transactions		
Type of Veteran	First Time Use	Subsequent Use
Regular Military	2.15%	3.30%
Reserves / National Guard	2.40%	3.30%
Type of Loan	% for All Veterans	
Loan Assumptions	0.50%	

\*The Certificate of Eligibility (COE), issued by VA, will indicate if the veteran is exempt or non-exempt from paying the VA Funding Fee and the amount of the veteran's entitlement.

VA guidelines can be found at: [VA Lenders Handbook - VA Pamphlet 26-7](#)



## VA Program Guidelines

Planet follows VA guidelines for any topic not addressed below

Topic	Guideline
4506-T	<ul style="list-style-type: none"> <li>Tax transcripts, are required per AUS findings or can be obtained in lieu of W-2 or tax returns both personal and business</li> <li>4506-T must be signed by all borrowers at loan closing if transcripts were not obtained to qualify the borrower.</li> </ul> <p>Note: Due to the hacking incidents, Planet will accept transcripts that the borrower obtained from the IRS along with a certification that the returns are true and correct.</p>
Affidavit of Identity	Planet may require an Affidavit of Identity if a borrower signature appears incomplete or illegible.
Age of Documents	<ul style="list-style-type: none"> <li>All credit, income and asset documentation must be ≤ 120 days from the Note date</li> <li>Appraisal must be dated with 180 days of the Note date.</li> </ul>
Appraisals	<ul style="list-style-type: none"> <li>Appraisal must be performed by a VA appraiser. Appraisals are ordered through VA. A copy of the sales contract and any applicable addendums must be provided to the appraiser within one (1) business day of the appraisal assignment on purchase transactions.</li> <li>The Notice of Value (NOV) must be provided to the veteran within 5 business days of receipt of appraisal</li> <li>The NOV must be issued at the appraised value reflected on the appraisal report.</li> <li>The appraisal must include clear, illustrative, original photographs showing the front and rear view (preferably including a different side view in each photograph) and a street scene of the subject property.</li> <li>A Fannie Mae Market Conditions Addendum (Form 1004MC) is required by VA</li> <li>The interior photos must include the following: <ul style="list-style-type: none"> <li>Kitchen</li> <li>All bathrooms</li> <li>Main living area</li> <li>Examples of any physical deterioration, if present, and</li> <li>Examples of any recent updates, such as restoration, remodeling, and renovation if present.</li> </ul> </li> <li>Modular/prefabricated homes: The appraiser must address the marketability of the property.</li> <li>A photograph of the front of each comparable is required. Photographs of the comparable listings are not required.</li> <li>The source of the closed comparable sales used in the appraisal must be from one of the following or a desk review will be required: <ul style="list-style-type: none"> <li>A Multiple Listing Service (MLS), or</li> <li>MRIS (<a href="http://www.mris.com">http://www.mris.com</a>), or</li> <li>Midwest Real Estate Data (MRED) (<a href="http://www.mredllc.com">www.mredllc.com</a>), or</li> <li>North Texas Real Estate Information Systems, Inc. NTREIS at (<a href="http://www.ntreis.net">www.ntreis.net</a>), or</li> <li>San Antonio Board of Realtors (<a href="http://www.sabor.com">www.sabor.com</a>), or</li> <li>GeoData at <a href="http://www.geodataplus.com">www.geodataplus.com</a>, or</li> <li>Comps Inc. at <a href="http://www.compsny.com">www.compsny.com</a>.</li> </ul> </li> </ul> <p>NOTE: Comparables from a public independent source are only eligible in the states of Vermont and Maine.</p> <p>Copies of photographs from the multiple listing service are acceptable only with an explanation of why original photos are not provided, i.e. gated communities where access may require trespass to photograph, etc.</p> <ul style="list-style-type: none"> <li>Comparable sales used for new construction properties are subject to the following: <ul style="list-style-type: none"> <li>If all three of the comparable sales used to support the value of the subject property were obtained from one of the above sources (public source eligible in Vermont and Maine only) no further action is required.</li> </ul> </li> </ul>



## VA Program Guidelines

<b>Appraisals (cont.)</b>	<ul style="list-style-type: none"> <li>- If the comparable sales are not all obtained from a MLS, MRIS, MRED, NTREIS, or public source (public source Vermont/Maine only). the appraiser must comment that the subject property development is being marketed in an "open" or "public" environment (i.e. newspaper advertisements, bill board signs, website, etc.). Additionally, the following applies: <ul style="list-style-type: none"> <li>o One of the comparable sales must be outside the project the subject property is located in and be from an MLS or MRIS, MRED, or NTREIS, or public source (public source Vermont/Maine only).</li> <li>o Two of the comparable sales must be from sources other than the subject property builder.</li> </ul> </li> </ul> <p>NOTE: The appraiser is always allowed to provide more than three comparable sales in order to support the property value.</p> <ul style="list-style-type: none"> <li>• The subject and all comparable must be appropriately identified. Refer to the <a href="#">Minimum Property Standards</a> topic for property requirements.</li> <li>• Properties located in a FEMA Disaster Declaration area will be subject to additional appraisal review. Refer to <a href="#">Chapter 8- Loan Purchasing</a> for detailed requirements.</li> </ul>
<b>Assets</b>	<p>If assets are required to close the following is required to indicate sufficient funds:</p> <ul style="list-style-type: none"> <li>• 2 months most recent bank statements or per DU Findings (all pages). Sellers who are also the depository for the borrower's account may provide a printout or other alternative verification of the borrower's bank account assets produced directly from the bank or credit union's system in lieu of bank statement(s).</li> <li>• <b>Purchase transactions credit score of 580-599:</b> Two (2) months bank statements required to document 10% borrower own funds down payment requirement. Bank statements must be dated for the two months prior to the loan application date. All other asset documentation requirements must also be met.</li> <li>• Verification and documentation of the deposit amount and source of funds is required, if the earnest money: <ul style="list-style-type: none"> <li>- Exceeds 2% of the sales price, or</li> <li>- Appears to be excessive based on the borrower's history of accumulated savings. <ul style="list-style-type: none"> <li>o Satisfactory documentation includes: <ul style="list-style-type: none"> <li>▪ Copy of the cancelled check and a copy of the bank statement showing the withdrawal</li> <li>▪ Certification from the deposit holder acknowledging receipt of the funds</li> <li>▪ Bank statements (all pages) for the most recent 2 months.</li> </ul> </li> </ul> </li> </ul> <p>Note: VODs are an acceptable as the primary source of verification.</p> <li>• Cash on hand and unsecured funds are ineligible sources for assets.</li> <li>• If the veteran will be using funds from a joint account and that person is not on the loan a letter, stating that the veteran has full access to the funds in the account is required. If the other party is not the veteran's spouse, an explanation of the relationship is required and it must be noted if they will also be occupying the property.</li> <li>• Verification and documentation of any recent large deposit(s), a deposit that exceeds 2% of the property's sales price on a purchase transaction and 2% of the fair market value on a refinance transaction, is required.</li> </li></ul>
<b>Assumptions</b>	Planet follows agency guidelines.
<b>AUS</b>	<p>All loans are run through DU. Planet accepts the following AUS Findings on VA Loans:</p> <ul style="list-style-type: none"> <li>• "Approve/Eligible", <b>or</b></li> <li>• "Refer/Eligible" (manual underwrite required).</li> <li>• An "Approve/Eligible" Finding must be downgraded to a manual underwrite when any of the following are present: <ul style="list-style-type: none"> <li>- The mortgage history has a 1 x 30 in the previous 12 months</li> <li>- The borrower is in an IRS tax repayment plan,</li> <li>- There are disputed tradelines</li> <li>o A manual downgrade is <b>not</b> required if the disputed tradeline meets all of the following: <ul style="list-style-type: none"> <li>▪ The disputed account has a zero balance, <b>and</b></li> <li>▪ The disputed account is marked "paid in full" or "resolved", <b>and</b></li> <li>▪ The disputed account is <b>both</b> &lt; \$500.00 <b>and</b> is &gt; 24 months old.</li> </ul> </li> </ul> </li> </ul>





## VA Program Guidelines

<b>AUS (cont.)</b>	<ul style="list-style-type: none"> <li>Subject loan was a previously restructured/modified mortgage. <ul style="list-style-type: none"> <li>A minimum of 12 months of 0x30 payments have been made on the restructured/modified loan.</li> <li>Mortgages in default at time of loan restructure/modification are not eligible.</li> </ul> </li> </ul>
<b>Available Markets</b>	<b>Planet will purchase loans underwritten and closed by the delegated seller in all states.</b>
<b>Borrowers - Eligible</b>	<p>Eligible per VA guidelines</p> <ul style="list-style-type: none"> <li>The following situations require VA review and approval: <ul style="list-style-type: none"> <li>Joint loan of two veterans (including 2 married veterans using their own entitlement and more than 1 COE will be used for the guaranty)</li> <li>Loans to veterans in receipt of VA non-service connected pension</li> <li>Veterans rated incompetent by the VA</li> <li>Proposed construction that is ≤ 95% complete</li> <li>IRRRL being used to refinance a VA loan that is ≥ 30 days past due</li> <li>Leaseholds</li> </ul> </li> </ul>
<b>CAIVRS/LDP/SAM</b>	<p><b>CAIVRS at <a href="#">CAIVRS</a></b></p> <ul style="list-style-type: none"> <li>All borrowers must be checked against the Credit Alert Interactive Voice Response System (CAIVRS) to determine if they have delinquent federal debt. Borrowers identified with a CAIVRS claim are generally ineligible.</li> </ul> <p>Borrowers with a CAIVRS claim number due to a short sale are eligible for a VA loan if a minimum of two (2) years have passed since the short sale and the borrower otherwise qualifies for the loan. The borrower is required to provide an explanation of the event.</p> <p><b><a href="#">LDP/SAM</a></b></p> <ul style="list-style-type: none"> <li>All of the following parties to the transaction, as applicable, must be checked against HUD's Limited Denial of Participation list and the System for Award Management Excluded Parties List. <ul style="list-style-type: none"> <li>Borrower(s)</li> <li>Broker</li> <li>Loan Officer/Processor/Underwriter</li> <li>Seller</li> <li>Real Estate Listing and Selling Agent(s)</li> <li>Appraiser</li> <li>Lender</li> <li>Title</li> <li>Closing attorney,</li> <li>Escrow/Settlement agent</li> </ul> </li> </ul>
<b>Chain of Title</b>	<p>A 12-month chain of title is required for all loans (excluding new construction). Title must include all transfers in the previous 12 month period including copies of all recorded deed(s). More than one transfer in previous 12 months <b>or</b> property has significant increase in value since prior transfer an appraisal addendum addressing all transfers required. The addendum must include dates of sales, sales price and the Note if the sale was through an MLS or was a non-arm's length transaction.</p>
<b>Contingent Liabilities</b>	<p>A contingent liability exists when an individual is responsible for payment of a debt if another party, jointly or severally obligated, defaults on the payment.</p> <ul style="list-style-type: none"> <li><b>Co-Signed Debt</b> <ul style="list-style-type: none"> <li>When the borrower is legally obligated on a debt, the debt must be included in the borrower's DTI ratio, even if another party is making the payment. The payment may only be excluded when the person making the payment is also legally obligated on the debt.</li> <li>Personal debt, where the borrower is a co-signer, may be excluded from the DTI if: <ul style="list-style-type: none"> <li>Documentation is provided verifying another borrower is responsible for the debt, and</li> <li>Copies of the cancelled checks (front and back) are provided from the party paying the debt for the most recent 12 consecutive payments, and</li> <li>The credit report indicates the account has no late payments.</li> </ul> </li> </ul> </li> <li><b>Business Debt</b> <ul style="list-style-type: none"> <li><b><i>Sole Proprietorship or Partnership:</i></b> The business is not an entity that can borrow and any debt used by the business is personal obligations regardless of how the debt is paid. <ul style="list-style-type: none"> <li>This type of debt must be included in the borrower's DTI. The debt may be added back to the business income so the debt is not counted twice</li> </ul> </li> </ul> </li> </ul>



## VA Program Guidelines

<b>Contingent Liabilities</b> (cont.)	<ul style="list-style-type: none"> <li>– <b>Corporations (Includes Sub-S and most LLCs):</b> A corporation is a legal entity that can be obligated for debts. Officers of the corporation or members of an LLC are often required to personally sign as additional guarantors for debts owed by the Corporation or LLC.               <ul style="list-style-type: none"> <li>o Debts may be excluded from the DTI, if:                   <ul style="list-style-type: none"> <li>▪ A minimum of 12 consecutive most recent cancelled checks are provided by the corporation/LLC for payment on the debt, and</li> <li>▪ Documentation is provided showing the corporation/LLC is a borrower on the loan.</li> </ul> </li> </ul> </li> </ul>
<b>Compensating Factors</b>	<p>VA considers the following when considering compensating factors:</p> <ul style="list-style-type: none"> <li>• Excellent credit history</li> <li>• Conservative use of consumer credit</li> <li>• Minimal consumer debt</li> <li>• Long-term employment</li> <li>• Military benefits</li> <li>• High residual income</li> <li>• Low DTI ratio</li> <li>• Significant liquid assets</li> <li>• Sizable down payment</li> <li>• The existence of equity in refinance loans</li> <li>• Little or no payment shock</li> <li>• Satisfactory homeownership experience</li> <li>• Tax credits for child care</li> <li>• Tax benefits of home ownership</li> </ul>
<b>Credit - Installment/Revolving Accounts and Deferred Student Loans</b>	<p>All debts will be run through DU to ensure accurate DU Findings.</p> <ul style="list-style-type: none"> <li>• <b>Installment Debt</b> <ul style="list-style-type: none"> <li>– Included in the DTI if &gt; 10 months remaining, or</li> <li>– Included if ≤ 10 months remaining AND payment is &gt; \$100.00 and/or at underwriters discretion</li> </ul> </li> <li>• <b>Revolving Debt</b> <ul style="list-style-type: none"> <li>– Revolving debt must be included if there is a balance indicated on the credit report. If the monthly payment is not included in the credit report the underwriter will calculate the payment using the greater of \$10.00 or 5% of the outstanding balance. If the actual dollar amount is documented by the creditor or a current monthly statement, that amount may be used for qualifying.</li> <li>– Cash-out refinance transactions               <ul style="list-style-type: none"> <li>o If paid off prior to closing, documentation must be included in the loan file that the account was paid off and closed.</li> <li>o Payoff must be indicated on the HUD-1</li> <li>o Closing agent must verify that the account(s) were closed prior to disbursement.</li> </ul> </li> </ul> </li> <li>• <b>Deferred Student Loans</b> <ul style="list-style-type: none"> <li>– Payments deferred or in forbearance &gt; 12 months from the Note date may be excluded from the DTI ratios. Refer to the VA Lender Handbook for complete details on student loan debt that must be added.</li> </ul> </li> </ul>
<b>Credit Report/Scores</b>	<ul style="list-style-type: none"> <li>• A minimum credit score of 580 is required regardless of DU Findings. Credit scores of 580-599 are subject to specific guidelines. Refer to the <a href="#">Credit Score 580-599</a> topic for requirements.</li> <li>• A minimum credit score of 600 is required on cash-out transactions &gt; 90%LTV.</li> <li>• A tri-merged credit report is required for all borrowers.</li> <li>• The primary borrower (the borrower with the highest income) must meet the minimum credit score requirement.</li> <li>• The representative credit score is determined as follows:               <ul style="list-style-type: none"> <li>– If there are three (3) valid scores, the middle score is used. If two of the three scores are a duplicate, the duplicate score is used.</li> <li>– If there are two (2) valid scores, the lower of the two is used</li> <li>– If there is one (1) valid score, that score is used</li> </ul> </li> </ul>



## VA Program Guidelines

<b>Credit Report/Scores</b> (cont.)	<ul style="list-style-type: none"> <li>The borrower(s) must address <b>all</b> credit inquiries indicated on the credit report within the previous 120 days and indicate the reason for and result of the inquiry (i.e. was new credit obtained or not).</li> </ul> <p><b>Credit Report – Fraud Alert</b></p> <p>When a fraud alert, active duty alert or freeze is included with a credit report, additional steps are required to verify the borrower's identity and documentation must be provided. Documentation should include, but is not limited to:</p> <ul style="list-style-type: none"> <li>A letter of explanation from the borrower, and</li> <li>A copy of the identity theft report, and</li> <li>An additional form of identity verification, and</li> <li>If the credit alert contains a phone number for a verbal verification prior to credit being issued, documentation must be provided that the borrower was contacted.</li> </ul>
<b>Credit Score 580-599</b>	<p>The following applies when the borrower's credit score is between 580-599:</p> <ul style="list-style-type: none"> <li>Maximum LTV/CLTV:             <ul style="list-style-type: none"> <li><b>Purchase transactions:</b> 90% LTV/CLTV. Minimum 12 months documented housing history, indicating 0x30 in 12 months is required. &lt; 12 months housing history is ineligible. No gift or DPA funds allowed for down payment; all funds for down payment must be from borrower own funds.</li> <li><b>Refinance transactions:</b> 90% LTV/CLTV. Minimum 2 year payment history on the current loan with 0x30 in previous 24 months is required.</li> </ul> </li> <li>1-unit properties only (attached/detached SFR, PUDs, condos)</li> <li>Maximum DTI 31%/43%. Maximum applies to both ratios individually (i.e. if the DTI is 34%/42% the loan is ineligible). <b>No exceptions.</b></li> <li>No gifts or DPA funds allowed for down payment. Gift funds eligible for closing costs and/or to reduce LTV only after 10% borrower own funds for down payment requirement is met.             <ul style="list-style-type: none"> <li>Two (2) months bank statements required to document borrower own funds requirement. Bank statements provided must be dated for the two months prior to the application date</li> <li>A letter, signed by all borrowers, stating that all funds used for the 10% down payment requirement are borrower own funds, will be required.</li> </ul> </li> <li>Twelve (12) month housing history, indicating 0x30 in previous 12 months, is required. Borrowers without a housing history are ineligible.             <ul style="list-style-type: none"> <li>0x30 12 month housing history must be verified as follows:                 <ul style="list-style-type: none"> <li>In-file credit report trade line rating, or</li> <li>Checks/money orders or evidence of consistent bank withdrawals</li> </ul> </li> </ul> </li> <li>VA standard residual income requirements apply.</li> <li>Maximum payment shock is 100%. Payment shock &gt; 50% - 100% is subject to the following:             <ul style="list-style-type: none"> <li>Standard residual income requirement must be doubled (i.e. if VA normally requires residual income of \$350 a minimum of \$700 would be required).</li> </ul> </li> <li>Property flips (property being re-sold ≤ 90 days from acquisition) are ineligible.</li> </ul>
<b>Derogatory Credit</b>	<p><b>Bankruptcy</b></p> <ul style="list-style-type: none"> <li><b>Chapter 13</b> <ul style="list-style-type: none"> <li>If the veteran has finished making all payments and the payments were paid satisfactorily, the veteran is considered to have re-established credit.</li> <li>If the veteran has not finished making payments the veteran is eligible subject to:                 <ul style="list-style-type: none"> <li>A minimum of 12-months' payments have been made satisfactorily, and enter into</li> <li>The trustee or bankruptcy judge provides written permission for the veteran to the mortgage transaction.</li> </ul> </li> </ul> </li> <li><b>Chapter 7</b> <ul style="list-style-type: none"> <li>&gt;2 years since discharge date to application date</li> <li>If bankruptcy was discharged within 1 to 2 years (discharge date to application date) may be considered if both of the following are met:                 <ul style="list-style-type: none"> <li>The bankruptcy was due to documented circumstances beyond the borrower(s) control (e.g. unemployment, medical bills not covered by insurance, death, etc.</li> </ul> </li> </ul> </li> </ul>



## VA Program Guidelines

### Derogatory Credit (cont.)

- Divorce is generally **not** considered a circumstance beyond control), **and**
  - The borrower(s) have obtained credit subsequent to the bankruptcy and accounts have made satisfactory payments over a continued period.
    - Discharged < 12 months is ineligible
- A letter of explanation for any bankruptcy filing is required
- If mortgage debt was discharged through the bankruptcy, even if there was a subsequent completed foreclosure action to reclaim the property, bankruptcy waiting periods may be applied, not foreclosure waiting periods if documentation is provided to verify the mortgage was discharged in the bankruptcy. If documentation cannot be provided, the greater of the applicable bankruptcy or foreclosure waiting period is applied.

### Collections/Charge-offs/Judgments

- Collection and charge-offs are generally not required to be paid off, however follow AUS Findings if payoff is required.
- Judgments must be paid or in a repayment plan for 12 months with a 0 x 30 in 12 month history.
- A letter of explanation is required for all collection/charge-off/judgment accounts.

NOTE: At underwriter discretion, payoff may be required regardless of the account balance.

- Borrowers with a history of collection/charge-off accounts should have re-established a 12 month satisfactory credit history.

### Consumer Credit Counseling

- >1 year of the payout has elapsed
- All payments have been paid on time as agreed, and
- Written permission from the Counseling Agency to enter into a mortgage transaction is required.

### Delinquent Child Support

Delinquent child support must be paid current or in a payment plan.

### Foreclosure

- >2 years since completion to application date
- If foreclosure completed within the past 1-2 years (foreclosure settlement date to application date) the borrower may be eligible subject to the following:
  - The foreclosure was due to documented circumstances beyond the borrower(s) control (e.g. unemployment, medical bills not covered by insurance, death, etc. Divorce is generally **not** considered a circumstance beyond control), **and**
  - The borrower(s) have obtained credit subsequent to the foreclosure and have made satisfactory payments over a continued period.
- Borrower(s) must have re-established credit
- No late housing or installment payments after the foreclosure
- A letter of explanation as to the reason for foreclosure.

Note: If the foreclosure was included in a Chapter 7 bankruptcy, the discharge date is used for determining the foreclosure date. If the foreclosure was on a VA loan, the applicant may not have full entitlement available. Planet requires a minimum 25% guaranty.

### Short Sale

- A specific waiting period is not required by VA.
- If the borrower's overall credit record is good, the short sale does not necessarily stop the borrower from obtaining new credit.
- The borrower's overall credit should be reviewed, including the mortgage payments. Any delinquent mortgage payments should be viewed in the context of the borrower's overall credit.
- If the borrower's overall credit was not good at the time of the short sale the borrower must:
  - Have re-established good credit, and



## VA Program Guidelines

<b>Derogatory Credit</b> (cont.)	<ul style="list-style-type: none"> <li>- The reason for the short sale must have been due to circumstances beyond the borrower's control, and</li> <li>- Late housing or installment payments after the short sale will be evaluated by the underwriter and considered on a case-by-case basis.</li> </ul> <p><b>Restructured/Modified</b></p> <p>If the subject loan was a previously restructured/modified mortgage the following applies.</p> <ul style="list-style-type: none"> <li>• Loan is subject to a manual downgrade</li> <li>• A minimum of 12 months of 0x30 payments have been made on the modified loan</li> <li>• NOTE: If mortgage was in default at the time of modification is <b>not</b> eligible.</li> </ul>
<b>Down Payment</b>	<p>Not required unless the purchase price exceeds the full reasonable value of the property or if the loan amount exceeds the county limit established by VA then a down payment is required by the borrower from the borrower's own funds.</p>
<b>Down Payment Assistance/Grants</b>	<p>Funds from grants/ down payment assistance (DPA) programs are eligible per VA guidelines.</p>
<b>DTI</b>	<ul style="list-style-type: none"> <li>• A DTI &gt; 41% requires additional documentation/justification unless:             <ul style="list-style-type: none"> <li>- The ratio is &gt; 41% is due solely to the existence of tax-free income, or</li> <li>- Residual income exceeds the guidelines by at least 20%</li> </ul> </li> <li>• The file must include justification including all compensating factors.             <ul style="list-style-type: none"> <li>- Max DTI 31%/43% with a 580-619 credit score</li> <li>- Max DTI 45% with a 620-639 credit score; &gt; 45% DTI may be eligible subject to Planet's prior approval.</li> <li>- Per DU Findings with a ≥ 640 credit score and "Approve/Eligible"</li> <li>- Illinois 2-4 units, New Jersey and New York 3-4 units maximum 45% DTI.</li> <li>- The debt-to-income ratio includes the following:                 <ul style="list-style-type: none"> <li>○ Monthly housing expense, and</li> <li>○ Additional recurring charges extending 10 months or more, such as                     <ul style="list-style-type: none"> <li>▪ Installment accounts</li> <li>▪ Child support or separate maintenance payments</li> <li>▪ Revolving accounts</li> <li>▪ Alimony.</li> </ul> </li> </ul> </li> </ul> </li> <li>• Tax free income may be "grossed up" for purposes of calculating the DTI ratio only (<b>not</b> for residual income).</li> <li>• Debts that will be paid off in &lt; 10 months must be included in the DTI if the amount of the debt will affect the borrower's ability to pay the mortgage during the months immediately after close especially when the borrower will have limited or no cash assets after loan closing.</li> </ul> <p>NOTE: Monthly payments on revolving or open-end accounts, regardless of their balances, are counted as liabilities for qualifying purposes even if the accounts appear likely to be paid off within 10 months or less.</p>
<b>Employment/Income</b>	<ul style="list-style-type: none"> <li>• A two year employment history is required</li> <li>• A verbal verification of employment (VVOE) is required within 10 business days of loan closing for wage earner borrowers and within 30 calendar days of loan closing for self-employed borrowers.</li> <li>• Sellers must independently obtain the phone number, and when possible, the address of the wage earner borrower's employer using directory assistance/internet/phone book, etc.</li> <li>• Self-employed borrower's business requires verification of the business by a third party source (e.g. CPA, Federal Tax ID Certificate, Business License).</li> </ul> <p>NOTE: A sample VVOE form is posted on the Planet website under "Forms and Resources". Sellers are not required to utilize this exact form, however any form used, must provide the information contained on the Planet form.</p> <ul style="list-style-type: none"> <li>• A military Leave and Earnings Statement (LES) is required for active duty military in lieu of a VVOE. The LES must be an original or certified copy of original. The LES must be no more than 120 days old (180 days for new construction).</li> </ul>



## VA Program Guidelines

### Employment/Income (cont.)

- Follow DU Findings for income documentation requirements.
  - **Self-employed borrowers**
    - Follow DU Findings for documentation requirements
    - Manual underwrite requires:
      - 2 years signed personal tax returns or tax transcripts
      - 2 years signed business/corporate tax returns, at underwriter discretion
      - A business credit report if corporation or partnership
      - YTD Profit and Loss (P&L) and balance sheet (prepared by the borrower is acceptable)
      - Only income from the tax returns can be used unless P&L audited by CPA
      - Income must not be declining more than 10% per year or must use lowest income to qualify
      - Depreciation and /or depletion may be added back, and
      - Business use of home may not be added back.
  - **Unreimbursed Business Expenses**
    - Form 2106 (Unreimbursed business expenses) expense are not required to be deducted if qualifying commissioned income is  $\leq 25\%$  of the total employment income.
    - Form 2106 expenses must be deducted for gross commissioned income  $\geq 25\%$  of the total annual employment income expenses.

Note: Refer to VA Circular 26-16-10 for complete details.
  - **Rental Income**
    - **Conversion of Current Residence**
      - The prospective rental income may be used to offset the mortgage payment on the rental property. It may not be included in the effective income.
      - If the borrower has a rental agreement it must be provided. If there is no rental agreement, the prospective rental income may still be considered if the local rental market is determined to be strong and the property will probably not be difficult to rent. Realtors/appraisers are examples of parties who can identify local rental market trends.
    - **Other Rental Property not Secured by a VA Loan**
      - Borrowers with a history of being a landlord may use rental income from other property as follows:
        - Documented 3 months PITI reserves, and
        - Previous 2 years' individual tax returns, with all applicable schedules, indicating the rental income generated by the property is required.

NOTE: Reserves **not required** if rental income not used for qualifying.
    - **Rental of Multi-Unit Property Securing the VA Loan**
      - The prospective rental income may be included in the veteran's effective income if:
        - The veteran has a documented history of being a landlord and there is reasonable likelihood of continued success,
        - There are 6 months PITI cash reserves, and
        - The amount of rental income included in the effective income is:
          - Based on 75% of the prior rent collected (existing property), or
          - The appraiser opinion of the property's fair monthly rent (new construction).

NOTE: Reserves **not required** if rental income not used for qualifying.
- Projected Income from a New Job**  
Projected income from a new job that the borrower is scheduled to start is eligible subject to the following:
- The borrower must be scheduled to start the new position within 30 days of loan closing,  
**No exceptions.**
  - A non-revocable, guaranteed employment contract is required.
  - Borrower must have sufficient other income or cash reserves to pay the mortgage and all other obligations from loan closing to the start of the new job.
  - A letter, signed by the borrower(s) is required, certifying that a paystub or other acceptable documentation to validate the borrower has started employment.



## VA Program Guidelines

<b>Employment/Income</b> (cont.)	<p><b>Social Security Income Documentation Requirements</b></p> <p>Income received from the Social Security Administration (e.g. social security, Supplemental Security Income (SSI), disability, etc.) is eligible for qualifying the borrower when the income can be verified and it is likely to continue form a minimum of three (3) years from the date of the mortgage application.</p> <p>NOTE: Income that will not continue for a minimum of three (3) years may only be considered as a compensating factor.</p> <p><b>Verifying SSA Income:</b> Any of the following is acceptable:</p> <ul style="list-style-type: none"> <li>• Federal tax returns</li> <li>• Social Security Award Letter (aka Benefits Letter/Budget Letter)</li> <li>• Social Security Benefits statement (SSA 1099/1042S), or</li> <li>• Most recent bank statement evidencing receipt of the income from SSA.</li> </ul> <p><b>Verifying Continuance of SSA Income:</b> To document the continuance of the SSA income for three (3) years obtain the most recent Notice of Award Letter or equivalent documentation. If an expiration date is not stated it can be considered likely to continue. Additional information is <b>not</b> required to establish length of receipt. Additionally, <b>never</b> request documentation concerning the nature of disability or medical condition and evidence of a pending or current re-evaluation of medical eligibility <b>should not</b> be considered an indication the benefits will not continue.</p> <p>The income stated on an initial Notice of Award Letter (or equivalent) ,which indicates the borrower will be receiving benefits, may be used as effective income as of the start date of the income as stated on the Award Letter. The borrower must have other income to qualify for the mortgage until the start date of the benefit.</p> <p><b>Other Long-Term Disability Income:</b> Other long term disability income (workers compensation, private insurance) may also be used for qualifying income following the guidelines above.</p>
<b>Escrow Holdbacks</b>	<p>Loans with an escrow holdback are eligible for purchase when all funds are disbursed prior to the loan being purchased by Planet except as noted below. Loans must meet Planet's loan seasoning requirements detailed in <a href="#">Chapter 8 – Loan Purchasing</a>. Loans with holdback funds not disbursed prior to purchase are eligible as follows:</p> <ul style="list-style-type: none"> <li>• <b>Newly constructed properties – weather related</b> <ul style="list-style-type: none"> <li>– Funds held for completion of grading of yard/driveway, pouring of concrete for driveway/sidewalks</li> <li>– Seller must provide proof of completion and release of funds post-purchase</li> </ul> </li> <li>• <b>Newly constructed properties with city held bond – weather related</b> <ul style="list-style-type: none"> <li>– Eligible for purchase with temporary Certificate of Occupancy when a city bond is held for completion of roads and/or driveways</li> </ul> </li> <li>• <b>New construction – non-weather related</b> <ul style="list-style-type: none"> <li>– Funds held for completion of landscaping</li> <li>– Seller must provide proof of completion and release of funds post-purchase.</li> </ul> </li> </ul>
<b>Escrow /Impound Account</b>	<p>Required on all loans, no exceptions.</p>
<b>Fees and Charges</b>	<p>VA allows the following fees and charges:</p> <ul style="list-style-type: none"> <li>• 1% origination fee based on total loan amount. Fees determined by VA as unallowable <b>cannot</b> be charged, <b>or</b></li> <li>• 1% unallowable fees based on the total loan amount. An origination fee <b>cannot</b> be charged, <b>or</b></li> <li>• 1% blend of origination fee and unallowable fees based on the total loan amount. Combined fees cannot exceed 1% of the total loan amount.</li> <li>• The veteran <b>cannot</b> pay any of the following fees:             <ul style="list-style-type: none"> <li>– Attorney fees (unless the veteran independently retains an attorney)</li> <li>– Pre-payment fees</li> <li>– Real estate broker fees</li> <li>– Termite inspection (allowed on refinance transactions only).</li> </ul> </li> </ul>





## VA Program Guidelines

<b>Fee and Changes</b> (cont.)	<p><b>Unallowable Fees</b></p> <p>The following fees cannot be charged if a 1% origination fee is charged:</p> <ul style="list-style-type: none"> <li>• Lender's Inspections</li> <li>• Lender's Appraisal</li> <li>• Closing/Settlement Fee</li> <li>• Doc Prep Fees</li> <li>• Conveyance Fee</li> <li>• Underwriting Fee</li> <li>• Pest Inspection Fee</li> <li>• Fax/email/copying Fee</li> <li>• Escrow Fees</li> <li>• Notary Fees</li> <li>• Trustee Fee</li> <li>• Interested Rate Lock Fee</li> <li>• Postage/Mail Charges</li> <li>• Amortization Schedule</li> <li>• Tax Service Fee</li> <li>• Attorney's Services other than title work</li> <li>• Loan application/Processing Fee</li> <li>• Fees for preparing TRID</li> <li>• Prepayment Penalties (refi)</li> <li>• Any other fee(s) not listed as allowable by VA</li> <li>• Fees to Loan Brokers, Finders or other 3<sup>rd</sup> party Fees</li> <li>• Commitment Fees</li> </ul> <p><b>Allowable Closing Costs:</b></p> <p>The following fees may be charged:</p> <ul style="list-style-type: none"> <li>• Loan Origination Fee</li> <li>• Reasonable Discount Points</li> <li>• Appraisal Fee/Compliance Inspections</li> <li>• Credit Report Fee (actual cost)</li> <li>• Title examination/Title Insurance Fee</li> <li>• Recording Fees &amp; Taxes</li> <li>• Prorated Taxes</li> <li>• Hazard Insurance</li> <li>• Flood Insurance</li> <li>• Flood Determination</li> <li>• Federal Express/Express Mail (Refi only)</li> <li>• Closing Protection Letter</li> <li>• VA Funding Fee</li> <li>• Survey/Plot Plan</li> <li>• Well and septic inspections Fees</li> </ul> <p>The above lists may not be all inclusive. Refer to the <a href="#">VA Handbook</a> for detailed guidance on allowable/unallowable fees and charges.</p> <p><b>Third Party Charges</b></p> <p>Third party charges are limited to the invoice charge, regardless of the amount charged for the loan origination fee (i.e. you cannot charge the borrower more than the invoice amount even if the total amount of fees is less than 1% of the total loan amount). VA limits the fee charged for an appraisal. View the appraisal fee list at <a href="#">VA Appraisal Fee Schedules</a>.</p> <p><i>Example:</i></p> <p>The loan amount is \$100,000 and the lender is charging an \$800.00 origination fee. The charge for the credit report on the HUD-1 is \$50.00 however the invoice for the credit report indicates a charge of \$20. The borrower must be refunded the \$30.00 overcharge.</p> <p><i>Example:</i></p> <p>The loan amount is \$100,000 and the lender is charging an \$800.00 origination fee. The charge for the appraisal on the HUD-1 is \$500.00 however the maximum fee VA allows for an appraisal in the state where the property is located is \$425.00. The borrower must be refunded the \$75.00 overcharge.</p> <p><b>Subordination Fees</b></p> <p>Subordination fees cannot be financed into the loan regardless of the amount charged for the origination fee. If a subordination fee is charged the borrower must either pay the fee in cash or have a premium pricing credit that is large enough to cover the subordination fee.</p>
<b>Financed Properties</b>	<ul style="list-style-type: none"> <li>• Owner-occupied properties: No limit.</li> <li>• Planet limits its exposure to a maximum of 2 loans per borrower and one must be a primary residence.</li> </ul>



## VA Program Guidelines

<b>Gift Funds</b>	<p>Gifts, grants, and down payment assistance programs are eligible per VA guidelines. There must be no expected or implied repayment requirement of the gift funds.</p> <ul style="list-style-type: none"> <li>Gift /DPA funds are <b>ineligible</b> with a credit score of 580-599 until the 10% borrower own funds requirement has been met. Gift funds may be used after the borrower meets the 10% down payment from own funds requirement closing costs or to further reduce the LTV.</li> <li>A gift is acceptable if the donor is: <ul style="list-style-type: none"> <li>A relative of the borrower,</li> <li>A government agency or public entity that has a program providing home ownership assistance to low and moderate income families or first-time homebuyers.</li> </ul> </li> <li>Gift funds must be evidenced by a gift letter, signed by the donor and it must: <ul style="list-style-type: none"> <li>Specify the dollar amount,</li> <li>Be signed by the donor and the borrower,</li> <li>Specify the date the funds were transferred,</li> <li>Indicate the donor(s) name, address, phone number, and relationship to the borrower, and</li> <li>Include a statement by the donor that no repayment of the gift funds is expected.</li> </ul> </li> <li>The gift donor may <b>not</b> be a person/entity with an interest in the sale of the property including: <ul style="list-style-type: none"> <li>Seller</li> <li>Real estate agent or broker</li> <li>Builder or associated entity</li> </ul> </li> </ul> <p>Gifts from these sources are considered "inducements to purchase" and must be subtracted from the sales price.</p> <ul style="list-style-type: none"> <li>Gift fund availability and transfer of the funds must be documented. Verification of transfer of funds must be documented as noted below: <ul style="list-style-type: none"> <li>Gift funds given prior to closing <ul style="list-style-type: none"> <li>Copy of the donor's cancelled check (front and back) and conclusive evidence that the money was withdrawn from the donor's account (conclusive evidence might be a withdrawal slip or bank statement and the borrower's deposit slip and/or bank statement verifying the deposit.</li> </ul> </li> <li>Gift funds given to closing agent: (<b>cannot</b> be on day of closing) <ul style="list-style-type: none"> <li>Must be received at least one day prior to closing to allow for underwriter review; gift funds the day of closing are not allowed.</li> <li>A copy of donor's check to the closing agent is required, and</li> <li>Gift must be reflected on HUD-1.</li> </ul> </li> </ul> </li> </ul> <p>NOTE. When a bank statement is used to document funds, the donor <b>may</b> be required to document large deposits to ensure the funds did not come from an interested third party.</p> <p>Regardless of when gift funds are made available to the borrower, the underwriter must be able to determine that the gift funds were not provided by an unacceptable source and were the donor's own funds. The transfer from donor to borrower must be fully documented.</p> <p>NOTE: Donors may borrow gift funds from an acceptable source provided the borrowers are not obligors to any Note securing the money borrowed to give the gift.</p>
<b>Gift of Equity</b>	<ul style="list-style-type: none"> <li>A gift of equity is acceptable from an immediate family member only subject to the following: <ul style="list-style-type: none"> <li>A gift letter is required</li> <li>The HUD-1 indicates "gift of equity".</li> </ul> </li> </ul>
<b>Guaranty/ Entitlement</b>	<ul style="list-style-type: none"> <li>A minimum 25% guaranty is required</li> <li>The guaranty is limited to the veteran's portion of ownership interest in the property. (i.e. if the veteran is the only person on title but <b>adds someone other than their spouse to title</b>, the final loan guaranty would be half of the veteran's entitlement).</li> </ul>
<b>Inspections</b>	<p>A termite inspection is required in all states where termites are present or when the appraiser has indicated a need for a termite review due to wood-destroying insect damage or an active insect infestation. Refer to <a href="#">VA Department- Local Requirements</a> for additional details.</p> <ul style="list-style-type: none"> <li>Well inspections are required in all cases (private or shared)</li> <li>Septic inspection is required when the appraiser indicates the need for one. Septic tests or certifications are valid for 90 days unless local law requirements vary.</li> </ul> <p>NOTE: Connection to public water and/or sewer is only mandatory when required by local building, planning or health authorities.</p>



## VA Program Guidelines

<b>Manufactured Housing</b>	<p>30 year Fixed Rate only. Manual underwrite ineligible.</p> <p><b>Eligible Properties</b></p> <p>The manufactured home must be:</p> <ul style="list-style-type: none"> <li>– 1 unit, multi-wide dwelling</li> <li>– Classified as real estate</li> <li>– Property affixed to a permanent foundation</li> <li>– Existing or New Construction</li> <li>– PUDs</li> </ul> <p><b>Ineligible Properties</b></p> <ul style="list-style-type: none"> <li>– 2-4 units</li> <li>– Condo</li> <li>– Leasehold</li> <li>– Properties located in a 100 year flood zone</li> <li>– Singlewide</li> </ul> <p><b>New Construction</b></p> <p>Any case in which the foundation has not been fully completed and the manufactured home unit installed is considered to be “proposed or under construction.”</p> <p>In those cases, each set of construction exhibits must include:</p> <ul style="list-style-type: none"> <li>– Specifications for the foundation and a plot plan as required for conventional site-built homes</li> <li>– In double-wide homes, a detail of the mating line piers, if applicable location and a cross-sectional</li> <li>– A foundation plan showing the detail of the supporting piers. In all cases, include drawings of the foundation anchorage details.</li> <li>– A floor plan of the unit and exterior elevation drawings/photographs of the front and rear of the home, unless the unit is physically located on the site to be appraised or the appraiser has access to the unit on the dealer's lot. These may be provided in the manufacturer's advertising or technical installation manual.</li> <li>– In States or localities that require the underside of the unit to be completely enclosed, details of the perimeter enclosure that comply with those requirements.</li> <li>– Since site conditions vary considerably from location to location, any revision needed to information provided in the manufacturer's technical installation manual in order to comply with local requirements.</li> <li>– Appropriate construction exhibits for any other on-site improvements, such as decks, enclosed patios, garages and carports, etc., to be financed with the loan proceeds.</li> <li>– A certification signed and dated by a technically qualified and properly identified individual (such as builder, architect, engineer, etc.) which states, “I certify that the construction exhibits for (identification of the property by house type, lot, block, subdivision name, etc.) meet all local code requirements and are in substantial conformity with VA Minimum Property Requirements, including the energy conservation standards of the 1992 Council of American Building Officials' Model Energy Code and the requirement for lead-free water piping.” VA will accept HUD 92541, Builder's Certification of Plans, Specifications and Site, in lieu of this certification.</li> </ul>
<b>Maximum Loan Amount</b>	<ul style="list-style-type: none"> <li>• Maximum base loan amount \$453,100 (Alaska/Hawaii \$679,650 or \$721,050 in Honolulu county, HI).</li> <li>• Maximum total loan amount \$1,000,000 in all states except Hawaii.</li> <li>• Maximum total loan amount \$1,500,000 in the state of Hawaii.</li> </ul> <p>Refer to <a href="#">Transaction Types</a> topic for detailed information on allowable inclusions in the loan amount.</p>
<b>Minimum Property Standard (MPR)</b>	<p>VA has the following minimum property standards (MPR).</p> <ul style="list-style-type: none"> <li>• Each property requires the following to assure a suitable living environment: <ul style="list-style-type: none"> <li>– Living</li> <li>– Sleeping</li> <li>– Cooking and dining accommodations,</li> <li>– Sanitary facilities</li> </ul> </li> </ul>



## VA Program Guidelines

<b>Minimum Property Standard (MPR)</b> (cont.)	<ul style="list-style-type: none"><li>• Mechanical systems must:<ul style="list-style-type: none"><li>– Be safe to operate</li><li>– Be protected from destructive elements</li><li>– Have a reasonable future utility, durability and economy, and</li><li>– Have an adequate capacity and quality</li></ul></li><li>• Heating must be adequate for healthful and comfortable living conditions<ul style="list-style-type: none"><li>– Homes with wood burning stoves as the primary heating source must have a permanently installed conventional heating system that will maintain a temperature of 50° in areas where there is plumbing.</li></ul></li><li>• Each unit must have a water supply and sanitary facilities as follows:<ul style="list-style-type: none"><li>– Domestic hot water</li><li>– A continuous supply of safe and potable water for drinking and other household uses,</li><li>– Sanitary facilities with a safe method of sewage disposal. A connection to a public or community water/sewage system is required when dictated by local building, planning or health authorities.</li><li>– Any required well or septic tests/certifications are valid for 90 days unless local health authority indicates differently.</li></ul></li><li>• An MPR for existing construction can be waived by the VA field office if:<ul style="list-style-type: none"><li>– A veteran is under contract to purchase the property, and</li><li>– The property is habitable from the standpoint of safety, structural soundness and sanitation, and</li><li>– VA is satisfied the non-conformity has been depreciated accurately in the VA value.</li></ul></li></ul>
<b>Mortgage/Rental History</b>	<ul style="list-style-type: none"><li>• Credit score of 580-599 requires the following:<ul style="list-style-type: none"><li>– <b>Purchase transactions:</b> A minimum 12 month documented housing history with 0x30 in previous 12 months. Borrowers without a 12 month housing history are <b>ineligible</b>. Housing history must be evidenced by:<ul style="list-style-type: none"><li>○ In-file credit report trade line rating, or</li><li>○ 12 months cancelled checks/money orders or evidence of consistent bank withdrawals.</li></ul></li></ul><p>NOTE: VOR, including VOR from professional management company, or landlord letters are eligible <b>not eligible</b> to document housing history.</p><ul style="list-style-type: none"><li>– <b>Refinance transactions:</b> Minimum 2 year payment history on the current loan with 0x30 in previous 24 months required; &lt; 2 year payment history the loan is ineligible.</li></ul></li><li>• 0x30 in 12 months. A manual downgrade is required for any mortgage debt with 1 x 30 in 12.</li><li>• Mortgage must be current and due for the month closing</li><li>• Verification of Mortgage (VOM) or Verification of Rent (VOR) are required if an "Approve/Eligible" Finding is not received.</li><li>• Copies of rent checks are required to document rental history, In lieu of rent checks, at the underwriter's discretion, the following may be acceptable:<ul style="list-style-type: none"><li>○ A direct verification of rent (VOR) provided by a professional management company, or</li><li>○ Copies of Money Orders.</li></ul></li></ul>
<b>Mortgage Seasoning</b>	<p>If the loan being refinanced is an existing government loan, the below mortgage seasoning requirements must be met.</p> <p>On the date of the case assignment:</p> <ul style="list-style-type: none"><li>• Six (6) consecutive monthly payments must have been made on the subject property being refinanced</li><li>• Six (6) months must have passed since the first payment due date of the subject</li><li>• 210 days must have passed since the closing date of the subject property being refinanced, and</li><li>• Six (6) payments since assumption date must have passed (if applicable).</li></ul> <p>• Note: Refinance of loans on which fewer than six (6) consecutive regularly scheduled payments have been made are not eligible for financing.</p>



## VA Program Guidelines

<b>Multiple VA Loans</b> (cont.)	<ul style="list-style-type: none"> <li>The entitlement previously used in connection with a VA home loan may be restored under certain circumstances. Once the entitlement is restored, it may be used again.</li> <li>A previously used entitlement may be restored if: <ul style="list-style-type: none"> <li>The property which secured the VA loan has been sold, <b>and</b> the loan has been paid in full, <b>or</b></li> <li>An eligible veteran-transferee has agreed to assume the outstanding balance on a VA loan and substitute his/her entitlement for the same amount originally used on the loan. The assuming veteran must also meet occupancy, income and credit requirements.</li> </ul> </li> <li>In addition to the basic restoration criteria outlined above, a veteran may obtain restoration of the entitlement used on a prior VA loan as follows: <ul style="list-style-type: none"> <li>The prior VA loan has been paid in full and the veteran has made application for a refinance loan to be secured by the same property which secured the prior VA loan (including refinancing situation in which the prior loan will be paid off at closing from a VA refinance of the same property, or</li> <li>The prior VA loan has been paid in full but the veteran has not disposed of the property securing the loan. The veteran may obtain restoration of the entitlement used on the prior loan in order to purchase a different property, <b>one time only</b>. Once this occurs, the veteran's Certificate of Eligibility will indicate the one-time restoration. Any future restoration will require disposal of the property obtained with a VA loan. A cash-out refinance is not eligible once the one-time restoration is used.</li> </ul> </li> </ul>
<b>Non Purchasing Spouse</b>	<p>The debts of the non-purchasing spouse must be included in the borrower's qualifying ratios, unless specifically excluded by state law, if:</p> <ul style="list-style-type: none"> <li>The borrowers reside in a community property state, or</li> <li>The property being purchased is located in a community property state</li> </ul> <p>The credit history of the non-purchasing spouse is not considered a reason to deny a loan, however, their obligations must be considered in the DTI unless excluded by state law. A credit report, that complies with VA guidelines, for the non-purchasing spouse must be obtained to determine if the obligations should be included in the DTI.</p>
<b>Occupancy</b>	<p>Owner-occupied primary residence. The veteran must certify their intent to occupy the property within a "reasonable time", generally within 60 days of loan closing. Service members, while deployed from their permanent duty station are considered to be in a temporary duty status and able to meet the occupancy requirement.</p>
<b>Power of Attorney</b>	<p>A power of attorney is allowed on a case-by-case basis to borrowers with extenuating circumstances, active military personnel or individuals with a documented medical condition. POA acceptable as follows:</p> <ul style="list-style-type: none"> <li>General/Military POA acceptable if veteran signed sales contract and loan application and the veteran's intention to obtain a VA loan is indicated in the contract and/or loan application.</li> <li>A specific POA is required if both the sales contract and application were not signed. The following must be included on the POA along with a certified copy from settlement agent: <ul style="list-style-type: none"> <li>A clear intention to obtain a loan for the purchase, or refinance of a property</li> <li>A clear intention to use all, or a specified amount, of the entitlement stated</li> <li>Planet review and approve prior to loan closing</li> <li>The property address must be identified on the POA</li> <li>The terms of the loan</li> <li>The veteran's intention to use and occupy the property as their primary residence is required.</li> </ul> </li> <li>An "Alive and Well" statement is required if the veteran not at closing.</li> </ul>
<b>Prepayment Penalty</b>	Not permitted
<b>Products</b>	<p>Fixed rate: 15, 20, 25 and 30 year ARMs: 3/1 and 5/1: T-Bill; Caps: 1/1/5; Margin/Floor: 2.00; qualify at Note rate</p> <p>Note: Refer to the <a href="#">Manufactured Housing</a> topic for limitations.</p>
<b>Properties - Eligible</b>	<ul style="list-style-type: none"> <li>1-4 unit primary residence</li> <li>Townhomes/PUDs (attached/detached). PUDs do not require questionnaire/warranty form.</li> <li>Condominiums (VA approved prior to submission). Site condos require VA Project Approval.</li> <li>New Construction (completed &lt; 1 year and never occupied)</li> </ul>





## VA Program Guidelines

<b>Properties – Eligible (cont.)</b>	<ul style="list-style-type: none"> <li>• Builder must be VA approved</li> <li>• 1 year VA Builder Warranty OR enrolled in a 10 year protection plan, and</li> <li>• Construction must be &gt; 95% complete</li> <li>• Modular/prefabricated properties 1-unit only. Factory built but not built on a permanent chassis; built on-site similar to stick-built homes; permanently affixed to the foundation; must conform to local building codes. Property is legally classified as real property and assumes characteristics of stick-built such as permanent connections to water, electrical and waste disposal systems.</li> <li>• Manufactured. Manufactured housing is defined as any dwelling built on a permanent chassis (1 unit multi-wide dwelling, new/existing construction, PUDs, Condo's)</li> <li>• Properties owned free and clear properties (no existing lien). A copy of the tax transcript indicating no mortgage interest is required. If the borrower owns multiple properties, a 1098 is required matching the lien(s) on the 1003 with the 1098 and <b>one</b> of the following: <ul style="list-style-type: none"> <li>– Copy of the hazard insurance declaration page with no mortgagee listed, <b>or</b></li> <li>– Copy of the MERS report for the property showing no mortgage listed, <b>or</b></li> <li>– Copy of the data Verify report showing no mortgage listed.</li> </ul> </li> </ul>
<b>Properties - Ineligible</b>	<ul style="list-style-type: none"> <li>• Agricultural properties (farms, ranches, orchards, etc.)</li> <li>• Cooperative projects</li> <li>• Income producing properties</li> <li>• Leasehold properties (unless prior VA approval is obtained)</li> <li>• Mobile home (any property with wheels/axles and towing hitch etc.)</li> <li>• Non-VA approved condo projects</li> <li>• Properties located within electrical line easements</li> <li>• Properties subject to regular flooding</li> <li>• Properties located in an unacceptable noise zone (e.g. airport)</li> <li>• Properties located in the Hawaiian Islands in lava zones one (1) or two (2)</li> <li>• Proposed construction</li> <li>• Unique properties (geodesic domes, earth berm homes, log homes, etc.)</li> <li>• Second home and investment properties</li> <li>• Rural properties</li> </ul>
<b>Property Flips</b>	<p>Property flips are subject to additional underwriting review and are subject to the following:</p> <ul style="list-style-type: none"> <li>• Appraisal must sufficiently support the appraised value increases</li> <li>• Two full appraisals may be required at underwriter discretion, and</li> <li>• The borrower must have an excellent credit history, employment history, a strong savings pattern, etc.</li> </ul>
<b>Properties Listed for Sale Within the Previous 12 months</b>	<ul style="list-style-type: none"> <li>• Properties that were listed for sale in the previous 12 months must be taken off the market prior to the application date.</li> <li>• A property listed for sale will be considered for a rate/term refinance as long as the listing has been cancelled, expired or withdrawn.</li> <li>• A property listed for sale will be considered for a cash-out refinance if the listing was cancelled, expired or withdrawn at least 180 days prior to the application date</li> <li>• The appraised value should be, at minimum, 10% below the lowest list price. If the appraised value is not 10% below the lowest list price, the underwriter will consider the relationship between the previous list price and the current appraised value. Any variance must be satisfactorily addressed by the appraiser.</li> <li>• A letter of explanation is required for a primary residence.</li> </ul>
<b>Purchase Agreements Amended/Re-negotiated</b>	<p>Not eligible if the sales price was increased <b>after</b> the original appraisal was completed if:</p> <ul style="list-style-type: none"> <li>– The appraised value is higher than the originally contracted sales price that was provided to the appraiser, <b>and</b></li> <li>– The new purchase agreement and/or addendum to the purchase agreement is dated after the appraisal, <b>and</b></li> <li>– The only change to the purchase agreement was the sales price.</li> </ul>



## VA Program Guidelines

Purchase Agreements Amended/Re-negotiated (cont.)	<ul style="list-style-type: none"><li>• If the purchase agreement was renegotiated after the completion of the appraisal, the LTV will be based on the <b>lower</b> of the original purchase price or the appraised value, unless:<ul style="list-style-type: none"><li>– The re-negotiation was only for seller paid closing costs and/or pre-pays where the seller paid closing costs/pre-pays are common and customary for the area and are supported by the comparables, or</li><li>– The purchase contract was amended for a new construction property due to improvements made that impact the tangible value of the property. An updated appraisal report must be obtained to validate the value of the improvements.</li></ul></li><li>• Assignment of the purchase contract is not allowed</li></ul>																																																																																
Refinance Transactions	<p>Continuity of obligation requires that at least one of the borrowers on the refinance transaction is currently on the title of the property being refinanced.</p> <p>Refer to the <a href="#">Transaction Types</a> topic for additional requirements for refinance transactions.</p>																																																																																
Rent Back	Seller allowed to rent back property from buyer (borrower) for a maximum of 30 days after close.																																																																																
Reserves	<ul style="list-style-type: none"><li>• 1-unit property: Not required</li><li>• 2-4 unit property: 6 months PITI. Reserves <b>not</b> required if rental income <b>not used</b> for qualifying.</li><li>• Other rental real estate owned: 3 months PITI for each additional property owned. Reserves <b>not</b> required if rental income <b>not used</b> for qualifying.</li></ul>																																																																																
Residual Income	<ul style="list-style-type: none"><li>• Residual income is the net income remaining after deducting:<ul style="list-style-type: none"><li>– Federal and state taxes, Social Security and Medicare,</li><li>– Proposed PITI mortgage payment,</li><li>– Revolving and installment debt,</li><li>– Child support or alimony obligations,</li><li>– Child care or job expenses, and</li><li>– Home maintenance (calculated at 14¢ per square foot)</li></ul></li><li>• Grossed-up income <b>cannot</b> be used to meet residual income requirements.</li><li>• Residual income requirement can be reduced by 5% if the veteran is on Active Duty.</li></ul> <p>The following residual income charts detail VA's requirement by loan amount, family size and region.</p> <table><tr><th colspan="5">Loan Amounts ≤ 79,999</th></tr><tr><th>Family Size</th><th>Northeast</th><th>Midwest</th><th>South</th><th>West</th></tr><tr><td>1</td><td>\$390</td><td>\$382</td><td>\$382</td><td>\$425</td></tr><tr><td>2</td><td>\$654</td><td>\$641</td><td>\$641</td><td>\$713</td></tr><tr><td>3</td><td>\$788</td><td>\$772</td><td>\$772</td><td>\$859</td></tr><tr><td>4</td><td>\$888</td><td>\$868</td><td>\$868</td><td>\$967</td></tr><tr><td>5</td><td>\$921</td><td>\$902</td><td>\$902</td><td>\$1,004</td></tr><tr><td>Over 5</td><td colspan="4">Add \$75 for each additional family member up to 7.</td></tr><tr><th colspan="5">Loan Amounts ≥ 80,000</th></tr><tr><th>Family Size</th><th>Northeast</th><th>Midwest</th><th>South</th><th>West</th></tr><tr><td>1</td><td>\$450</td><td>\$441</td><td>\$441</td><td>\$491</td></tr><tr><td>2</td><td>\$755</td><td>\$738</td><td>\$738</td><td>\$823</td></tr><tr><td>3</td><td>\$909</td><td>\$889</td><td>\$889</td><td>\$990</td></tr><tr><td>4</td><td>\$1,025</td><td>\$1,003</td><td>\$1,003</td><td>\$1,117</td></tr><tr><td>5</td><td>\$1,062</td><td>\$1,039</td><td>\$1,039</td><td>\$1,158</td></tr><tr><td>Over 5</td><td colspan="4">Add \$80.00 for each family member up to 7.</td></tr></table> <p>Exceptions to the above:</p> <ul style="list-style-type: none"><li>• Individuals may be omitted from the “family size” if they are fully supported from a source of verified income that is not included in the effective income analysis. For example:<ul style="list-style-type: none"><li>– A spouse not obligated on the Note what has stable and reliable income sufficient to support their living expenses, or</li></ul></li></ul>	Loan Amounts ≤ 79,999					Family Size	Northeast	Midwest	South	West	1	\$390	\$382	\$382	\$425	2	\$654	\$641	\$641	\$713	3	\$788	\$772	\$772	\$859	4	\$888	\$868	\$868	\$967	5	\$921	\$902	\$902	\$1,004	Over 5	Add \$75 for each additional family member up to 7.				Loan Amounts ≥ 80,000					Family Size	Northeast	Midwest	South	West	1	\$450	\$441	\$441	\$491	2	\$755	\$738	\$738	\$823	3	\$909	\$889	\$889	\$990	4	\$1,025	\$1,003	\$1,003	\$1,117	5	\$1,062	\$1,039	\$1,039	\$1,158	Over 5	Add \$80.00 for each family member up to 7.			
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## VA Program Guidelines

Residual Income (cont.)	<div><div><div>– A child for whom sufficient foster care payments or child support payments are received regularly.</div></div><div><div>Geographic Regions as Defined by VA</div><table><tr><td>Northeast</td><td>Connecticut Main Massachusetts</td><td>New Hampshire New Jersey New York</td><td>Pennsylvania Rhode Island Vermont</td></tr><tr><td>Midwest</td><td>Illinois Indiana Iowa Kansas</td><td>Michigan Minnesota Missouri Nebraska</td><td>North Dakota Ohio South Dakota Wisconsin</td></tr><tr><td>South</td><td>Alabama Arkansas Delaware District of Columbia Florida Georgia</td><td>Kentucky Louisiana Maryland Mississippi North Carolina Oklahoma</td><td>Puerto Rico South Carolina Tennessee Texas Virginia West Virginia</td></tr><tr><td>West</td><td>Alaska Arizona California Colorado</td><td>Hawaii Idaho Montana Nevada</td><td>New Mexico Oregon Utah Washington Wyoming</td></tr></table></div></div>	Northeast	Connecticut Main Massachusetts	New Hampshire New Jersey New York	Pennsylvania Rhode Island Vermont	Midwest	Illinois Indiana Iowa Kansas	Michigan Minnesota Missouri Nebraska	North Dakota Ohio South Dakota Wisconsin	South	Alabama Arkansas Delaware District of Columbia Florida Georgia	Kentucky Louisiana Maryland Mississippi North Carolina Oklahoma	Puerto Rico South Carolina Tennessee Texas Virginia West Virginia	West	Alaska Arizona California Colorado	Hawaii Idaho Montana Nevada	New Mexico Oregon Utah Washington Wyoming
Northeast	Connecticut Main Massachusetts	New Hampshire New Jersey New York	Pennsylvania Rhode Island Vermont														
Midwest	Illinois Indiana Iowa Kansas	Michigan Minnesota Missouri Nebraska	North Dakota Ohio South Dakota Wisconsin														
South	Alabama Arkansas Delaware District of Columbia Florida Georgia	Kentucky Louisiana Maryland Mississippi North Carolina Oklahoma	Puerto Rico South Carolina Tennessee Texas Virginia West Virginia														
West	Alaska Arizona California Colorado	Hawaii Idaho Montana Nevada	New Mexico Oregon Utah Washington Wyoming														
Seller Contribution	<div><div><div><div>• VA defines seller concessions as anything of value added to the transaction by the seller or builder which is not customarily expected, is not required to pay or provide for which the borrower pays nothing.</div><div>• Seller concessions include, but are not limited to:<div><div>– Payment of the borrower’s VA funding fee,</div><div>– Prepayment of the borrower’s property taxes and insurance,</div><div>– Gifts (e.g. T.V., microwave, etc.)</div><div>– Payment of extra points to provide permanent interest rate buydowns,</div><div>– Provision of escrowed funds to provide temporary interest rate buydowns, and</div><div>– Payoff of credit balances or judgments on behalf of the borrower.</div><div>– Seller concessions do <b>not</b> include payment of the buyer’s closing costs or appropriate discount points (e.g. if customary discount points would be two the seller’s payment of two points would not be a seller concession, however if the seller paid five points, three of the points would be considered a seller concession.</div></div></div><div>• Maximum seller concession is 4% of the established reasonable of the property. Seller is allowed to pay 100% of the normal discount points and the borrower’s non-recurring closing costs. Normal discount points and closing costs are <b>not</b> included in the 4% calculation.</div></div></div></div>																
Subordinate Financing	<div><div><div><div>• Eligible subject to the CLTV limits on the matrix located on page 1.</div><div>• Eligible at underwriter’s discretion. The veteran cannot be placed in a substantially worse position than if the entire amount had been guaranteed by VA.</div></div></div></div>																
Temporary Buydown	<div><div><div>2/1 Buydowns allowed. VA will guaranty loans involving temporary interest rate buydowns, if otherwise eligible. A temporary interest rate buydown can be used in conjunction with <b>any</b> type of VA-guaranteed loan except a GPM. The terms of the buydown are limited to 2% for the first year and 1% for the second year.</div><div><div><div>• The assistance payment must be run for 2 years</div><div>• Scheduled reductions in the assistance payments must occur annually</div></div></div><div><div>Qualifying Rate</div><div>If the Borrower (s) income is expected to keep pace with payment increases, the loan application may be underwritten based on the first year’s payment amount if there are strong indications that the income used to support the application will increase to cover the yearly increases in loan payments.</div><div><div><div>– Routine cost of living increases cannot be used for this purpose</div><div>– Increases resulting from confirmed future promotions or wage percentage increases guaranteed by labor contracts (for example, teachers, autoworkers) may be given favorable consideration.</div></div></div></div></div></div>																



## VA Program Guidelines

<b>Temporary Buydown (cont.)</b>	<p><b>Compensating Factors allowed</b></p> <p>If the residual income and/or DTI ratio is marginal, the buy down along with other compensating factors may be used to qualify. Refer to Chapter 4 of the <a href="#">VA Lender Handbook</a> for complete requirements.</p> <p><b>Note:</b> A signed statement from the underwriter providing reason for the approval required.</p> <p><b>Seller Concessions allowed</b></p> <ul style="list-style-type: none"> <li>– Payment of extra points to provide permanent interest rate buydowns</li> <li>– Provision of escrowed funds to provide temporary interest rate buydowns,</li> </ul> <p>Example: If the market dictates an interest rate of 7½ percent with two discount points, the seller's payment of the two points would not be a seller concession. If the seller paid five points, three of these points would be considered a seller concession.</p> <p><b>Documentation</b></p> <p>Sellers are responsible for delivering an executed buydown agreement with closing package. Unapplied buydown funds will be netted from the purchase of the loan.</p>
<b>Transactions - Ineligible</b>	<ul style="list-style-type: none"> <li>• EEM (Energy Efficient Mortgage)</li> <li>• MCC (Mortgage Credit Certificates) – <b>without Planet Credit Risk Officer approval</b></li> <li>• Second home and investment transactions</li> <li>• Texas Section 50(a)(6)</li> <li>• Transactions that result in &lt; 25% guaranty</li> <li>• Joint transactions (veteran is the primary borrower with non-veteran co-borrower who is not veteran's spouse). VA will only guaranty 12.50% of the loan.</li> </ul>
<b>Transaction Types</b>	<ul style="list-style-type: none"> <li>• <b>Purchase</b> <ul style="list-style-type: none"> <li>– Maximum loan amount is calculated based on borrower's entitlement. When the purchase price does not exceed the county limits established by VA, the total loan amount, including the funding fee, cannot exceed the VA county limit.</li> <li>– When the purchase price exceeds the county limit established by VA, the borrower will be required to make a cash down payment on the amount greater than the county limit to ensure a 25% guaranty is achieved. The funding fee can be financed.</li> </ul> </li> <li>• <b>Land Contracts</b> <ul style="list-style-type: none"> <li>– Land contracts are considered a refinance transaction and are subject to the following: <ul style="list-style-type: none"> <li>o Maximum mortgage amount is limited to 100% of the lesser of the sales price or Notice of Value (NOV)</li> <li>o Land contract must be recorded</li> <li>o Seller on contract must be the owner of record</li> <li>o No liens can be title except for the lien to be paid with the proceeds of the transaction, and</li> <li>o 0x30 in previous 12 months required on monthly payments. Copies of cancelled checks front and back are required to document payment.</li> </ul> </li> </ul> </li> <li>• <b>Cash-out Refinance</b> <ul style="list-style-type: none"> <li>– Maximum 90% LTV unless the specific Cash-out Refinance &gt; 90% LTV requirements are met. Refer to the topic below for details.</li> <li>– All VA refinance transactions not defined under "Other Refinancing Loans" are cash-out.</li> <li>– The cash-out refinance may be used to pay off the current unpaid principal, allowable closing costs, points, prepaids, subordinate liens and cash to the veteran.</li> <li>– The loan must be secured by a first lien on the property (min. \$1.00 lien required).</li> <li>– Veteran must occupy the home.</li> <li>– The loan amount cannot exceed the county limit.</li> </ul> </li> </ul>



## VA Program Guidelines

### Transaction Types (cont.)

- **Cash-out Refinance > 90% LTV Requirements**
  - Maximum loan amount is \$453,100 (\$679,650 for properties in Alaska/Hawaii or \$721,050 in Honolulu County, HI) Loan amount cannot exceed the county limit.
  - Minimum credit score is 600
  - 30 year fixed loan term only
  - Minimum monthly residual income required:

Family size	Minimum Residual Income
Veteran Only	\$1000.00
Veteran +1	\$1500.00
Veteran +2	\$2,000.00
Veteran +3	\$2,250.00
Veteran +4	\$2,500.00
Veteran +5	\$3,000
Over 6	+ \$250.00 for each additional

Refer to the VA Lender's Handbook, Chapter 6, for VA's definition of "Other Refinancing Loans" at: [VA Lender's Handbook](#).

VA test cases are eligible.



## VA Program Guidelines

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### Version History

Version	Date	Descriptions of change
1.0	01/2018	2017 Loan limits updated to new 2018 limits.
1.1	3/26/2018	<ul style="list-style-type: none"><li>• Updated 4506-T requirements</li><li>• Transaction Type: added MCC allowed with Credit officer approval.</li><li>• Removed Property flips (property being re-sold <math>\leq</math> 90 days from acquisition) are ineligible.</li><li>• Replaced PHL with Planet</li><li>• Removed all instances of non-del content.</li><li>• Replaced Planet Home Lending with PHL.</li><li>• Added Mortgage seasoning</li></ul>

## VA IRRRL Program Guidelines

Primary Residence <sup>1,2</sup>				
Transaction Type	Units	LTV	CLTV	Credit Score <sup>3,5</sup>
IRRRL	1	90%	90%	580 <sup>7</sup>
IRRRL	1-4 <sup>6</sup>	125%	Unlimited	600
Second Home <sup>2,4</sup>				
Transaction Type	Units	LTV	CLTV	Credit Score
IRRRL	1	125%	Unlimited	580 <sup>8</sup>
Investment <sup>2,4</sup>				
Transaction Type	Units	LTV	CLTV	Credit Score
IRRRL	1-4 <sup>6</sup>	125%	Unlimited	580 <sup>8</sup>

Refer to Planet's VA Program matrix for purchase and cash-out guidelines.

### Footnotes:

- Minimum loan amount is \$60,000; maximum loan amount \$1,000,000 with the exception of Hawaii. Maximum loan amount in the state of Hawaii is \$1,500,000.
- Base loan amounts ≤\$453,100 (Alaska/Hawaii \$679,650 or \$721,050 in Honolulu county, HI) require AVM or 2055. Refer to the [Appraisals](#) topic for specific requirements.
- Non-credit qualifying requires minimum 640 credit score.
- Conforming loan amount only for second home and investment. High balance ineligible
- Base loan amounts >\$453,100 (Alaska/Hawaii >\$679,650 or > \$721,050 in Honolulu county, HI) subject to the following:
  - Credit score requirements:
    - 580-639 credit score **requires** credit qualifying
    - ≥ 640 non-credit qualifying eligible
  - 1-unit owner-occupied only; 2-4 unit owner-occupied, second home and investment ineligible with high balance loan amount
  - AVM or 2055. Refer to the [Appraisals](#) topic for specific requirements.
  - Maximum LTV is 100%
  - Mortgage history requirements:
    - 0x30 in 12 months for credit qualifying transactions
    - 0x30 in 24 months for non-credit qualifying transactions
  - Full credit report required on both credit and non-credit qualifying to verify mortgage history
- Non-credit qualifying permitted on 1-unit properties only. 2-4 units require credit qualifying.
- Credit qualifying required. Refer to the [Credit Score 580-599](#) topic for requirements
- Transactions with 580-599 credit score are subject to the restrictions outlined in the [Credit Score 580-599](#) topic. A minimum 640 credit score is required for non-credit qualifying.

See next page for quick view eligibility chart.



## VA IRRRL Program Guidelines

Loan Amount				
	>\$453,100		>\$453,100	
	Credit Qualifying		Credit Qualifying	Non-Credit Qualifying
Primary 1 unit	Eligible 580 FICO	Eligible 640 FICO	Eligible 580 FICO	Eligible 640 FICO
Primary 2-4 units		Ineligible	Ineligible	Ineligible
Second Home/Investor 1 unit		Eligible 640 FICO		
Investor 2-4 units		Ineligible		

\*Refer to footnotes above for additional high balance requirements

### Interest Rate Reduction Refinance Loan (IRRRL) General Information

An IRRRL is a VA guaranteed loan made to refinance an existing VA guaranteed loan. The PITI payment on the new loan must be less than on the existing loan unless one of the following applies:

- The loan term is reduced, or
- The veteran is refinancing to a more stable product (i.e. ARM or GPM to fixed rate).

Highlights of an IRRRL include:

- VA to VA refinances
- No Income
- No assets (unless borrower needs funds to close, then asset verification required)
- No ratios
- No termite inspection
- No monthly MI
- Maximum loan term is the original term of the VA loan being refinanced plus 10 years. New loan term can never exceed 30 years and 32 days.
- Sellers refinancing a loan they previously originated that was subsequently purchased by Planet are not required to apply Planet overlays; standard VA IRRRL guidelines apply.

Credit qualification (tri-merge credit report and standard credit underwriting guidelines) will be **required** if:

- The borrower's PITI payment will increase by more than 20%,
- A spouse will be removed from the original loan,
- Credit score 580-599 conforming and high balance transactions, or
- High balance transactions with a credit score < 640

**If credit qualification required refer to the VA Program matrix for credit qualifying criteria.**

VA guidelines can be found at: [VA Lenders Handbook - VA Pamphlet 26-7](#)

## VA IRRRL Program Guidelines

Planet follows VA Guidelines for any topic not addressed below

Topic	Guideline
IRRRL Documents and Forms	<ul style="list-style-type: none"> <li>• HUD/VA Addendum to URLA (VA Form 26-1802a) – pages 1 and 2 only</li> <li>• Debt Questionnaire (VA 26-0551) – credit qualifying only</li> <li>• Federal Collection Policy Notice (VA 26-0503)</li> <li>• Counseling Checklist for Military Homebuyers (VA 26-0592) - active duty only</li> <li>• Nearest Living Relative Statement (sample form on website)</li> <li>• Child Care Certification required on credit qualifying if dependents disclosed or at under writer's discretion. (sample form on website)</li> <li>• VA Lender Certification (sample form on website)</li> </ul>
4506-T	<p><b>Credit Qualifying</b></p> <ul style="list-style-type: none"> <li>• Tax transcripts, are required per AUS findings or can be obtained in lieu of W-2 or tax returns both personal and business</li> <li>• 4506-T must be signed by all borrowers at loan closing if transcripts were not obtained to qualify the borrower.</li> </ul> <p><b>Note:</b> Due to the hacking incidents, Planet will accept transcripts that the borrower obtained from the IRS along with a certification that the returns are true and correct.</p>
Affidavit of Identity	Planet may require an Affidavit of Identity if a borrower signature appears incomplete or illegible.
Age of Documents	<ul style="list-style-type: none"> <li>• All credit, income and asset documentation must be ≤ 120 days from the Note date</li> <li>• Appraisal must be dated with 180 days of the Note date.</li> </ul>
Application (1003)	<ul style="list-style-type: none"> <li>• <b>Credit Qualifying</b> <ul style="list-style-type: none"> <li>– Full 1003 required</li> </ul> </li> <li>• <b>Non-Credit Qualifying</b> <ul style="list-style-type: none"> <li>– Section IV Employment Information and Section VI Assets and Liabilities of the 1003 application are <b>not</b> required to be completed.</li> <li>– Section VIII Declarations section should be completed as applicable.</li> </ul> </li> </ul> <p><b>NOTE: Income should never be indicated on the application for NCQ transactions</b></p>
Appraisals	<ul style="list-style-type: none"> <li>• The base loan amount is used to determine appraisal requirement</li> <li>• An AVM or 2055 is required: <ul style="list-style-type: none"> <li>– A CoreLogic GeoAVM with a standard deviation ≤ 18 for all loan amounts. If standard deviation &gt; 18, a 2055 will be required; <b>or</b></li> <li>– ≤ 453,100 ProTeck AVM with a confidence score of 80% or more. If confidence score is &lt; 80% a 2055 will be required; &gt; \$453,100 requires a confidence score of ≥ 90% or a 2055 is required, <b>or</b></li> <li>– 2055</li> </ul> </li> <li>• The source of the closed comparable sales used in the appraisal must be from one of the following or a desk review will be required: <ul style="list-style-type: none"> <li>– A Multiple Listing Service (ML S), or</li> <li>– MRIS ( <a href="http://www.mris.com">www.mris.com</a> ), or</li> <li>– Midwest Real Estate Data (MRED) ( <a href="http://www.mredllc.com">www.mredllc.com</a> ), or</li> <li>– North Texas Real Estate Information Systems, Inc. NTREIS) at ( <a href="http://www.ntreis.net">www.ntreis.net</a> ), or</li> <li>– San Antonio Board of Realtors ( <a href="http://www.sabor.com">www.sabor.com</a> ), or</li> <li>– GeoData at <a href="http://www.geodata.plus.com">www.geodata.plus.com</a>, or</li> <li>– Comps Inc. at <a href="http://www.compsny.com">www.compsny.com</a>.</li> </ul> </li> </ul> <p><b>NOTE:</b> Comparables from a public independent source are only eligible in the states of Vermont and Maine.</p> <ul style="list-style-type: none"> <li>• The appraisal may be charged to the borrower.</li> </ul> <p>Properties located in a FEMA Disaster Declaration area will be subject to additional appraisal review (as applicable). Refer to <a href="#">Chapter 8 Loan Purchasing</a> for detailed information.</p>



## VA IRRRL Program Guidelines

<b>Assets</b>	<ul style="list-style-type: none"> <li>Not required unless funds are needed to close. Documentation is not required if funds needed to close is ≤ \$500.00.</li> <li>If funds needed to close &gt; \$500.00 one month bank statement required.</li> </ul>
<b>Assumptions</b>	Planet follows agency guidelines.
<b>AUS</b>	Manual under write only
<b>Available Markets</b>	Planet will purchase loans from delegated Sellers in all states.
<b>Borrowers - Eligible</b>	<ul style="list-style-type: none"> <li>Per VA guidelines. Borrower(s) must certify that he or she previously occupied the property.</li> <li>A spouse may only be deleted from the new loan if the loan is credit qualified.</li> </ul>
<b>Cash Back to Borrower</b>	Maximum \$500.00
<b>Credit Report</b>	<p><b>Conforming Loan Amounts</b></p> <ul style="list-style-type: none"> <li>A mortgage only credit report with credit scores is acceptable unless the PITI payment is increasing by more than 20% or a spouse is being removed from the new loan then a tri- merge credit report is required.</li> </ul> <p><b>High Balance Loan Amounts</b></p> <ul style="list-style-type: none"> <li>Full credit report to verify no major derogatory credit with the past 12 months. Major derogatory credit is defined as any payment &gt; 60 days delinquent, collections and/or judgments (excludes medical/utilities).</li> </ul> <p><b>Credit Report – Fraud Alert</b></p> <p>When a fraud alert, active duty alert or freeze is included with a credit report, additional steps are required to verify the borrower's identity and documentation must be provided. Documentation should include, but is not limited to:</p> <ul style="list-style-type: none"> <li>A letter of explanation from the borrower, and</li> <li>A copy of the identity theft report, and</li> <li>An additional form of identity verification, and</li> </ul> <ul style="list-style-type: none"> <li>If the credit alert contains a phone number for a verbal verification prior to credit being issued, documentation must be provided that the borrower was contacted.</li> </ul>
<b>Credit Score</b>	<ul style="list-style-type: none"> <li>Credit qualifying minimum 580 credit score</li> <li>Non-credit qualifying minimum 640 credit score</li> </ul>
<b>Credit Score 580-599</b>	<ul style="list-style-type: none"> <li>Credit qualifying only. Refer to the VA Program guidelines for complete credit qualifying guidelines.</li> <li>1-unit only (all occupancies)</li> <li>Conforming and high balance</li> <li>Maximum 90% LTV/CLTV</li> <li>Minimum 2 year payment history on the loan being refinanced with a 0 x30 in previous 24 months; &lt; 2year payment history the loan is ineligible.</li> <li>Maximum DTI 31%/43%, <b>no exceptions</b>. Maximum applies to both ratios individually (i.e. if the DTI is 34%/42% the loan is <b>ineligible</b>) Refer to mortgage seasoning for additional requirements.</li> <li>VA residual income requirements apply.</li> </ul>
<b>Documentation</b>	<p><b>All loans:</b></p> <ul style="list-style-type: none"> <li>Legible photo ID and social security card</li> <li>Most recent mortgage statement</li> <li>Copy of existing Note</li> <li>Payoff statement with valid expiration</li> </ul>
<b>Employment</b>	<p><b>Credit Qualifying:</b></p> <ul style="list-style-type: none"> <li>A two year employment history is required</li> <li>A verbal verification of employment is required within 10 days of the Note date for salaried borrowers and within 30 days of closing for self-employed borrowers.</li> <li>Sellers must independently obtain the phone number, and when possible, the address of the wage earner borrowers employer using directory assistance/internet/phone book, etc.</li> <li>Self-employed borrower's business requires verification of the business by a third party source (e.g. CPA, Federal Tax ID Certificate, BusinessLicense)</li> </ul> <p>NOTE: A sample VVOE form is posted on the Planet Home Lending website under "Forms and Resources". Sellers are not required to utilize this exact form, however any form used, must provide the information contained on the Planet Home Lending form.</p>



## VA IRRRL Program Guidelines

<b>Employment (cont.)</b>	<ul style="list-style-type: none"> <li>A military Leave and Earnings Statement (LES) is required for active duty military in lieu of a VVOE. The LES must be an original or certified copy of original. The LES must be no more than 120 days old (180 days for new construction).</li> </ul> <p><b>Non-Credit Qualifying:</b></p> <ul style="list-style-type: none"> <li>Employment verification/history not required.</li> </ul>				
<b>Escrow/Impound Account</b>	Required on all loans, no exceptions.				
<b>Fees and Charges</b>	<p>VA allows the following fees and charges:</p> <ul style="list-style-type: none"> <li>1% origination fee based on total loan amount. Fees determined by VA as unallowable <b>cannot</b> be charged, <b>or</b></li> <li>1% unallowable fees based on the total loan amount. An origination fee <b>cannot</b> be charged, <b>or</b></li> <li>1% blend of origination fee and unallowable fees based on the total loan amount. Fees cannot exceed 1% of the total loan amount.</li> <li>The veteran <b>cannot</b> pay any of the following fees: <ul style="list-style-type: none"> <li>Attorney fees (unless the veteran independently retains an attorney)</li> <li>Pre-payment fees</li> <li>Real estate broker fees</li> <li>Termite inspection (allowed on refinance transactions only).</li> </ul> </li> </ul> <p><b>Unallowable Fees</b> The following fees <b>cannot</b> be charged if a 1% origination fee is charged.</p> <table border="0"> <tr> <td> <ul style="list-style-type: none"> <li>Lender's Inspection</li> <li>Lender's Appraisal</li> <li>Closing/Settlement Fee</li> <li>Doc Prep Fees</li> <li>Conveyance Fee</li> <li>Underwriting Fee</li> <li>Fax/email/copying Fee</li> <li>Escrow Fees</li> <li>Notary Fee</li> <li>Pest Inspection Fee</li> <li>Trustee Fee</li> </ul> </td><td> <ul style="list-style-type: none"> <li>Interest Rate Lock Fee</li> <li>Postage/Mail Charges</li> <li>Amortization Schedule</li> <li>Tax Service Fee</li> <li>Attorney's Services other than title work</li> <li>Loan application/Processing Fee</li> <li>Fees for preparing TRID</li> <li>Prepayment Penalties (refi)</li> <li>Any other fee (s) not listed as allowable by VA</li> <li>Fees to Loan Brokers, Finders or other 3<sup>rd</sup> party Fees</li> <li>Commitment Fees</li> </ul> </td></tr> </table> <p><b>Allowable Closing Costs:</b> The following fees may be charged:</p> <table border="0"> <tr> <td> <ul style="list-style-type: none"> <li>Loan origination Fee</li> <li>Reasonable Discount Points</li> <li>Appraisal Fee/Compliance Inspection</li> <li>Credit Report Fee (actual cost)</li> <li>Title Examination/Title Insurance Fee</li> <li>Recording Fees &amp; Taxes</li> <li>Prorated Taxes</li> <li>Hazard Insurance</li> </ul> </td><td> <ul style="list-style-type: none"> <li>Floor Insurance</li> <li>Flood Determination</li> <li>Federal Express/Express Mail (Refi only)</li> <li>Closing Protection Letter</li> <li>VA Funding Fee</li> <li>MERS Registration</li> <li>Survey/Plot Plan</li> <li>Well and septic inspection Fees</li> </ul> </td></tr> </table> <p>The above lists are not all inclusive. Refer to the <a href="#">VA Handbook</a> for detailed guidance on allowable/unallowable fees and charges.</p>	<ul style="list-style-type: none"> <li>Lender's Inspection</li> <li>Lender's Appraisal</li> <li>Closing/Settlement Fee</li> <li>Doc Prep Fees</li> <li>Conveyance Fee</li> <li>Underwriting Fee</li> <li>Fax/email/copying Fee</li> <li>Escrow Fees</li> <li>Notary Fee</li> <li>Pest Inspection Fee</li> <li>Trustee Fee</li> </ul>	<ul style="list-style-type: none"> <li>Interest Rate Lock Fee</li> <li>Postage/Mail Charges</li> <li>Amortization Schedule</li> <li>Tax Service Fee</li> <li>Attorney's Services other than title work</li> <li>Loan application/Processing Fee</li> <li>Fees for preparing TRID</li> <li>Prepayment Penalties (refi)</li> <li>Any other fee (s) not listed as allowable by VA</li> <li>Fees to Loan Brokers, Finders or other 3<sup>rd</sup> party Fees</li> <li>Commitment Fees</li> </ul>	<ul style="list-style-type: none"> <li>Loan origination Fee</li> <li>Reasonable Discount Points</li> <li>Appraisal Fee/Compliance Inspection</li> <li>Credit Report Fee (actual cost)</li> <li>Title Examination/Title Insurance Fee</li> <li>Recording Fees &amp; Taxes</li> <li>Prorated Taxes</li> <li>Hazard Insurance</li> </ul>	<ul style="list-style-type: none"> <li>Floor Insurance</li> <li>Flood Determination</li> <li>Federal Express/Express Mail (Refi only)</li> <li>Closing Protection Letter</li> <li>VA Funding Fee</li> <li>MERS Registration</li> <li>Survey/Plot Plan</li> <li>Well and septic inspection Fees</li> </ul>
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<b>Funding Fee</b>	0.50%. The Certificate of Eligibility, issued by VA, will indicate if the veteran is exempt, or non- exempt from paying the VA Funding Fee.				
<b>Guaranty</b>	<ul style="list-style-type: none"> <li>A minimum 25% guaranty is required.</li> <li>The guaranty is limited to the veteran's portion of ownership interest in the property (i.e. if the veteran is the only person on title but <b>adds someone other than their spouse to title</b>, the final loan guaranty would be half of the veteran's entitlement).</li> </ul>				



## VA IRRRL Program Guidelines

<b>LDP/SAM</b>	<p><b>LDP / GSA <a href="#">LDP</a> / <a href="#">SAM</a></b></p> <p>All of the following parties to the transaction, as applicable, must be checked against HUD's Limited Denial of Participation list and the General System for Awards Management.</p> <ul style="list-style-type: none"> <li>- Borrower(s)</li> <li>- Loan Officer</li> <li>- Loan Officer/Processor/Underwriter</li> <li>- Appraiser (if applicable)</li> <li>- Closing attorney</li> <li>- Escrow/Settlement agent</li> <li>- Title</li> </ul>
<b>Maximum Loan Amount</b>	<p><b>Maximum Base Loan Amount ≤ \$453,100</b> (Alaska/Hawaii \$679,650 or \$721,050 in Honolulu, county, HI). Lesser of:</p> <ul style="list-style-type: none"> <li>Existing VA loan pay off - Unpaid principal balance (Including any charges/misc. fees charged by current lender to pay the loan in full) , plus allowable VA closing costs, plus VA funding fee (if applicable), plus up to 2 discount points, <b>or</b></li> <li>The appraised value (AVM or 2055) x125%.</li> </ul> <p><b>Maximum Base Loan Amount ≥ \$453,100 (\$679,650 in Alaska/Hawaii or &gt; \$721,050 in Honolulu county, HI).</b> Lesser of:</p> <ul style="list-style-type: none"> <li>Existing VA loan pay off – Unpaid principal balance, (Including any charges/misc. fees charged by current lender to pay the loan in full), plus allowable VA closing costs, plus VA funding fee (if applicable), plus up to two discount points, <b>or</b></li> <li>The appraised value (full conventional appraisal required) x 100% as applicable. Refer to the Fees and Charges topic above for details on allowable/unallowable fees.</li> </ul>
<b>Mortgage History</b>	<p><b>Credit Qualifying</b></p> <p>0 x30 in previous 12 months on loan amounts &gt; \$453,100 (\$679,650 in Alaska/Hawaii or &gt;721,050 in Honolulu county, HI) credit qualifying.</p> <p><b>Non-credit qualifying</b></p> <p>0 x30 in previous 24 months for loan amounts&gt; \$453,100 (\$679,650 in Alaska/Hawaii or &gt;\$721,050 in Honolulu county, HI).</p> <p>If &lt; 24 months on current mortgage for subject property, prior mortgages may be used to meet the 24 month history requirement. No increase from current housing payment allowed.</p>
<b>Mortgage Seasoning</b>	<p>If the loan being refinanced is an existing government loan, the below mortgage seasoning requirements must be met.</p> <p><b>On the date of the case assignment:</b></p> <ul style="list-style-type: none"> <li>Six (6) consecutive monthly payments must have been made on the subject property being refinanced</li> <li>Six (6) months must have passed since the first payment due date of the subject</li> <li>210 days must have passed since the closing date of the subject property being refinanced, and</li> <li>Six (6) payments since assumption date must have passed (if applicable).</li> </ul> <p><b>Note:</b> Refinance of loans on which fewer than six (6) consecutive regularly scheduled payments have been made are not eligible for financing.</p> <p><b>Credit score of 580-599:</b> A minimum 24 month mortgage seasoning with 0 x30 in previous 24 months on the loan currently being refinanced. Borrowers without a 24 month mortgage seasoning on the current loan are <b>ineligible</b>.</p>
<b>Occupancy</b>	<ul style="list-style-type: none"> <li>1-4 unit owner-occupied primary residence (2-4 unit ineligible on high balance)</li> <li>unit second home (ineligible on high balance)</li> <li>1-4 unit investment (ineligible on high balance)</li> </ul>
<b>Prepayment Penalty</b>	Not permitted
<b>Products</b>	<p>Fixed rate: 15, 20, 25 or 30 year</p> <p>ARMs: 3/1 and 5/1; T-Bill; Caps: 1/1/5 caps; Margin/Floor: 2.00; Qualified at the Note rate</p>
<b>Properties Listed for Sale Within the Previous 12 months</b>	<ul style="list-style-type: none"> <li>Properties that were listed for sale in the previous 12 months must be taken off the market prior to the application date.</li> <li>A property listed for sale will be considered as long as the listing has been cancelled, expired or withdrawn.</li> <li>A letter of explanation is required.</li> </ul>



## VA IRRRL Program Guidelines

<b>Refinance Transactions</b>	Continuity of obligation requires that at least one of the borrowers on the refinance transaction is currently on the title of the property being refinanced.
<b>Reserves</b>	Not required
<b>Subordinate Financing</b>	New loan proceeds cannot be used to pay off any existing subordinate financing. Existing subordinate financing must subordinate to the new loan.

### USDA Rural Development Guaranteed Housing Programs Overview

	Purchase/Non-Streamlined Refinance	Streamline Refinance	Streamlined Assist Refinance
<b>Appraisal required?</b>	Yes Full appraisal (Completed by FHA roster appraiser on purchase)	No	No
<b>Loans eligible for refinancing</b>	Section 502 Direct or Guaranteed Loan (no conventional, FHA, VA)	Guaranteed Loan only (no USDA 502 Direct, conventional, FHA, VA)	Section 502 Direct or Guaranteed Loan (no conventional, FHA, VA)
<b>Do income limits apply?</b>	Yes	Yes	Yes
<b>Is property required to be in rural area?</b>	<b>Purchase</b> - Yes <b>Refinance</b> – No. If property was eligible at origination it is eligible for refinance even if no longer in rural area as defined by USDA	No If property was eligible at origination it is eligible for refinance even if no longer in rural area as defined by USDA	No If property was eligible at origination it is eligible for refinance even if no longer in rural area as defined by USDA
<b>Does property have to be a primary residence</b>	Yes	Yes	Yes
<b>Eligible states</b>	All	All	All
<b>Credit report required?</b>	Yes Full	Yes Full	Yes Mortgage only on subject property
<b>Mortgage History/Seasoning</b>	<b>Purchase</b> - > 680 credit score, not required ≤ 680 12 month housing history req'd <b>Refinance</b> - 0x30 in previous 12 months Minimum of 6 months payment history on the current mortgage for the subject property	0x30 in previous 12 months Minimum of 6 months payment history on the current mortgage for the subject property.	Verified through VOM Existing mortgage payments paid 12 months prior to refi application and must have closed 12 months prior to request for refi.
<b>Interest rate and loan term</b>	Fixed rate 30 years	Fixed rate 30 years	30 year Fixed rate ; not to exceed the interest of the original loan
<b>DTI</b>	Maximum 45% regardless of GUS Findings	29%/41% On an exception basis max 32%/44% subject to: Rural Development approval. Additionally, all borrowers must have ≥ 680 credit score and meet compensating factor requirement *	Not applicable – debt ratios not calculated
<b>What may be included in new loan amount?</b>	Principal balance plus guarantee fee, accrued interest (refis), eligible closing costs, and lender fees may be included if including does not exceed 100% LTV (if financing guarantee fee 102% LTV allowed)	Principal balance plus guarantee fee only. <b>No</b> accrued interest, closing costs, etc. may be included in the new loan amount	Principal balance plus accrued interest, eligible closing costs, lender fees, guarantee fee, plus origination fee not to exceed the lesser of 2% of the loan amount or \$3,000
<b>Closing costs and lender fees</b>	Normal and customary allowed	Normal and customary allowed	Normal and customary allowed but may not exceed the cost paid by the lender or charged to the lender by the service provider

\* Compensating factors: Borrowers must meet one of the following (supporting documentation requirements detailed in full guidelines):

1. The proposed PITI payment is equal to or less than the applicant's current housing expense. Borrower must be 0x30 in previous 12 months on current housing. Payment cannot be documented by a family member.
2. Liquid assets at closing ≥ 3 months PITI payments. Cash on hand not eligible
3. All employed borrowers have been continuously employed with their current employer for a minimum of 2 years (wage earner borrowers only; cannot be used by self-employed borrowers as compensating factor).



## USDA Rural Development Guaranteed Housing Programs Overview

	Purchase/Non-Streamlined Refinance	Streamline Refinance	Streamlined Assist Refinance
<b>Cash-out allowed?</b> (Principal reduction req'd if cash back > brwr out of pocket money)	No	No	No
<b>Manual underwriting</b>	No	Yes	Yes
<b>Is adding/deleting borrowers allowed?</b>	<b>Refinance - Yes</b> New borrowers may be added and existing borrowers may be deleted however one existing borrower must remain on the loan and title.	<b>Yes</b> New borrowers may be added and existing borrowers may be deleted however one existing borrower must remain on the loan and title.	<b>Yes</b> New borrowers may be added however existing borrowers may <b>not</b> be removed unless they are deceased.
<b>Termite/Septic/Well required</b>	<b>Purchase</b> – Well always required. Termite/septic if appraiser indicates issue  <b>Refinance - No</b>	No	No
<b>Reserves</b>	Not required	Not required	Not required

### Refinance Benefits

Non-Streamlined Refinance Benefits	Streamline Refinance Benefits	Streamlined Assist Program Refinance Benefits
<ul style="list-style-type: none"> <li>Direct 502 and Guaranteed loans may be refinanced</li> <li>New loan amount may include accrued interest, guarantee fee and closing costs if including does not exceed appraised value.</li> <li>New borrowers may be added and existing borrowers may be removed (as long as one original borrower remains on the loan/title).</li> <li>Eligible in all states Planet Home Lending does business</li> </ul>	<ul style="list-style-type: none"> <li>Guaranteed loans may be refinanced</li> <li>New borrowers may be added and existing borrowers may be removed (as long as one original borrower remains on the loan/title).</li> <li>Eligible in all states Planet Home Lending does business</li> </ul>	<ul style="list-style-type: none"> <li>Direct 502 and Guaranteed loans may be refinanced</li> <li>2055 exterior-only appraisal</li> <li>Mortgage-only credit report</li> <li>Debt ratios not calculated</li> <li>New loan amount may include principal balance plus guarantee fee, accrued interest, eligible closing costs, and lender fees. Additionally, an origination fee, not to exceed 1% of the loan amount may also be charged.</li> </ul>





**USDA Rural Development Single Family  
Guaranteed Rural Housing Program  
Purchase and Non-Streamlined Refinance**

Fixed Rate

Primary Residence Full Documentation			
Transaction Type	Units	LTV	Credit Score
Purchase <sup>3</sup>	1	100% <sup>1</sup>	Per AUS
Limited Cash-Out <sup>2,3</sup>	1	100%/100% <sup>1</sup>	

**Footnotes:**

1. Maximum LTV when financing the guarantee fee is 102%. The maximum loan amount is 100% of the appraised value plus the upfront guarantee fee if financed. Eligible closing costs and lender fees may be included in the loan amount up to 100% LTV. 100% LTV may **only** be exceeded when financing the upfront guarantee fee. Existing subordinate financing must be re-subordinated; no new subordinate financing.
2. The loan being refinanced must be a USDA Guaranteed or Direct loan; conventional, FHA or VA loans **cannot** be refinanced under this program. Refer to the [Refinance Transactions](#) topic for additional requirements and restrictions.
3. Minimum loan amount \$60,000.

In addition to USDA Rural Development GRH purchase and non-streamlined programs, Planet Home Lending offers the USDA Rural Development Streamline Refinance and Streamline-Assist (Pilot) Refinance programs. Refer to the applicable matrix for guidelines specific to those USDA programs.

USDA's new HB-1-3555 may be viewed at USDA Rural Development [Regulations and Guidance](#) by selecting HB-1-3555 SFH Guaranteed Loan Program Technical Handbook. The new forms are available at [USDA LINC Training and Resource Library](#) under Forms.

**USDA Guaranteed Rural Housing (GRH) Program Highlights**

- The Guaranteed Rural Housing program offers 100% financing for low to moderate income buyers in rural areas subject to availability of funds from USDA.
- Income must be ≤ 115% of the area median.
- No maximum purchase price
- Not limited to first time homebuyers
- No down payment required
- No reserves required
- Gift funds are eligible for closing costs, guarantee fee or voluntary down payment.

**Upfront Guarantee Fee**

- **Conditional Commitments issued on or after October 1, 2017:**  
Purchase and refinance transactions: 1% of the total loan amount
- **Annual Fee**  
0.35%. The annual fee is applicable for the life of the loan



## USDA Program Guidelines

### Purchase and Non-Streamlined Refinance

Planet follows USDA guidelines for any topic not addressed below

Topic	Guideline
4506-T	<p>Seller must provide 4506-T signed by all borrowers prior to loan closing for both personal and business tax returns (if applicable) for all adult (18 years and older) household members.</p> <p>Note: Due to the hacking incidents, Planet will accept transcripts that the borrower obtained from the IRS along with a certification that the returns are true and correct.</p>
Ability to Repay/ Qualified Mortgage	<p>Planet requires all loans to be originated and closed in compliance with Agency and Planet Lending guidelines. Planet Home Lending will purchase owner-occupied transactions as follows:</p> <ul style="list-style-type: none"> <li>• Loan eligible under Temporary QM, and</li> <li>• Loans that meet the Safe Harbor or Rebuttable Presumption provisions, and</li> <li>• Pass the points and fees test, as applicable.</li> </ul> <p>Additionally, all disclosures and documentation required under the ATR/QM provisions of the Dodd-Frank Act must be provided.</p>
Affidavit of Identity	Planet may require an Affidavit of Identity if a borrower signature appears incomplete or illegible.
Age of Documents	<ul style="list-style-type: none"> <li>• All credit, income and asset documentation must be ≤ 120 days from the Note date.</li> <li>• Appraisal is valid for 150 days from the effective date and must be valid at time of Conditional Commitment request.</li> </ul>
Appraisals	<ul style="list-style-type: none"> <li>• If the appraisal <b>is not completed by an FHA roster appraiser, a property inspection report will be required in addition to the appraisal.</b></li> <li>• Appraisal photos must be taken of the front and rear of the property, at opposite angles, to show all sides of the subject property.</li> <li>• Additional photos are required for any improvements with contributory value that are not captured in the front and rear photos.</li> <li>• Value of the lot cannot exceed 30% of the appraised value.</li> <li>• The street scene photo must include a portion of the subject property. <ul style="list-style-type: none"> <li>- If the subject property is proposed construction and the improvements have not been started, the photos must include the grade of the vacant lot.</li> </ul> </li> <li>• All properties must have proper ingress/egress. Properties with a shared driveway must have a permanently recorded easement, and the easement must be binding to successors and title.</li> <li>• Private streets must be hard surfaced or all-weather surfaced and requires a permanently recorded easement or be owned and maintained by a Homeowner's Association. Private streets and roads require a recorded private road agreement which meets Agency requirements (Fannie Mae/Freddie/HUD/VA)</li> <li>• The source of the closed comparable sales used in the appraisal must be from one of the following or a desk review will be required: <ul style="list-style-type: none"> <li>- A Multiple Listing Service (MLS), or</li> <li>- MRIS (<a href="http://www.mris.com">www.mris.com</a>), or</li> <li>- Midwest Real Estate Data (MRED) (<a href="http://www.mredllc.com">www.mredllc.com</a>), or</li> <li>- North Texas Real Estate Information Systems, Inc. NTREIS at (<a href="http://www.ntreis.net">www.ntreis.net</a>), or</li> <li>- San Antonio Board of Realtors (<a href="http://www.sabor.com">www.sabor.com</a>), or</li> <li>- GeoData at <a href="http://www.geodataplus.com">www.geodataplus.com</a>, or</li> <li>- Comps Inc. at <a href="http://www.compsny.com">www.compsny.com</a>.</li> </ul> </li> </ul> <p>NOTE: Comparables from a public independent source are only eligible in the states of Vermont and Maine.</p> <ul style="list-style-type: none"> <li>• Comparable sales used for new construction properties are subject to the following: <ul style="list-style-type: none"> <li>- If all three of the comparable sales used to support the value of the subject property were obtained from one of the above sources (public source eligible in Vermont and Maine only) no further action is required.</li> </ul> </li> </ul>



## USDA Program Guidelines

### Purchase and Non-Streamlined Refinance

<b>Appraisals (cont.)</b>	<ul style="list-style-type: none"> <li>– If the comparable sales are not all obtained from an MLS, MRIS, MRED, NTREIS, or from an independent source (Vermont and Maine only), the appraiser must comment that the subject property development is being marketed in an “open” or “public” environment (i.e. newspaper advertisements, bill board signs, website) <ul style="list-style-type: none"> <li>○ Additionally, the following applies: <ul style="list-style-type: none"> <li>▪ One of the comparable sales must be outside the project the subject property is located in and be from an MLS, MRIS, MRED, NTREIS, or public source (public source Vermont/Maine only).</li> <li>▪ Two of the comparable sales must be from sources other than the subject property builder.</li> </ul> </li> </ul> </li> </ul> <p>Note: The appraiser is always allowed to provide more than three comparable sales in order to support the property value.</p> <ul style="list-style-type: none"> <li>• The comparable photos must include the front view of each comparable sale used. Use of LS photos to exhibit comparable condition at the time of sale are acceptable. However, the appraiser must include their own photos to document compliance with the Score of Work which requires the appraiser to inspect each comparable sale from the street.</li> <li>• A Market Conditions Addendum to the Appraisal Report (Fannie Mae Form 1004MC) is required on all appraisals and must meet Uniform Appraisal Dataset (UAD) requirements.</li> <li>• The appraiser must certify that an existing property meets the requirements detailed in HUD Handbooks 4150.2 and 4905.1. USDA defines “existing” as a property that has been completed for 12 months or more or has been completed &lt; 12 months but has been previously occupied.</li> <li>• All appraisals must be completed using the sales comparison approach and the cost approach to value.</li> <li>• The economic life of the property must meet or exceed the term of proposed loan</li> <li>• Properties &lt; 1 year old require the cost approach section of the appraisal to be completed.</li> <li>• Properties ≥ 1 year old the cost approach section must be completed when needed to comply with the site value analysis required by Rural Development.</li> <li>• Appraisal must identify and address properties located within a declining market. When the property is located in a declining market, the appraiser is required to: <ul style="list-style-type: none"> <li>– Provide, at a minimum, two comparable sales that closed within 90 days of the subject property appraisal. The comparables must be as similar to the subject property as possible.</li> <li>– The appraisal must include, at a minimum, two active listings or pending sales.</li> </ul> </li> <li>• At minimum, Planet Home Lending requires the following on all properties: <ul style="list-style-type: none"> <li>– A conventional heat source with the ability to maintain a temperature of 50° in areas of the property where there is plumbing</li> <li>– Any broken glass that is a health hazard must be removed, and the opening closed.</li> </ul> </li> <li>• Appraisals are valid 150 days from the effective date.</li> <li>• REO appraisals are not eligible</li> <li>• Properties located in a FEMA Disaster Declaration area will be subject to additional appraisal review. Refer to <a href="#">Chapter 8 Loan Purchasing</a> for detailed requirements.</li> </ul>
<b>Appraisal Transfers</b>	Allowed
<b>Assets</b>	<ul style="list-style-type: none"> <li>• Borrowers must lack sufficient assets to obtain uninsured conventional financing (borrower has &lt; 20% down payment for purchase transactions).</li> <li>• Assets include checking/savings accounts, gift funds, sale proceeds from currently owned property, 401K/retirement accounts, and stocks/bonds and must be documented as follows on <b>all</b> purchase transactions and refinance transactions <b>if funds needed to close</b>: <ul style="list-style-type: none"> <li>– 2 months most recent bank statements (dated within 45 days of the initial loan application date)</li> <li>– Sellers who are also the depository for the borrower's account may provide a printout or other alternative verification of the borrower's bank account assets produced directly from the bank or credit union's system in lieu of bank statement(s).</li> <li>– Stocks and bonds require the most recent statement monthly or quarterly statement.</li> </ul> </li> </ul>



## USDA Program Guidelines

### Purchase and Non-Streamlined Refinance

<b>Assets (cont.)</b>	<ul style="list-style-type: none"> <li>• A Verification of Deposit (VOD) is acceptable as the primary source of verification.</li> <li>• Cash on hand and unsecured funds are ineligible sources for assets.</li> <li>• Retirement funds that allow for immediate withdrawal are eligible at 60% of the vested account balance to allow for withdrawal penalties.</li> <li>• Retirement accounts that restrict withdrawals to retirement, employment separation, etc. cannot be considered for cash reserves.</li> </ul>
<b>Assumptions</b>	Planet follows agency guidelines.
<b>AUS</b>	<p>All loans must be submitted to the Guaranteed Underwriting System (GUS). Acceptable GUS Findings are:</p> <ul style="list-style-type: none"> <li>• "Accept/Eligible," or</li> <li>• "Refer/Eligible" Finding requires a manual underwrite. As a reminder, USDA requires full file documentation and documented mitigating circumstances/compensating factors when approving a loan that received a "Refer" from GUS.</li> </ul>
<b>Available Markets</b>	<ul style="list-style-type: none"> <li>• <b>Delegated Sellers</b> Planet will purchase loans underwritten and closed by the delegated seller in all states.</li> <li>• <b>Non-Delegated Sellers</b> USDA products are not currently available for non-delegated Sellers.</li> <li>• The U.S. territories of Guam, Puerto Rico, and the Virgin Islands are ineligible regardless of delegation.</li> <li>• Property must be located in a rural area as defined by Rural Development.</li> </ul>
<b>Borrowers – Adding/Deleting</b>	Borrowers may be added or deleted on a refinance transaction as long as one original borrower remains on the loan.
<b>Borrowers - Eligible</b>	<p>Borrowers who do not qualify for conventional credit and whose income does not exceed the maximum limit set by the USDA for the applicable area. Borrowers must also be:</p> <ul style="list-style-type: none"> <li>• A U.S. citizen, or</li> <li>• A permanent resident alien with an unexpired "Green Card" issued by the U.S. Citizenship and Immigration Services (USCIS). A copy of both the front and back of the card are required, or Revocable Inter vivos trust.</li> <li>• A non-permanent resident alien. Non-permanent resident aliens are eligible as follows: <ul style="list-style-type: none"> <li>– Borrower has a valid Social Security number (cannot be used as evidence of eligible work status).</li> <li>– Borrower has an unexpired Employment Authorization Document (EAD) issued by the United States Citizenship and Immigration Services (USCIS) as evidence of eligible work status. If the authorization for temporary residency status expires within one year, continuation may be assumed when a prior history of renewals. If no continuation has been previously granted the underwriter must determine the likelihood based on evidence from USCIS.</li> </ul> </li> </ul> <p>NOTE: Borrowers residing in the United States under refugee or asylee status granted by the USCIS are automatically eligible to work in the U.S., therefore, an EAD is not required.</p> <ul style="list-style-type: none"> <li>• All borrowers are required to have a social security number; a TIN is not acceptable.</li> <li>• Non-Borrowing/Non Purchasing Spouse: Generally have no ownership interest in the property and are not liable for the debt. In community property/marital rights states the non-borrowing spouse does have an interest in the property and is required to execute the security instrument and all applicable documents as determined by state law. A full credit report will be required for a non-purchasing spouse in community property states and the debt obligations (except as excluded by applicable state law) must be entered on the 1003 in the "Asset and Liabilities" section and their debts must be included in the borrower's debt ratio. Community property states include Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin. The non-purchasing spouse's credit history is not a reason to deny the loan application.</li> </ul>
<b>Borrowers - Ineligible</b>	<ul style="list-style-type: none"> <li>• Foreign Nationals</li> <li>• Borrowers with diplomatic immunity</li> <li>• Borrowers without a social security number</li> <li>• Non-U.S. citizens with no lawful residency in the U.S.</li> <li>• Non-occupant co-borrowers</li> <li>• Co-Signers</li> <li>• Borrowers who qualify for conventional credit</li> </ul>



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### Purchase and Non-Streamlined Refinance

<b>CAIVRS/LDP/SAM</b>	<p><b>CAIVRS at <a href="#">CAIVRS</a></b></p> <ul style="list-style-type: none"> <li>- All borrowers must be checked against the Credit Alert Interactive Voice Response System (CAIVRS) to determine if they have delinquent federal debt. A clear CAIVRS is required.</li> <li>- All federal debt and judgments must be paid in full or otherwise resolved and have supporting documentation.</li> <li>- CAIVRS claims: The borrower must provide official documentation that the delinquency has been paid in full or otherwise resolved prior to loan processing.</li> </ul> <p><b><a href="#">LDP / SAM</a></b></p> <p>All of the following parties to the transaction, as applicable, must be checked against HUD's Limited Denial of Participation list and the System Award Management Registration.</p> <ul style="list-style-type: none"> <li>• Appraiser</li> <li>• Borrower(s)</li> <li>• Closing Attorney</li> <li>• Escrow/Settlement Agent</li> <li>• Lender</li> <li>• Loan Officer</li> <li>• Processor</li> <li>• Real Estate Agents (listings/selling)</li> <li>• Seller(s)</li> <li>• Title</li> <li>• Underwriter</li> </ul>
<b>Cash Back to Borrower</b>	<p>The borrower cannot receive any cash back from the transaction with the exception of out of pocket money (with supporting documentation) as follows:</p> <ul style="list-style-type: none"> <li>• Earnest money deposit</li> <li>• First year of homeowners insurance paid</li> <li>• Loan application fees</li> <li>• Appraisal/Inspection fees</li> <li>• Paid repairs</li> </ul> <p>Tax credits, excess loan funds, excess seller concessions, and items paid with credit cards <b>cannot</b> be refunded to the borrower; a principal reduction is required.</p> <p>NOTE: Any excess gift funds at closing may be returned to the borrower.</p>
<b>Chain of Title</b>	<p>A 12-month chain of title is required for all loans (excluding new construction). Title must include all transfers in the previous 12 month period including copies of all recorded deed(s). More than one transfer in previous 12 months <b>or</b> property has a significant increase in value since prior transfer an appraisal addendum addressing all transfers required. The addendum must include dates of sales, sales price and the Note if the sale was through an MLS or was a non-arm's length transaction.</p>
<b>Contingent Liabilities</b>	<p>A contingent liability exists when an individual is responsible for payment of a debt if another party, jointly or severally obligated, defaults on the payment.</p> <p><b>Co-Signed Debt</b></p> <ul style="list-style-type: none"> <li>• Any co-signed liability (including mortgages) may be excluded from the DTI if documentation is provided that the other party has paid the debt for the most recent 12 months or if there is an official release of liability provided from the creditor. Acceptable documentation includes copies of checks, money orders, receipts).</li> </ul> <p><b>Business Debt</b></p> <ul style="list-style-type: none"> <li>• Exclude business debts listed on personal credit reports if evidence of payment of the most recent 12 months payments has been made by the business.</li> </ul>
<b>Credit Exceptions</b>	<p>Credit exceptions are acceptable subject to USDA guidelines. USDA allows credit exceptions in the following situations:</p> <ul style="list-style-type: none"> <li>• The credit problems were caused by extenuating circumstances that were temporary in nature and beyond the borrower's control. The circumstance must have been removed/resolved for a minimum of 12 months prior to the loan application. Examples of acceptable temporary extenuating circumstances include a temporary job loss, illness, delay or reduction in benefits, dispute over payment for defective goods or services, etc., <b>or</b></li> <li>• The new loan will significantly reduce the borrower's housing expenses (50% or greater) resulting in improved debt repayment ability.</li> </ul> <p>Credit exceptions do not require USDA RD approval. The following applies to credit exceptions:</p> <ul style="list-style-type: none"> <li>• The borrower must provide written, detailed explanation as to the nature of the credit issue, its causes and indicate it is not likely to happen again.</li> </ul>





## USDA Program Guidelines

### Purchase and Non-Streamlined Refinance

<b>Credit Exceptions</b> (cont.)	<ul style="list-style-type: none"><li>• The borrower must provide all documentation that supports the circumstances that caused the credit issue.</li><li>• All supporting documentation used to grant the exception must be included in the loan file.</li><li>• A credit exception <b>is not eligible on</b> the following:<ul style="list-style-type: none"><li>– Borrower is delinquent on a federal debt,</li><li>– The borrower has an outstanding federal judgment (does not apply to federal tax liens)</li></ul></li></ul> <p>NOTE: Borrowers with a tax lien/judgment must provide evidence of payment arrangements. USDA does not dictate a specific time period of payments having been made; the underwriter is responsible to determine if the repayment period is of appropriate duration. Borrowers with any delinquency during the repayment period are ineligible for a USDA loan.</p>
<b>Credit History</b>	<p>The borrower's credit history must indicate the borrower has a reasonable ability and willingness to pay their obligations.</p> <ul style="list-style-type: none"><li>• Any of the following are considered unacceptable credit history per Rural Development:<ul style="list-style-type: none"><li>– More than one 30 days late within the past 12 months (including more than one late payment on a single account)</li><li>– Bankruptcy or foreclosure that occurred within the past 3 years</li><li>– Outstanding tax liens or delinquent government debt with no satisfactory arrangements for payments, regardless of age if they are currently delinquent or due and payable.</li><li>– Outstanding judgments within the past 12 months.</li><li>– Two or more rent payments 30 days or more late within the past 3 years.</li><li>– Any account converted to a collection account in the past 12 months (utility bills, medical bills, etc.)</li><li>– Outstanding collection accounts with no satisfactory arrangements for payments, regardless of age if they are currently delinquent or due and payable</li><li>– Any debt written off within the last 3 years (charge-offs)</li></ul></li><li>• Borrowers with a foreclosure on a previous Rural Development loan are ineligible.</li></ul>
<b>Credit Reports/Scores</b>	<ul style="list-style-type: none"><li>• A tri-merged credit report is required for all borrowers.</li><li>• The primary borrower (the borrower with the highest income) must meet the minimum credit score requirement.</li><li>• At least one borrower, whose income and assets were used for loan qualification, must have a minimum of 3 tradelines that have a 12 month history. The tradelines can be open, closed, disputed or an authorized user account as long as there is a 12 month history.</li><li>• The representative credit score is determined as follows:<ul style="list-style-type: none"><li>– If there are three (3) valid scores, the middle score is used. If two of the three scores are a duplicate, the duplicate score is used.</li><li>– If there are two (2) valid scores, the lower of the two is used</li><li>– If there is one (1) valid score, that score is used</li></ul></li><li>• The borrower(s) must address <b>all</b> credit inquiries indicated on the credit report within the previous 90 days and indicate the reason for and result of the inquiry (i.e. was new credit obtained or not). Any new debt must be included in the debt ratio.</li><li>• Any loan related charges (application fee/closing costs/appraisal) paid for by the borrower with a credit card that is not reflected on the credit report must be added to the card balance shown on the credit report and included in the debt ratio calculations.</li><li>• Authorized user tradelines require underwriter review to ensure the tradelines are an accurate reflection of the borrower's credit history. When there is an open account(s) one evidence of one of the following is required:<ul style="list-style-type: none"><li>– The tradeline belongs to another borrower on the loan application, or</li><li>– The owner of the tradeline is the spouse of one of the borrowers, or</li><li>– The borrower has been making the payments on the tradeline for the past 12 months.</li></ul></li></ul>





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### Purchase and Non-Streamlined Refinance

<b>Credit Reports/Scores (cont.)</b>	<ul style="list-style-type: none"> <li>• If none of the above can be documented the loan is ineligible.</li> <li>• Disputed accounts are acceptable subject to the following:             <ul style="list-style-type: none"> <li>– The account has a zero balance, or</li> <li>– The account is marked “paid in full” or “resolved,” or</li> <li>– The account has a balance owed of &lt; \$500.00 and is more than 24 months old. If none of the above applies, the loan is ineligible.</li> </ul> </li> </ul> <p>A full credit report is required when the borrower lives in a community property state, and there is a non-purchasing spouse. Community property states include Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin.</p> <p><b>Credit Report – Fraud Alert</b></p> <p>When a fraud alert, active duty alert or freeze is included with a credit report, additional steps are required to verify the borrower’s identity and documentation must be provided. Documentation should include, but is not limited to:</p> <ul style="list-style-type: none"> <li>• A letter of explanation from the borrower, and</li> <li>• A copy of the identity theft report, and</li> <li>• An additional form of identity verification, and</li> </ul> <p>If the credit alert contains a phone number for a verbal verification prior to credit being issued, documentation must be provided that the borrower was contacted.</p>
<b>Derogatory Credit</b>	<p><b>Chapter 7 Bankruptcy</b></p> <p>Bankruptcy must be discharged a minimum of 36 months from date of application</p> <p><b>Chapter 13 Bankruptcy</b></p> <p>Borrower must have 12 months history with paid as agreed and permission from the bankruptcy court is required.</p> <p><b>Foreclosure</b></p> <p>A foreclosure must be dismissed a minimum of 36 months from the application date. Borrowers with a previous foreclosure on a Rural Development loan are ineligible.</p> <p>Borrowers with a foreclosure in the previous 3 years may be eligible for a credit exception if the foreclosure was due to extenuating circumstances which were temporary in nature and beyond the borrower’s control. Refer to the Credit Exceptions topic for detailed requirements.</p> <p><b>Short Sales</b></p> <p>Borrowers with a short sale are subject to the following:</p> <ul style="list-style-type: none"> <li>• Borrowers who were current at the time of the short sale may be eligible subject to:             <ul style="list-style-type: none"> <li>– The borrower was current on the prior mortgage in the 12 months preceding the short sale, and</li> <li>– All installment debt payments for the same period were also current.</li> </ul> </li> <li>• Borrowers with a short sale are <b>ineligible</b> for a USDA loan and subject to the 3 year waiting period if:             <ul style="list-style-type: none"> <li>– The borrower pursued a short sale to take advantage of a declining market to purchase a similar or superior property close to their existing property, <b>or</b></li> <li>– The borrower was in default on the prior mortgage at the time of the short sale.</li> </ul> </li> </ul> <p><b>Delinquent Child Support</b></p> <p>Delinquent child support must be paid current or in a payment plan.</p> <p><b>Judgements</b></p> <p>Open judgments, garnishments, and all outstanding liens must be paid off prior to or at closing and documentation of sufficient funds to satisfy these obligations must be obtained.</p>



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### Purchase and Non-Streamlined Refinance

<b>Derogatory Credit</b> (cont.)	<p><b>Consumer Credit Counseling</b></p> <ul style="list-style-type: none"> <li>• One year of payout under the plan has elapsed</li> <li>• All payments have been made on time</li> <li>• The Counseling Agency has provided written permission for the borrower to enter into a mortgage transaction</li> <li>• If an "Accept/Eligible" Finding is received, no explanation or other documentation is required from the borrower.</li> </ul> <p><b>Collections</b></p> <p>Collection accounts require satisfactory arrangements for payment. All open accounts require the payment to be included on the Asset and Liabilities page.</p> <ul style="list-style-type: none"> <li>• Medical collections and any charge-off accounts (not just medical) may be excluded in the cumulative account totals.             <ul style="list-style-type: none"> <li>– <b>Accounts Cumulative <math>\geq</math> \$2,000</b> <ul style="list-style-type: none"> <li>○ Requires payment in full prior to or at closing, <b>or</b></li> <li>○ Verification of payment arranged with creditor and include monthly payment amount in DTI ratios, <b>or</b></li> <li>○ Use 5% of each collection account balance in the debt ratio.</li> </ul> </li> <li>– <b>Accounts Cumulative <math>&lt;</math> \$2,000</b> <ul style="list-style-type: none"> <li>○ Payment in full is at underwriter discretion.</li> </ul> </li> </ul> </li> <li>• Accounts converted to collections within the previous 12 months indicate unacceptable credit risk.</li> </ul> <p><b>Judgments</b></p> <ul style="list-style-type: none"> <li>• Federal judgments require payment in full, no exceptions. Documentation of sufficient funds to satisfy obligation(s) is required.</li> <li>• Non-federal judgments may remain open if the borrower has made a minimum of 3 months of payments prior to the loan application as evidenced by cancelled checks/statement.</li> <li>• Payment in full is required if a minimum of 3 months of payments cannot be documented.</li> </ul>
<b>DTI</b>	<ul style="list-style-type: none"> <li>• Maximum 45% regardless of GUS decision</li> <li>• All debts with 6 months or more payments remaining must be included to ensure accurate debt ratio</li> <li>• Non-purchasing spouse debts must be included in the borrower's debt ratio.</li> </ul>
<b>Down Payment</b>	<p>Not required</p>
<b>Employment</b>	<p>A two year employment history is required.</p> <p>Note: If the borrower has any gaps in employment that are <b>&gt; 30 days</b>, a letter of explanation from the borrower will be required unless employment is clearly seasonal.</p> <p><b>Wage Earners</b></p> <ul style="list-style-type: none"> <li>• A verbal verification of employment (VVOE) is required within 10 business days of the Note date for salaried borrowers. A sample VVOE form is posted on the Planet Home Lending website under "Forms and Resources." Sellers are not required to utilize this exact form. However, any form used must provide the information contained on the Planet Home Lending form.</li> <li>• Sellers must independently obtain the phone number, and when possible, the address of the wage earner borrower's employer using directory assistance/internet/phone book, etc.</li> </ul> <p><b>Self-employed Borrowers</b></p> <ul style="list-style-type: none"> <li>• A verbal verification of employment (VVOE) is required within 30 calendar days for self-employed borrowers.</li> <li>• Self-employed borrowers are individuals who have 25% or greater ownership interest in a business.             <ul style="list-style-type: none"> <li>– Self-employed borrower's business requires verification of the business by a third party source (e.g. CPA, Federal Tax ID Certificate, and Business License).</li> <li>– A self-employed borrower with 1-2 year self-employment history <b>may</b> be eligible subject to the following:                 <ul style="list-style-type: none"> <li>○ Borrower has 2 years documented previous successful employment in the line of work in which they are self-employed or it is a related occupation, or</li> </ul> </li> </ul> </li> </ul>



## USDA Program Guidelines

### Purchase and Non-Streamlined Refinance

<b>Employment (cont.)</b>	<ul style="list-style-type: none"> <li>○ A combination of one year of employment and formal education or training in the line of work in which the individual is self-employed or in a related occupation is also acceptable.</li> </ul> <p style="text-align: center;">NOTE: &lt; 1 year of income from self-employment is <b>not</b> considered effective income.</p> <ul style="list-style-type: none"> <li>– Annual earnings that are stable or increasing are acceptable, while businesses that show a significant decline in income over the analysis period are not acceptable, even if the current income and debt ratios meet FHA guidelines.</li> <li>– Income must not be declining more than 10% per year. If income is declining more than 10%, the lowest income must be used to qualify.</li> <li>– Depreciation and/or depletion may be added back</li> <li>– Signed and dated individual tax returns, with all applicable tax schedules, for the most recent two years, are required.</li> <li>– Corporations, S-Corporation or Partnership, are required to provide signed copies of Federal Business income tax returns for the last 2 years with all applicable tax schedules.</li> </ul> <p><b>Employed by Family Business</b></p> <p>In addition to standard employment verification, a borrower employed by a family owned business is required to provide evidence that they are not the owner of the business. Acceptable evidence includes:</p> <ul style="list-style-type: none"> <li>– Copies of signed personal tax returns, or</li> <li>– Signed copies of the corporate tax returns showing ownership percentage.</li> </ul>
<b>Escrow Holdbacks</b>	Not Allowed
<b>First Time Homebuyer</b>	First time homebuyers may be required to complete homebuyer education at the discretion of Rural Development.
<b>Gift Funds</b>	<ul style="list-style-type: none"> <li>• Gift funds are eligible for closing costs, voluntary down payment or may be applied to guarantee fee. There must be no expected or implied repayment requirement of the gift funds.</li> <li>• Gift funds may <b>not</b> be used for cash reserves as a compensating factor.</li> <li>• Any excess gift funds at closing may be returned to the borrower.</li> <li>• A cash gift is acceptable if the donor is: <ul style="list-style-type: none"> <li>– A person not living in the household, or</li> <li>– An eligible organization.</li> </ul> </li> <li>• A gift letter is required which includes the following: <ul style="list-style-type: none"> <li>– The dollar amount of the gift</li> <li>– Signature of the donor and the borrower</li> <li>– The date the funds were transferred</li> <li>– The donor(s) name, address, phone number, and relationship to the borrower, and</li> <li>– A statement by the donor that no repayment of the gift funds is expected.</li> </ul> </li> <li>• The gift fund donor cannot be affiliated with the builder, developer, real estate agent, broker, or any other interested party to the transaction. Gift funds from household members are <b>eligible</b>.</li> </ul> <p>Regardless of when gift funds are made available to the borrower, it must be determined <b>that the gift funds were not provided by an unacceptable source and that the gift funds were the donor's own funds.</b></p> <ul style="list-style-type: none"> <li>• Gift fund availability and transfer of the funds must be documented. Verification of transfer of funds must be documented as noted below: <ul style="list-style-type: none"> <li>– Gift funds given prior to closing</li> <li>– Copy of the donor's cancelled check (front and back) and conclusive evidence that the money was withdrawn from the donor's account (conclusive evidence might be a withdrawal slip or bank statement and the borrower's deposit slip and/or bank statement verifying the deposit.</li> <li>– Gift funds given to closing agent: <ul style="list-style-type: none"> <li>○ Must be received at least one day prior to closing to allow for underwriter review; gift funds the day of closing are not allowed</li> </ul> </li> </ul> </li> </ul>



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<b>Gift Funds (cont.)</b>	<ul style="list-style-type: none"> <li>○ A copy of donor's check to the closing agent is required, and</li> <li>○ Gift must be reflected on the HUD-1/CD.</li> </ul> <ul style="list-style-type: none"> <li>● Gift funds are eligible from any acceptable source provided the borrowers are not obligors to any Note to secure the money borrowed for the gift.</li> </ul>
<b>Gift of Equity</b>	<ul style="list-style-type: none"> <li>● Allowed from an immediate family member only.</li> <li>● A gift letter must be provided (refer to gift funds above for gift letter requirements)</li> <li>● The HUD-1/CD must indicate "gift of equity."</li> </ul>
<b>Impound Account</b>	Required on all loans, no exceptions
<b>Income</b>	<p>The borrower's adjusted household income cannot exceed the limit set by Rural Development for the state/county where the property is located. To view the GRH income limits by state click here: <a href="#">Rural Development Single Family Housing Guaranteed Loan Income Limits</a></p> <p>To determine income eligibility, complete the Planet Home Lending USDA Rural Development Borrower Questionnaire and Income Eligibility Worksheet and enter the information on the <a href="#">Rural Development Income Eligibility</a> website.</p> <p>NOTE: The Rural Development system will indicate eligible/ineligible for both the Guaranteed Rural Housing Loan Program <b>and</b> the Direct Rural Housing Loan Program. Planet Home Lending <b>only</b> offers the <b>Guaranteed Rural Housing</b> program. A screen shot of the Income Eligibility Determination Summary is required.</p> <p>Rural Development has three separate income calculations that are required</p> <ul style="list-style-type: none"> <li>● <b>Annual income</b> - The total income and assets of <b>all</b> adult household members, <b>including borrower(s) and non- applicants 18 years old and older</b>. The gross amount (prior to any payroll deductions) of wages, salaries, overtime pay, commissions, fees, tips, bonuses and any other compensation for personal services of all adult members of the household must be included. This is projected income, not an average of previous years' income. Unreimbursed employee business expenses are deducted from annual income and repayment income calculations.</li> </ul> <p>Annual income also includes any interest, dividend, social security, unemployment, disability, retirement fund, pension, public assistance income, rental income, or alimony/child support (unless payments are not received, and a reasonable effort has been made to collect). Full time students, who are temporarily absent from the home but who will reside at the property at any time during the coming year and the property is listed as the student's permanent address, only the first \$480 of their income is considered.</p> <p>The following are <b>ineligible</b> for annual income calculations:</p> <ul style="list-style-type: none"> <li>– Earned income tax credits,</li> <li>– Adoption assistance in excess of \$480 per adopted child,</li> <li>– Employer provided fringe benefit packages unless reported as taxable income.</li> </ul> <p>Income must be calculated on any net family assets in excess of \$5,000. Net family assets include the value of equity in real property, savings, IRAs, market value of stocks, bonds and other forms of capital investments.</p> <p>Social security and disability income require a 3 year continuance documented with an award letter.</p> <p>Alimony and child support income must continue for 3 years and have a minimum 12 month history documented with bank statements.</p> <p>If an adult member of the household is currently unemployed but there is recent history of employment that person's income must be considered unless the borrower and the adult unemployed person sign a statement that the person is not presently employed and does not intend to become employed again in the foreseeable future.</p>



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<p><b>Income (cont.)</b></p>	<ul style="list-style-type: none"> <li>• <b>Adjusted income</b> - The household's annual income (as described above) minus eligible deductions equals the adjusted income. The adjusted income determines GRH program eligibility. Eligible deductions include: <ul style="list-style-type: none"> <li>– Dependents - \$480 per person who is under 18, disabled and is 18 or older or full- time student who is 18 or older</li> <li>– Elderly (head of household or spouse is 62 years of age and older and a borrower on the loan) \$400 (one time deduction; not per person)</li> <li>– Disability expenses (Unreimbursed expenses in excess of 3% of annual income) which may include, projected medical expenses for ensuing 12 months, costs not covered by insurance and equipment to support physically challenged household member</li> <li>– Medical expenses exceeding 3% of gross annual for elderly households only.</li> <li>– Child care expenses for children 12 years old and under which enables the applicant to be employed or educated. Cannot exceed the amount of income received from the applicants employment and payments cannot be made to any dependent of the applicant, and</li> <li>– Attendant car expenses for disabled members. The adjusted income determines program eligibility.</li> </ul> </li> <li>• <b>Repayment income</b> - Determined by the stable/dependable income of the borrowers only. Borrower must generally have a two (2) year history of receiving the income, and there must be a reasonable expectation of continued receipt for three (3) years. Repayment income is the qualifying income and is used to calculate DTI. In addition the following income may be included in the repayment income calculations: <ul style="list-style-type: none"> <li>– Income from employed minors (under 18 years of age)</li> <li>– Foster care income</li> <li>– The value of any food stamps received</li> <li>– Sporadic or irregular cash gifts</li> <li>– Lump-sum additions to family assets (e.g. inheritance, capital gains, insurance for health, accident, hazard or workers comp)</li> <li>– Reimbursements for medical expenses</li> <li>– Amounts of education scholarships paid directly to the student or the educational institution</li> <li>– Amounts paid by the government to a veteran for use in meeting tuition costs, fees, books, and equipment</li> <li>– Hazardous duty pay to a service person away from home and exposed to hostile fire.</li> <li>– Unearned income ( disability, alimony, child support, etc. ) requires 3-year continuance</li> <li>– Tax exempt income may be grossed up 25%</li> <li>– </li> <li>– Rental income that has been received ≥ 24 months and can be documented with 2 years most recent tax returns, including Schedule E, and a copy of the current signed lease agreement.</li> </ul> <p>The following types of income are <b>ineligible</b> as stable repayment income:</p> <ul style="list-style-type: none"> <li>– Payment received for foster children or adults</li> <li>– Supplemental Nutrition Assistance Program payments</li> </ul> </li> </ul>
<p><b>Income Documentation</b></p>	<p>Income must be documented for the previous 2 years for all adult household members.</p> <p><b>Salaried Borrowers</b></p> <ul style="list-style-type: none"> <li>• Current paystubs for previous 30 days with YTD income</li> <li>• W -2s for prior 2 years</li> </ul> <p><b>Self-Employed Borrowers</b></p> <ul style="list-style-type: none"> <li>• 2 years signed tax returns including all schedules</li> <li>• YTD P&amp;L (audited or unaudited) with balance sheet</li> <li>• YTD Income &amp; Expense Statement</li> </ul>
<p><b>Inspections</b></p>	<ul style="list-style-type: none"> <li>• Well inspections are always required on purchase transactions. The water quality must meet state/local standards. Not required on refinance transactions.</li> <li>• Septic inspections are only required when the appraiser indicates there is evidence the septic system may be failing.</li> <li>• Termite inspections are only required when the purchase contract requires one, or the appraiser indicates there is evidence of active infestation.</li> </ul>



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<b>Liabilities</b>	<p>All debts are entered in GUS to ensure accurate GUS Findings. Debts with 10 months or more payments remaining must be included to ensure accurate debt ratio.</p> <p><b>401K Loans</b> Not counted in debt ratios.</p> <p><b>Alimony/Child Support/Garnishments</b> Not required to be included in the debt ratio if 10 months or less remaining</p> <p><b>Installment Debt</b> Not required to be included in the debt ratio if 10 months or less remaining</p> <p><b>Revolving Debt</b> Revolving debt must be included if there is a balance indicated on the credit report. If the monthly payment is not included in the credit report, the underwriter will calculate the payment using the greater of \$10.00 or 5% of the outstanding balance. If the actual dollar amount is documented by the creditor or a current monthly statement, that amount may be used for qualifying.</p> <p><b>Student Loans</b></p> <ul style="list-style-type: none"><li>• <b>Fixed Payment</b> – If the borrower has a documented fixed payment:<ul style="list-style-type: none"><li>– Include the <b>greater of the following</b> as reflected on the credit report:<ul style="list-style-type: none"><li>– 1% of the outstanding loan balance, <b>or</b></li><li>– The verified fixed payment.</li></ul></li></ul><p>NOTE: The monthly payment on the credit report &lt; 1% of the outstanding balance may be used when the servicer verifies the following:</p><ul style="list-style-type: none"><li>– The borrower is on a fixed payment that is <b>not</b> subject to change, <b>and</b></li><li>– The monthly payment</li></ul></li><li>• <b>Non-Fixed Payment</b> – includes Income Based Repayment (IBR), graduated, adjustable, interest only and deferred payments. 1% of the loan balance reflected on the credit report is included in the debt ratio. No additional documentation is required.</li></ul> <p><b>Balloon/Deferred Debt</b> (does not include student loans) If the payment is due or will begin within 24 months of loan closing and the interest rate is unknown a monthly payment, using a reasonable/customary rate for the type of loan must be estimated.</p>
<b>Loan Amount</b>	<p><b>Purchase Transactions</b> The maximum loan amount is 100% of the appraised value plus the upfront guarantee fee if financed. Eligible closing costs and lender fees may be included in the loan amount up to 100% LTV.</p> <p><b>Non-Streamlined Refinance Transactions</b></p> <ul style="list-style-type: none"><li>• Maximum loan amount cannot exceed the current appraised value. The guarantee fee may be financed.</li><li>• Permissible discount pts financed may not exceed 2% of loan amount</li></ul>
<b>Mortgage/Rental History</b>	<p><b>Purchase Transactions</b></p> <ul style="list-style-type: none"><li>• &gt; 680 credit score – housing history not required</li><li>• ≤ 680 12 month housing history required. Less than 12 months may be considered on a case- by- case basis subject to USDA guidelines. If a VOR is required, private landlords may complete as long as they are <b>not</b> a relative of the borrower.</li></ul> <p><b>Refinance Transactions</b></p> <ul style="list-style-type: none"><li>• 0x30 in previous 12 months. A minimum of 6 payments must have been made on the current mortgage.</li></ul>





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<b>Mortgage Seasoning</b>	<p>If the loan being refinanced is an existing government loan, the below mortgage seasoning requirements must be met.</p> <p>On the date of the case assignment:</p> <ul style="list-style-type: none"><li>• Six (6) consecutive monthly payments must have been made on the subject property being refinanced</li><li>• Six (6) months must have passed since the first payment due date of the subject</li><li>• 210 days must have passed since the closing date of the subject property being refinanced, and</li><li>• Six (6) payments since assumption date must have passed (if applicable).</li></ul> <p>Note: Refinance of loans on which fewer than six (6) consecutive regularly scheduled payments have been made are not eligible for financing.</p>
<b>Non-ARMs Length/Identity of Interest</b>	<ul style="list-style-type: none"><li>• A non-arm's length transaction is a purchase transaction where there is a relationship or business affiliation between the buyer and seller of the property</li><li>• Non-arm's length transactions are eligible for re-sale properties</li><li>• An identity of interest transaction involves parties who are not related and do not have close personal ties. However, they have a strong interest in the transaction (i.e. broker acting for both buyer and seller; broker is both realtor and mortgage broker, the realtor is selling own property, etc.). Identity of interest transactions are eligible on owner-occupied transactions; however, an additional review will be required to ensure the validity of the transaction, value, etc. Additional documentation and/or a desk review or second appraisal may be required at underwriters discretion.</li></ul>
<b>Non-Purchasing Spouse</b>	<p>The debts of the non-purchasing spouse must be included in the borrower's qualifying ratios, unless specifically excluded by state law, if:</p> <ul style="list-style-type: none"><li>• The borrowers reside in a community property state, or</li><li>• The property being purchased is located in a community property state</li></ul> <p>NOTE: The credit history of the non-purchasing spouse is not considered a reason to deny a loan, however, their obligations must be considered in the DTI unless excluded by state law. A full credit report for the non-purchasing spouse must be obtained to determine if the obligations should be included in the DTI.</p> <p>Community property states include Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin.</p>
<b>Occupancy</b>	<ul style="list-style-type: none"><li>• Owner-occupied 1-unit primary residence</li><li>• Borrowers must occupy the property within 60 days of signing the security instruments.</li></ul> <p>NOTE: Active duty military borrowers are considered to have met the occupancy requirement if proof of discharge will be received within a reasonable period of time (generally within 1 year) and the serviceperson's family will continue to occupy the property if the serviceperson is assigned elsewhere prior to discharge.</p>
<b>Other Real Estate Owned – Retaining Current Residence</b>	<p>Borrowers retaining their current home are eligible subject to the following:</p> <ul style="list-style-type: none"><li>• The current residence is not financed by a USDA RD Guaranteed, Direct 502/504 or active grant.</li><li>• The current home owned no longer adequately meets the borrower's need due to a significant change in borrower's circumstances. Examples include, but are not limited to:<ul style="list-style-type: none"><li>– Severe overcrowding (more than 1.5 household members per total rooms). Documentation that the overcrowding has existed for a minimum of 90 days and will continue for a minimum of another 9 months)</li><li>– The home requires significant retrofitting to accommodate the disability/limited mobility of a permanent household member. Documentation of the existing property deficiencies and the suitability of the new property is required.</li></ul></li></ul> <p>The underwriter must provide an explanation of the significant change and the reason, beyond convenience to the borrower, why the new home purchase must be completed <b>prior to</b> the sale of the existing property.</p>



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<b>Other Real Estate Owned – Retaining Current Residence</b> (cont.)	<ul style="list-style-type: none"> <li>The borrower must be financially qualified to own more than one property and must qualify including both mortgages (the borrower is limited to one additional property other than the one associated with the new loan)</li> <li>The borrower will occupy the new property (with the guaranteed loan) as their primary residence throughout the term of the loan.</li> <li><b>Purchase transactions:</b> Rental income cannot be used for qualification of the new loan as receipt of a rental income of 24 months is required to use for repayment income.</li> <li><b>Refinance transactions:</b> Rental income that has been received <math>\geq</math> 24 months and can be documented with 2 years most recent tax returns, including Schedule E, and a copy of the current signed lease agreement.</li> </ul>
<b>Payment Shock</b>	<p>Payment shock is considered a risk layer when:</p> <ul style="list-style-type: none"> <li>The DTI is <math>&gt; 29\%</math>, and</li> <li>The new PITI is <math>&gt; 100\%</math> of the borrower's current housing payment, <b>or</b> the borrower does not have a housing payment history.</li> </ul> <p>Payment shock calculation: Proposed PITI divided by current housing/rent payment minus 1 multiplied by 100 equals the % of payment shock.</p> <p>Loans with payment shock risk layer are allowed subject to the following:</p> <ul style="list-style-type: none"> <li>There cannot be any additional risk layers, and</li> <li>There must be strong, <b>documented</b> compensating factors. Acceptable compensating factors: cash reserves, credit score <math>&gt; 680</math>, the borrower has potential for increased earnings, or the borrower has demonstrated the conservative use of credit.</li> </ul>
<b>Power of Attorney</b>	Allowed on an exception basis for closing only; cannot be used for the execution of the initial application and disclosures. Certified copy from settlement agent required in file.
<b>Prepayment penalty</b>	Not permitted
<b>Product</b>	<ul style="list-style-type: none"> <li>30 year fixed rate</li> <li>The maximum interest rate may not exceed the Fannie Mae 90 day Actual/Actual Yield for a 30 year fixed rate loan, plus 100 basis points, rounded up to the nearest quarter of one percent (e.g. Fannie Mae 90 day rate is 4.72 + 100 basis points = 5.72 rounded up to 5.75%)</li> </ul>
<b>Properties - Eligible</b>	<p>The property must be located in an eligible rural area as determined by the USDA Rural Development department or purchase transactions. Refinance transactions, the property, is not required to still be in a rural area. To determine eligibility click here: <a href="#">Rural Housing Property Eligibility</a>, select "Single Family Housing" under the "Property Eligibility" header in the menu and enter the information requested. A screenshot showing that property is located in an eligible area is required. Eligible property must be predominately residential in use, character and appearance.</p> <ul style="list-style-type: none"> <li>Single family dwellings</li> <li>PUDs (attached/detached). PUD projects do not require a questionnaire/warranty form.</li> <li>Condominiums (If Fannie Mae, FHA or VA approved no action required. If currently not approved, a Fannie Mae Full Review will be required on purchase transactions; a Limited Review is <b>not</b> allowed).</li> <li>Site condos are eligible subject to the following: <ul style="list-style-type: none"> <li>The unit must be completely detached with no shared garage or other attached buildings (e.g. archway, breezeway, etc.)</li> <li>The unit consists of the entire structure, site and air space that are not considered to be common areas or limited common areas.</li> </ul> </li> </ul> <p>NOTE: Site condos not meeting the above criteria are ineligible.</p> <ul style="list-style-type: none"> <li>New construction</li> <li>A Planet Home Lending Condo/PUD Warranty form is required.</li> <li>Hawaiian Home Lands property subject to USDA requirements.</li> </ul>
<b>Properties - Ineligible</b>	<ul style="list-style-type: none"> <li>Properties not located in a rural area as defined by USDA Rural Development.</li> <li>Condominium projects not approved by Fannie Mae (or not eligible with Full Review, FHA or VA)</li> <li>Cooperative projects</li> <li>2-4 units</li> <li>Investment property</li> <li>Second/vacation homes</li> </ul>



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<b>Properties – Ineligible (cont.)</b>	<ul style="list-style-type: none"><li>• Manufactured homes</li><li>• Modular homes</li><li>• Condo Hotels (projects managed or operated as hotel/motel, hotel/motel conversions)</li><li>• Unique properties (geodesic domes, earth berm homes, log homes, etc.)</li><li>• Commercial property</li><li>• Farms, orchards, ranches</li><li>• Properties identified by Rural Development as “remote” rural</li><li>• Income producing properties</li><li>• Properties with large farm service building or with buildings/equipment for specific income producing purposes. Out buildings used for storage are acceptable</li><li>• Properties where the value of the lot exceeds 30% of the appraised value</li><li>• Properties with wind mills/wind turbines or cell phone towers located on the property</li><li>• Properties utilizing cisterns</li><li>• Property located in the Hawaiian Islands in lava zones one (1) or two (2)</li><li>• Log Homes</li><li>• Texas 50(a)(6)</li></ul>
<b>Purchase Agreements Amended / Re-negotiated</b>	<ul style="list-style-type: none"><li>• Not eligible if the sales price was increased <b>after</b> the original appraisal was completed if:<ul style="list-style-type: none"><li>– The appraised value is higher than the originally contracted sales price that was provided to the appraiser, <b>and</b></li><li>– The new purchase agreement and/or addendum to the purchase agreement is dated after the appraisal, <b>and</b></li><li>– The only change to the purchase agreement was the sales price.</li></ul></li><li>• If the purchase agreement was renegotiated after the completion of the appraisal, the LTV will be based on the <b>lower</b> of the original purchase price or the appraised value, unless:<ul style="list-style-type: none"><li>– The re-negotiation was only for seller paid closing costs and/or pre-pays where the seller paid closing costs/pre-pays are common and customary for the area and are supported by the comparables.</li><li>– The re-negotiation was on a new construction property and was due to improvements made that increased the value of the property. In this case, an updated appraisal must be obtained to document the improvements and increased value.</li></ul></li><li>• Assignment of the purchase contract is not allowed.</li></ul>
<b>Refinance Transactions</b>	<p>USDA Rural Development offers 3 types of refinance transactions; Non-Streamlined Refinance, Streamlined Refinance, and Streamline-Assist (Pilot) Refinance. The Non-Streamlined refinance guidelines are below.</p> <p>Refer to the Streamlined Refinance and Streamline-Assist (Pilot) Refinance guidelines on the Planet Home Lending website for detailed guidelines for those specific programs.</p> <p><b>Non-Streamlined Refinance</b></p> <ul style="list-style-type: none"><li>• Appraisal required</li><li>• Credit report required</li><li>• Maximum loan amount cannot exceed the current appraised value. The guarantee fee may be financed.</li><li>• The base loan amount may include the principal and accrued interest of the existing loan being refinanced, closing costs, and lender fees included funds to establish a new escrow account if including does not exceed the appraised value. Unpaid late fees may <b>not</b> be included in the new loan amount.</li><li>• Subordinate financing cannot be included in the new loan amount. Any existing secondary financing must subordinate to the new first lien.</li><li>• Borrowers may receive reimbursement from loan proceeds at settlement for personal funds advanced for loan purposes (e.g. appraisal fee, credit report, etc.) Borrower may <b>not</b> receive any cash back resulting from final escrow or interest calculations; these must be applied as a principal reduction.</li><li>• Continuity of obligation requires that at least one of the borrowers on the refinance transaction is currently on the title of the property being refinanced.</li><li>• Rural Development loan being refinanced may be a Section 502 Direct or Guaranteed loan.</li><li>• Properties that are now outside of a rural area as previously defined by Rural Development are eligible.</li></ul>



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<b>Refinance Transactions (cont.)</b>	<ul style="list-style-type: none"> <li>Income eligibility must be met.</li> <li>The property must remain primary residence.</li> <li>Properties now located in a flood zone with require flood insurance (elevation certificate not eligible).</li> <li>Properties that were listed for sale in the previous 12 months must be taken off the market prior to the application date.</li> </ul>
<b>Rent Back</b>	Seller allowed rent back property from the buyer (borrower) for a maximum of 30 days after close.
<b>Reserves</b>	Not required
<b>Seller Contribution</b>	Maximum contribution is 6% of the property sales price. Seller concessions may be in the form of loan discount points, loan origination fees, closing cost assistance, payment of condominium fees, down payment assistance, repairs or repair credits.
<b>Subordinate Financing</b>	<ul style="list-style-type: none"> <li>Not applicable on purchase. Down payment assistance programs and mortgage credit certificates (MCCs) <b>are eligible with Credit Risk Officer approval</b></li> <li>No new subordinate financing on refinance transactions. Any existing subordinate financing must be resubordinated.</li> </ul>
<b>Temporary Buydowns</b>	Not allowed
<b>Transactions - Ineligible</b>	<ul style="list-style-type: none"> <li>Cash-out</li> <li>Rural Housing Direct Loan (purchase transactions)</li> <li>Refinance of any loan that is not a current Rural Development loan</li> <li>Properties located in a Special Flood Hazard Area and flood insurance through the National Flood Insurance Program <b>is not</b> available.</li> <li>(MCCs) <b>are eligible with Credit Risk Officer approval</b></li> <li>Texas Section 50(a)(6).</li> </ul>
<b>USDA Forms and Links</b>	<p>USDA Rural Development forms and guidelines are available at: <a href="#">USDA LINC Training and Resource Library</a></p> <ul style="list-style-type: none"> <li><b>Request for Single Family Housing Loan Guarantee</b> (RD Form 3555-21) is used to request a loan guarantee from Rural Development. Must be completed at time of origination and signed by the borrower(s).</li> </ul> <p>NOTE: Any increase in the loan amount or interest rate from what was indicated on the initial Form 3555-21 will require a new Form 3555-21 be submitted to USDA by Planet Home Lending which will delay the loan process. Loans <b>cannot</b> be closed with a higher loan amount/interest rates than noted on the Conditional Commitment; a new Commitment will be required.</p> <ul style="list-style-type: none"> <li><b>Conditional Commitment for Single Family Housing Loan Guarantee</b> (RD Form 3555-18) is issued by Rural Development to indicate the loan appears to be eligible for a GRH loan. The Conditional Commitment is valid for 60 days</li> </ul>



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**Version History**

Version	Date	Descriptions of change
1.0	2/26/2018-3/2018	<ul style="list-style-type: none"><li>• Updated 4506-T requirements</li><li>• Transaction Type: added MCC allowed with Credit officer approval.</li><li>• Update subordinate financing section.</li><li>• Added mortgage seasoning section.</li></ul>



## USDA Rural Development Single Family Guaranteed Rural Housing Program Streamlined Refinance

Fixed Rate

Primary Residence Full Documentation			
Transaction Type	Units	LTV <sup>1</sup>	Credit Score
Streamlined Refinance <sup>2</sup>	1	100%	Per GUS

### Footnotes:

1. Loan being refinanced must be a USDA Guaranteed Rural Housing loan; USDA Section 502 Direct loans (Direct loans are serviced only by USDA) conventional, FHA or VA loans **cannot** be refinanced under this program.
2. Minimum loan amount \$60,000.

In addition to the USDA Rural Development GRH Streamlined program Planet Home Lending offers the USDA Rural Development Purchase and Non-Streamlined and the Streamline-Assist Refinance programs. Refer to the applicable matrix for guidelines specific to those USDA programs.

USDA's new HB-1-3555 may be viewed at USDA Rural Development [Regulations and Guidance](#) by selecting HB-1-3555 SFH Guaranteed Loan Program Technical Handbook. The new forms are available at [USDA LINC Training and Resource Library](#) under Forms.

### USDA Guaranteed Rural Housing (GRH) Streamlined Program Highlights

A Streamlined Refinance is a credit qualifying loan. Borrower must meet all USDA income and credit requirement.

- Income must be  $\leq$  115% of the area median.
- No reserves required
- Gift funds are eligible for closing costs or the upfront guarantee fee.

### Upfront Guarantee Fee

- **Conditional Commitments issued on or after October 1, 2017:**  
Purchase and refinance transactions: 1% of the total loan amount
- **Annual Fee**  
0.35%. The annual fee is applicable for the life of the loan





## USDA Streamlined Refinance Program Guidelines

Planet Home Lending follows USDA guidelines for any topic not addressed below

Topic	Guidelines
4506-T	<p>Seller must provide 4506-T signed by all borrowers prior to loan closing for both personal and business tax returns (if applicable) for all adult (18 years and older) household members.</p> <p>Note: Due to the hacking incidents, Planet will accept transcripts that the borrower obtained from the IRS along with a certification that the returns are true and correct.</p>
Ability to Repay/ Qualified Mortgage	<p>Planet Home Lending requires all loans to be originated and closed in compliance with Agency and Planet Home Lending guidelines. Planet Home Lending will purchase owner-occupied transactions as follows:</p> <ul style="list-style-type: none"> <li>• Loan eligible under Temporary QM, and</li> <li>• Loans that meet the Safe Harbor or Rebuttable Presumption provisions, and</li> <li>• Pass the points and fees test, as applicable.</li> </ul> <p>Additionally, all disclosures and documentation required under the ATR/QM provisions of the Dodd-Frank Act must be provided.</p>
Affidavit of Identity	Planet Home Lending may require an Affidavit of Identity if a borrower signature appears incomplete or illegible.
Age of Documents	All credit, income and asset documentation must be ≤ 120 days from the Note date.
Appraisals	Not required
Assets	<ul style="list-style-type: none"> <li>• Asset verification is required when funds are needed to close</li> <li>• Assets include checking/savings accounts, gift funds, sale proceeds from currently owned property, 401K/retirement accounts, and stocks/bonds and must be documented as follows: <ul style="list-style-type: none"> <li>– 2 months most recent bank statements (dated within 45 days of the initial loan application date).</li> <li>– Sellers who are also the depository for the borrower's account may provide a printout or other alternative verification of the borrower's bank account assets produced directly from the bank or credit union's system in lieu of bank statement(s).</li> <li>– Stocks and bonds require the most recent statement monthly or quarterly statement.</li> </ul> </li> <li>• A Verification of Deposit (VOD) is acceptable as the primary source of verification.</li> <li>• Cash on hand and unsecured funds are ineligible sources for assets.</li> <li>• Retirement funds that allow for immediate withdrawal are eligible at 60% of the vested account balance to allow for withdrawal penalties.</li> <li>• Retirement accounts that restrict withdrawals to retirement, employment separation, etc. cannot be considered for cash reserves.</li> </ul>
Assumptions	Allowed
AUS	Manual underwriting acceptable
Available Markets	<ul style="list-style-type: none"> <li>• <b>Delegated Sellers</b> Planet will purchase loans underwritten and closed by the delegated seller in all states.</li> <li>• <b>Non-Delegated Sellers</b> USDA products are not currently available for non-delegated Sellers.</li> <li>• The U.S. territories of Guam, Puerto Rico, and the Virgin Islands are ineligible regardless of delegation.</li> <li>• Property must be located in a rural area as defined by Rural Development.</li> </ul>



## USDA Streamlined Refinance Program Guidelines

<b>Borrowers – Adding or Deleting</b>	Borrower(s) may be added or deleted as long as one original borrower remains on the loan.
<b>CAIVRS/LDP/SAM</b>	<ul style="list-style-type: none"> <li>• <b>CAIVRS at <a href="#">CAIVRS</a></b> <ul style="list-style-type: none"> <li>- All borrowers must be checked against the Credit Alert Interactive Voice Response System (CAIVRS) to determine if they have delinquent federal debt. A clear CAIVRS is required.</li> <li>- All federal debt and judgments must be paid in full or otherwise resolved and have supporting documentation.</li> <li>- CAIVRS claims: The borrower must provide official documentation that the delinquency has been paid in full or otherwise resolved prior to loan processing.</li> </ul> </li> <li>• <b>LDP / GSA <a href="#">LDP</a> / <a href="#">SAM</a></b> All of the following parties to the transaction, as applicable, must be checked against HUD's Limited Denial of Participation list and the System Award Management Registration's Excluded Parties List System. <ul style="list-style-type: none"> <li>• Appraiser</li> <li>• Borrower(s)</li> <li>• Closing Attorney</li> <li>• Escrow/Settlement Agent</li> <li>• Lender</li> <li>• Loan Officer</li> <li>• Processor</li> <li>• Title</li> <li>• Underwriter</li> </ul> </li> </ul>
<b>Cash Back to Borrower</b>	<p>The borrower cannot receive any cash back from the transaction with the exception of out of pocket money (with supporting documentation) as follows:</p> <ul style="list-style-type: none"> <li>• First year of homeowners insurance paid</li> <li>• Loan application fees</li> <li>• Appraisal/inspection fees</li> <li>• Paid repairs</li> </ul> <p>Tax credits, excess loan funds, excess seller concessions, and items paid with credit cards <b>cannot</b> be refunded to the borrower; a principal reduction is required.</p> <p><b>NOTE:</b> Any excess gift funds at closing may be returned to the borrower</p>
<b>Chain of Title</b>	A 12-month chain of title is required for all loans (excluding new construction). Title must include all transfers in the previous 12 month period including copies of all recorded deed(s). More than one transfer in previous 12 months <b>or</b> property has significant increase in value since prior transfer an appraisal addendum addressing all transfers required. The addendum must include dates of sales, sales price and the Note if the sale was through an MLS or was a non-arm's length transaction
<b>Credit History</b>	<p>The borrower's credit history must indicate the borrower has a reasonable ability and willingness to pay their obligations.</p> <ul style="list-style-type: none"> <li>• Any of the following are indicators of an unacceptable credit history per Rural Development: <ul style="list-style-type: none"> <li>- More than one 30 day late within the past 12 months (including more than one late payment on a single account)</li> <li>- Bankruptcy or foreclosure that occurred within the past 3 years</li> <li>- Outstanding tax liens or delinquent government debt with no satisfactory arrangements for payments, regardless of age if they are currently delinquent or due and payable.</li> <li>- Outstanding judgments within the past 12 months.</li> <li>- Two or more rent payments 30 days or more late within the past 3 years.</li> <li>- Any account converted to a collection account in the past 12 months (utility bills, medical bills, etc.)</li> <li>- Outstanding collections accounts with no satisfactory arrangements for payments, regardless of age if they are currently delinquent or due and payable.</li> <li>- Any debt written off within the last 3 years (charge-offs)</li> <li>- Borrowers with a foreclosure on a previous Rural Development loan are ineligible.</li> </ul> </li> </ul>



## USDA Streamlined Refinance Program Guidelines

<b>Credit Report/Scores</b>	<ul style="list-style-type: none"> <li>• A tri-merged credit report is required for all borrowers.</li> <li>• The primary borrower (the borrower with the highest income) must meet the minimum credit score requirement.</li> <li>• At least one borrower, whose income and assets were used for loan qualification, must have a minimum of 3 tradelines that have a 12 month history. The tradelines can be open, closed, disputed or an authorized user account as long as there is a 12 month history.</li> <li>• The representative credit score is determined as follows:             <ul style="list-style-type: none"> <li>– If there are three (3) valid scores, the middle score is used. If two of the three scores are a duplicate, the duplicate score is used.</li> <li>– If there are two (2) valid scores, the lower of the two is used</li> <li>– If there is one (1) valid score, that score is used</li> </ul> </li> <li>• The borrower(s) must address <b>all</b> credit inquiries indicated on the credit report within the previous 120 days and indicate the reason for and result of the inquiry (i.e. was new credit obtained or not). Any new debt, including fees for the appraisal, closing costs, etc. (if applicable) must be included in the debt ratio</li> <li>• Any loan related charges (application fee/closing costs/appraisal) paid for by the borrower with a credit card that is not reflected on the credit report must be added to the card balance shown on the credit report and included in the debt ratio calculations.</li> <li>• Authorized user tradelines require underwriter review to ensure the trade lines are an accurate reflection of the borrower's credit history. When there is an open account(s) one evidence of one of the following is required:             <ul style="list-style-type: none"> <li>- The tradeline belongs to another borrower on the loan application, or</li> <li>- The owner of the tradeline is the spouse of one of the borrowers, or</li> <li>- The borrower has been making the payments on the tradeline for the past 12 months.</li> </ul>             If none of the above can be documented the loan is ineligible.           </li> <li>• Disputed accounts are acceptable subject to the following:             <ul style="list-style-type: none"> <li>- The account has a zero balance, or</li> <li>- The account is marked "paid in full" or "resolved", or</li> <li>- The account has a balance owed of &lt; \$500.00 and is more than 24 months old.</li> </ul> </li> <li>• When the borrower lives in a community property state and there is a non-purchasing spouse a full credit report must be obtained for the non-purchasing spouse and their debts must be included in the borrower's debt ratio. Community property states include Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin.</li> </ul> <p><b>Credit Report – Fraud Alert</b></p> <p>When a fraud alert, active duty alert or freeze is included with a credit report, additional steps are required to verify the borrower's identity and documentation must be provided. Documentation should include, but is not limited to:</p> <ul style="list-style-type: none"> <li>• A letter of explanation from the borrower, and</li> <li>• A copy of the identity theft report, and</li> <li>• An additional form of identity verification, and</li> <li>• If the credit alert contains a phone number for a verbal verification prior to credit being issued, documentation must be provided that the borrower was contacted.</li> </ul>
<b>Derogatory Credit</b>	<p><b>Chapter 7 Bankruptcy</b></p> <p>Bankruptcy must be discharged a minimum of 36 months from date of application</p> <p><b>Chapter 13 Bankruptcy</b></p> <p>Borrower must have 12 months history with paid as agreed and permission from the bankruptcy court is required.</p> <p><b>Foreclosure/Short Sale/Deed-in-Lieu</b></p> <p>A foreclosure must be dismissed a minimum of 36 months from the application date. Borrowers with a previous foreclosure on a Rural Development loan are ineligible.</p> <p><b>Delinquent Child Support</b></p> <p>Delinquent child support must be paid current or in a payment plan.</p>



## USDA Streamlined Refinance Program Guidelines

<p><b>Derogatory Credit</b> (cont.)</p>	<p><b>Consumer Credit Counseling</b></p> <ul style="list-style-type: none"> <li>• One year of payout under the plan has elapsed</li> <li>• All payments have been made on time</li> <li>• The Counseling Agency has provided written permission for the borrower to enter into a mortgage transaction</li> <li>• If an "Accept/Eligible" Finding is received, no explanation or other documentation is required from the borrower.</li> </ul> <p><b>Collections</b></p> <p>Collection accounts require satisfactory arrangements for payment. All open accounts require the payment to be included on the Asset and Liabilities page.</p> <ul style="list-style-type: none"> <li>• Medical collections and any charge-off accounts (not just medical) may be excluded in the cumulative account totals. <ul style="list-style-type: none"> <li>– <b>Accounts cumulative ≥ \$2,000</b> <ul style="list-style-type: none"> <li>○ Requires payment in full prior to or at closing, <b>or</b></li> <li>○ Verification of payment arrange with creditor and include monthly payment amount in DTI ratios, <b>or</b></li> <li>○ Use 5% of each collection account balance in the debt ratio.</li> </ul> </li> <li>– <b>Accounts Cumulative &lt; \$2,000</b> <ul style="list-style-type: none"> <li>○ Payment in full is at underwriter discretion.</li> </ul> </li> </ul> </li> <li>• Accounts converted to collections within the previous 12 months indicate unacceptable credit risk.</li> </ul> <p><b>Judgments</b></p> <ul style="list-style-type: none"> <li>• Federal judgments require payment in full, <b>no exceptions</b>. Documentation of sufficient funds to satisfy obligation(s) is required.</li> <li>• Non-federal judgments may remain open if the borrower has made a minimum of 3 months of payments prior to the loan application as evidenced by cancelled checks/statement. Payment in full is required if a minimum of 3 months of payments cannot be documented.</li> </ul>
<p><b>DTI</b></p>	<ul style="list-style-type: none"> <li>• Maximum 29%/41%. Exceptions may be granted subject to all of the following being met: <ul style="list-style-type: none"> <li>– The PITI payment is between 29% and 32% and the total DTI is between 41% and 44%, <b>and</b></li> <li>– All borrowers have a credit score of ≥ 680, <b>and</b></li> <li>– A minimum of one compensating factor is identified and substantiated with supporting documentation: <ul style="list-style-type: none"> <li>○ The proposed PITI payment is ≤ the borrower's current housing expense. Current housing must be 0x30 for previous 12 months and documented with VOR or credit report. Previous rent or mortgage payment cannot be verified by a family member; <b>or</b></li> <li>○ Borrower has accumulated liquid assets (savings, cash reserves) after close of a minimum of 3 months PITI payments verified with two (2) months bank statements or VOD, dated with 45 days of the loan application. Cash on hand is not eligible; <b>or</b></li> <li>○ All employed borrowers have been continuously employed, with their current respective employer, for a minimum of two (2) years. Employment must be verified using RD Form 1910-5 Request for Verification of Employment or Fannie Mae Form 1005. VOE prepared by an employment verification service (e.g. The Work Number, etc.) are acceptable.</li> </ul> </li> </ul> <p>NOTE: Only wage earners may use 2 year employment as a compensating factor; not eligible for self-employed borrowers.</p> <ul style="list-style-type: none"> <li>• Debt waiver ratios are subject to Rural Development approval of the Debt Waiver Request.</li> <li>• All debts with 6 months or more payments remaining must be included to ensure accurate debt ratio.</li> </ul> </li></ul>
<p><b>Employment</b></p>	<p>A two year employment history is required.</p> <p><b>NOTE:</b> If the borrower has any gaps in employment that are &gt; 30 days, a letter of explanation from the borrower will be required.</p>



## USDA Streamlined Refinance Program Guidelines

<p><b>Employment (cont.)</b></p>	<p><b>Wage Earners</b></p> <ul style="list-style-type: none"> <li>A verbal verification of employment (VVOE) is required within 10 business days of the Note date for salaried borrowers. A sample VVOE form is posted on the Planet Home Lending website under "Forms and Resources". Sellers are not required to utilize this exact form, however any form used, must provide the information contained on the Planet Home Lending form.</li> <li>Sellers must independently obtain the phone number, and when possible, the address of the wage earner borrower's employer using directory assistance/internet/phone book, etc.</li> </ul> <p><b>Self-employed Borrowers</b></p> <ul style="list-style-type: none"> <li>A verbal verification of employment (VVOE) is required within 30 calendar days for self-employed borrowers.</li> <li>Self-employed borrowers are individuals who have 25% or greater ownership interest in a business. <ul style="list-style-type: none"> <li>Self-employed borrower's business requires verification of the business by a third party source (e.g. CPA, Federal Tax ID Certificate, Business License).</li> <li>A self-employed borrower with 1-2 year self-employment history <b>may</b> be eligible subject to the following: <ul style="list-style-type: none"> <li>Borrower has 2 years documented previous successful employment in the line of work in which they are self-employed or it is a related occupation, or</li> <li>A combination of one year of employment and formal education or training in the line of work in which the individual is self-employed or in a related occupation is also acceptable.</li> </ul> </li> </ul> </li> </ul> <p><b>NOTE:</b> &lt; 1 year of income from self-employment is not considered effective income</p> <ul style="list-style-type: none"> <li>Annual earnings that are stable or increasing are acceptable, while businesses that show a significant decline in income over the analysis period are not acceptable, even if the current income and debt ratios meet FHA guidelines.</li> <li>Income must not be declining more than 10% per year. If income declining more than 10% the lowest income must be used to qualify.</li> <li>Depreciation and/or depletion may be added back</li> <li>Signed and dated individual tax returns, with all applicable tax schedules, for the most recent two years are required.</li> <li>Corporations, S-Corporation or partnership are required to provide signed copies of Federal Business income tax returns for the last 2 years with all applicable tax schedules.</li> </ul> <p><b>Employed by Family Business</b></p> <ul style="list-style-type: none"> <li>In addition to normal employment verification, a borrower employed by a family owned business is required to provide evidence that they are not the owner of the business. Acceptable evidence includes; <ul style="list-style-type: none"> <li>Copies of signed personal tax returns, or</li> <li>Signed copies of the corporate tax returns showing ownership percentage.</li> </ul> </li> </ul>
<p><b>Escrow Holdbacks</b></p>	<p>Not allowed</p>
<p><b>Gift Funds</b></p>	<ul style="list-style-type: none"> <li>Gift funds are eligible for closing costs or may be applied to guarantee fee. There must be no expected or implied repayment requirement of the gift funds.</li> <li>Gift funds may <b>not</b> be used for cash reserves as a compensating factor.</li> <li>Any excess gift funds at closing may be returned to the borrower.</li> <li>A cash gift is acceptable if the donor is: <ul style="list-style-type: none"> <li>A person not living in the household, or</li> <li>An eligible organization.</li> </ul> </li> <li>A gift letter is required which includes the following: <ul style="list-style-type: none"> <li>The dollar amount of the gift,</li> <li>Signature of the donor and the borrower,</li> <li>The date the funds were transferred,</li> <li>The donor(s) name, address, phone number, and relationship to the borrower, and</li> <li>A statement by the donor that no repayment of the gift funds is expected.</li> </ul> </li> </ul>



## USDA Streamlined Refinance Program Guidelines

<b>Gift Funds (cont.)</b>	<ul style="list-style-type: none"> <li>The gift fund donor cannot be affiliated with the broker or any other interested party to the transaction including household members. Gift funds from household members are <b>eligible</b>.</li> <li>Regardless of when gift funds are made available to the borrower, it must be determined that the gift funds were not provided by an unacceptable source and that the gift funds were the donor's own funds.</li> <li>Gift fund availability and transfer of the funds must be documented. Verification of transfer of funds must be documented as noted below: <ul style="list-style-type: none"> <li>Gift funds given prior to closing <ul style="list-style-type: none"> <li>Copy of the donor's cancelled check (front and back) and conclusive evidence that the money was withdrawn from the donor's account (conclusive evidence might be a withdrawal slip or bank statement and the borrower's deposit slip and/or bank statement verifying the deposit).</li> </ul> </li> <li>Gift funds given to closing agent: <ul style="list-style-type: none"> <li>Must be received at least one day prior to closing to allow for underwriter review; gift funds the day of closing are not allowed.</li> <li>A copy of donor's check to the closing agent is required, and</li> <li>Gift must be reflected on HUD-1/CD.</li> </ul> </li> </ul> </li> </ul> <p>NOTE: When a bank statement is used to document funds, the donor <b>may</b> be required to document large deposits to ensure the funds did not come from an interested third party.</p> <ul style="list-style-type: none"> <li>Gift funds are eligible from any acceptable source provided the borrowers are not obligors to any Note to secure the money borrowed for the gift.</li> </ul>
<b>Impound Account</b>	Required on all loans, no exceptions.
<b>Income</b>	<p>The borrower's adjusted household income cannot exceed 115% of the area median as determined by Rural Development for the state/county where the property is located. To view the GRH income limits by state click here: <a href="#">Rural Development Single Family Housing Guaranteed Loan Income Limits</a>.</p> <p>To determine income eligibility click here <a href="#">Rural Development Income Eligibility</a> and enter the information requested.</p> <p>NOTE: The Rural Development system will indicate eligible/ineligible for both the Guaranteed Rural Housing Loan Program <b>and</b> the Direct Rural Housing Loan Program. Planet Home Lending <b>only</b> offers the Guaranteed Rural Housing program.</p> <p>Rural Development has three separate income calculations that are required.</p> <ul style="list-style-type: none"> <li><b>Annual income</b> – The total income and assets of <b>all</b> adult household members, <b>including borrower(s) and non-applicants 18 years old and older</b>. The gross amount (prior to any payroll deductions) of wages, salaries, overtime pay, commissions, fees, tips, bonuses and any other compensation for personal services of all adult members of the household must be included. This is projected income, not an average of previous years' income. Unreimbursed employee business expenses are deducted from annual income and repayment income calculations.</li> </ul> <p>Annual income also includes any interest, dividend, social security, unemployment, disability, retirement fund, pension, public assistance income, rental income, or alimony/child support (unless payments are not received and a reasonable effort has been made to collect). Full time students, who are temporarily absent from the home but who will reside at the property at any time during the coming year and the property is listed as the student's permanent address, only the first \$480 of their income is considered.</p> <p>The following are <b>ineligible</b> for annual income calculations:</p> <ul style="list-style-type: none"> <li>Earned income tax credits,</li> <li>Adoption assistance in excess of \$480 per adopted child,</li> <li>Employer provided fringe benefit packages unless reported as taxable income.</li> </ul>





## USDA Streamlined Refinance Program Guidelines

### Income (cont.)

Income must be calculated on any net family assets in excess of \$5,000. Net family assets include the value of equity in real property, savings, IRAs, market value of stocks, bonds and other forms of capital investments.

Social security and disability income require a 3 year continuance documented with an award letter.

Alimony and child support income must continue for 3 years and have a minimum 12 month history documented with bank statements

If an adult member of the household is currently unemployed but there is recent history of employment that person's income must be considered unless the borrower and the adult unemployed person sign a statement that the person is not presently employed and does not intend to become employed again in the foreseeable future.

- **Adjusted income** – The household's annual income (as described above) minus eligible deductions equals the adjusted income. The adjusted income determines GRH program eligibility. Eligible deductions include:
  - Dependents - \$480 per person under 18, disabled and 18 or over, or full-time student over 18
  - Elderly (head of household or spouse is 62 years of age and older and a borrower on the loan ) - \$400 (one time deduction; not per person)
  - Disability expenses (Unreimbursed expenses in excess of 3% of annual income)
  - Medical expenses exceeding 3% of gross annual for elderly households only
  - Child care expenses for children 12 years old and under, and
  - Attendant care expenses for disabled members. The adjusted income determines program eligibility.
- **Repayment income** – Determined by the stable/dependable income of the borrowers only. Borrower must generally have a two (2) year history of receiving the income and there must be a reasonable expectation of continued receipt for three (3) years.

Repayment income is the qualifying income and is used to calculate DTI. In addition, the following income may be included in the repayment income calculations:

  - Income from employed minors (under 18 years of age)
  - Foster care income
  - The value of any food stamps received
  - Sporadic or irregular cash gifts
  - Lump-sum additions to family assets (e.g. inheritance, capital gains, insurance for health, accident, hazard or workers comp)
  - Reimbursements for medical expenses
  - Amounts of education scholarships paid directly to the student or to the educational institution
  - Amounts paid by the government to a veteran for use in meeting tuition costs, fees, books and equipment.
  - Hazardous duty pay to a service person away from home and exposed to hostile fire.
  - Unearned income ( disability, alimony, child support, etc. ) requires 3-year continuance
  - Tax exempt income may be grossed up 25%.
  - Rental income that has been received ≥ 24 months and can be documented with 2 years most recent tax returns, including Schedule E, and a copy of the current signed lease agreement.

The following types of income are **ineligible** as stable repayment income:

- Payment received for foster children or adults
- Supplemental Nutrition Assistance Program payments



## USDA Streamlined Refinance Program Guidelines

<b>Income Documentation</b>	<p>Income must be documented for the previous 2 years for all adult household members.</p> <p><b>Salaried Borrowers</b></p> <ul style="list-style-type: none"> <li>• Current paystubs for previous 30 days with YTD income</li> <li>• W -2s for prior 2 years</li> </ul> <p><b>Self-Employed Borrowers</b></p> <ul style="list-style-type: none"> <li>• 2 years signed tax returns including all schedules</li> <li>• YTD P&amp;L (audited or unaudited) with balance sheet</li> <li>• YTD Income &amp; Expense statement</li> </ul>
<b>Inspections</b>	Not required
<b>Liabilities</b>	<p>All debts are entered in GUS to ensure accurate GUS Findings. Debts with 10 months or more payments remaining must be included to ensure accurate debt ratio.</p> <p><b>401K Loans</b></p> <p>Not counted in debt ratios.</p> <p><b>Alimony/Child Support/Garnishments</b></p> <p>Not required to be included in the debt ratio if 10 months or less remaining</p> <p><b>Installment Debt</b></p> <p>Not required to be included in the debt ratio if 10 months or less remaining</p> <p><b>Revolving Debt</b></p> <p>Revolving debt must be included if there is a balance indicated on the credit report. If the monthly payment is not included in the credit report the underwriter will calculate the payment using the greater of \$10.00 or 5% of the outstanding balance. If the actual dollar amount is documented by the creditor or a current monthly statement, that amount may be used for qualifying.</p> <p><b>Student Loans</b></p> <ul style="list-style-type: none"> <li>• <b>Fixed Payment</b> – If the borrower has a documented fixed payment: <ul style="list-style-type: none"> <li>- Include the <b>greater of the following</b> as reflected on the credit report: <ul style="list-style-type: none"> <li>o 1% of the outstanding loan balance <b>or</b></li> <li>o The verified fixed payment.</li> </ul> </li> </ul> <p>NOTE: The monthly payment on the credit report &lt; 1% of the outstanding balance may be used when the servicer verifies the following:</p> <ul style="list-style-type: none"> <li>o The borrower is on a fixed payment that is <b>not</b> subject to change, <b>and</b></li> <li>o The monthly payment</li> </ul> </li> <li>• <b>Non-Fixed Payment</b> – includes Income Based Repayment (IBR), graduated, adjustable, interest only and deferred payments. 1% of the loan balance reflected on the credit report is included in the debt ratio. No additional documentation is required.</li> <li>• <b>Balloon/Deferred Debt</b> (does not include student loans)</li> </ul> <p>If the payment is due or will begin within 24 months of loan closing and the interest rate is unknown, a monthly payment, using a reasonable/customary rate for the type of loan, must be estimated.</p>
<b>Loan Amount</b>	<ul style="list-style-type: none"> <li>• Only the principal balance of the loan and the upfront guarantee fee may be included in the new loan amount.</li> <li>• Accrued interest, closing costs or lender fees <b>cannot be financed</b> using the streamlined option</li> <li>• Maximum loan amount cannot exceed the existing balance on the loan being refinanced.</li> <li>• Loan discounts pts not eligible for inclusion except to reduce the effective interest rate.</li> </ul>



## USDA Streamlined Refinance Program Guidelines

<b>Mortgage/Rental History</b>	If the borrower had any late mortgage payments within the past 36 months on the existing Guaranteed loan, with additional emphasis placed on the most recent 12 months, the underwriter consider the circumstances surrounding the late payment(s) to determine if the loan is eligible (e.g. were the payments late due to the borrowers disregard for financial obligations or their inability to manage debt, or were their circumstances beyond the borrower's control such as an illness, job loss, etc.)
<b>Mortgage Seasoning</b>	<p>If the loan being refinanced is an existing government loan, the below mortgage seasoning requirements must be met.</p> <p>On the date of the case assignment:</p> <ul style="list-style-type: none"> <li>• Six (6) consecutive monthly payments must have been made on the subject property being refinanced</li> <li>• Six (6) months must have passed since the first payment due date of the subject</li> <li>• 210 days must have passed since the closing date of the subject property being refinanced, and</li> <li>• Six (6) payments since assumption date must have passed (if applicable).</li> </ul> <p>Note: Refinance of loans on which fewer than six (6) consecutive regularly scheduled payments have been made are not eligible for financing.</p>
<b>Occupancy</b>	Owner-occupied 1-unit primary residence
<b>Other Real Estate Owned</b>	<ul style="list-style-type: none"> <li>• Borrower may own one additional property.</li> <li>• Borrower must be financially qualified to own more than one property and must qualify including both mortgages</li> <li>• Rental income that has been received <math>\geq 24</math> months and can be documented with 2 years most recent tax returns, including Schedule E, and a copy of the current signed lease agreement.</li> </ul>
<b>Power of Attorney</b>	Allowed on an exception basis for closing only; cannot be used for the execution of the initial application and disclosures. Certified copy from settlement agent required in file.
<b>Prepayment Penalty</b>	Not permitted
<b>Products</b>	<p>30 year fixed rate.</p> <p>The maximum interest rate may not exceed the Fannie Mae 90 day Actual/Actual Yield for a 30 year fixed rate loan, plus 100 basis points, rounded up to the nearest quarter of one percent (e.g. Fannie Mae 90 day rate is 4.72 + 100 basis points = 5.72 rounded up to 5.75%)</p>
<b>Reserves</b>	Not required
<b>Streamlined Refinance General Requirements</b>	<p><b>Streamlined Refinance</b></p> <ul style="list-style-type: none"> <li>• The borrower must receive the benefit of a lower interest rate. The new interest rate must be a minimum of 100 basis points below the current interest rate.</li> <li>• A tri-merged credit report is required</li> <li>• Maximum loan amount cannot exceed the existing balance on the loan being refinanced.</li> <li>• The guarantee fee may be financed.</li> <li>• The base loan amount may only include the principal balance of the loan and the up- front guarantee fee if financed. Accrued interest, closing costs or lender fees <b>cannot</b> be financed with the Streamlined option.</li> <li>• Subordinate financing cannot be included in the new loan amount. Any existing secondary financing must subordinate to the new firstlien.</li> <li>• Borrowers may receive reimbursement from loan proceeds at settlement for personal funds advanced for loan purposes (e.g. appraisal fee, credit report, etc.) Borrower may not receive any cash back resulting from final escrow or interest calculations; the excess funds must be applied as a principal reduction.</li> <li>• Continuity of obligation requires that at least one of the borrowers on the refinance transaction is currently on the title of the property being refinanced.</li> <li>• Rural Development loan being refinanced must be a Guaranteed loan.</li> <li>• Properties that are now outside of a rural area as previously defined by Rural Development are eligible.</li> <li>• Income eligibility must be met.</li> </ul>



## USDA Streamlined Refinance Program Guidelines

<b>Streamlined Refinance General Requirements (cont.)</b>	<ul style="list-style-type: none"><li>• Property must remain primary residence.</li><li>• Properties now located in a flood zone with require flood insurance (elevation certificate not eligible).</li><li>• Properties that were listed for sale in the previous 12 months must be taken off the market prior to the application date.</li></ul>
<b>Subordinate Financing</b>	No new subordinate financing. Existing subordinate financing cannot be included in the new loan amount. Any existing subordinate financing must subordinate to the new first lien.
<b>Temporary Buydowns</b>	Not Allowed
<b>Transactions - Ineligible</b>	<ul style="list-style-type: none"><li>• Cash-out</li><li>• Refinance of a USDA Section 502 Direct Loan</li><li>• Refinance of any loan that is not a current Rural Development loan</li></ul>
<b>USDA Forms and Links</b>	<p>USDA Rural Development forms and guidelines are available at: <a href="#">USDA LINC Training and Resource Library</a></p> <ul style="list-style-type: none"><li>• <b><i>Request for Single Family Housing Loan Guarantee</i></b> (RD Form 3555-21) is used to request a loan guarantee from Rural Development. Must be completed at time of origination and signed by the borrower(s).</li></ul> <p>NOTE: Any increase in the loan amount or interest rate from what was indicated on the initial Form 3555-21 will require a new Form 3555-21 be submitted to USDA by Planet Home Lending which will delay the loan process. Loans <b>cannot</b> be closed with a higher loan amount/interest rates than noted on the Conditional Commitment; a new Commitment will be required.</p> <ul style="list-style-type: none"><li>• <b><i>Conditional Commitment for Single Family Housing Loan Guarantee</i></b> (RD Form 3555-18) is issued by Rural Development to indicate the loan appears to be eligible for a GRH loan. The Conditional Commitment is valid for 60 days from issuance.</li></ul>



## USDA Streamlined Refinance Program Guidelines

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Version	Date	Description of Change
1.0	2/2018	<ul style="list-style-type: none"><li>Updated 4506-T section requirements.</li><li>Added mortgage seasoning requirements.</li></ul>



## USDA Rural Development Single Family Guaranteed Rural Housing Program Streamlined Assist Refinance

Fixed Rate

Primary Residence Full Documentation			
Transaction Type	Units	LTV/CLTV <sup>1</sup>	Credit Score
Streamlined-Assist Refinance <sup>2</sup>	1	N/A	Per GUS

### Footnotes:

1. Loan being refinanced must be a USDA Guaranteed Rural Housing loan or USDA Section 502 Direct loans (Direct loans are serviced only by USDA). Conventional, FHA or VA loans **cannot** be refinanced under this program.
2. Minimum loan amount \$60,000.

USDA's new HB-1-3555 may be viewed at USDA Rural Development [Regulations and Guidance](#) by selecting HB-1-3555 SFH Guaranteed Loan Program Technical Handbook. The new forms are available at [USDA LINC Training and Resource Library](#) under Forms.

### USDA Guaranteed Rural Housing (GRH) Streamlined Assist Program Highlights

- No Appraisal required, except for direct borrowers who received a subsidy during their loan terms to calculate the subsidy recapture amount.
- No Credit Report required
- No Debt-to-Income calculations required.

### Upfront Guarantee Fee

- **Conditional Commitments issued on or after October 1, 2017:**  
Purchase and refinance transactions: 1% of the total loan amount
- **Annual Fee**  
0.35%. The annual fee is applicable for the life of the loan







## USDA Program Guidelines Streamlined Assist Refinance Program

**Planet Home Lending follows USDA guidelines for any topic not addressed below**

Topic	Guidelines
4506-T	<p>Seller must provide 4506-T signed by all borrowers prior to loan closing for both personal and business tax returns (if applicable) for all adult (18 years and older) household members.</p> <p>Note: Due to the hacking incidents, Planet will accept transcripts that the borrower obtained from the IRS along with a certification that the returns are true and correct.</p>
Ability to Repay/ Qualified Mortgage	<ul style="list-style-type: none"> <li>Any loan guaranteed by the USDA is a qualified mortgage as long as the originator did not charge the borrower points and fees above the limits established by CFPB.</li> <li>Not required to meet USDA repayment provision for streamlined-assist loans.</li> </ul>
Affidavit of Identity	Planet Home Lending may require an Affidavit of Identity if a borrower signature appears incomplete or illegible.
Age of Documents	All credit, income and asset documentation must be ≤ 120 days from the Note date.
Appraisals	<ul style="list-style-type: none"> <li>Not required for existing guaranteed borrowers</li> <li>Required for borrowers with an existing direct loans to determine the amount of subsidy recapture due.</li> </ul>
Assumptions	Planet follows agency guidelines.
AUS	Manual underwriting only
Available Markets	<ul style="list-style-type: none"> <li><b>Delegated Sellers</b> Planet Home Lending will purchase loans underwritten and closed by the delegated seller in all states.</li> <li><b>Non-delegated Sellers</b> USDA products are not currently available for non-delegated Sellers.</li> <li>U.S. territories of Guam, Puerto Rico, and the Virgin Islands are ineligible regardless of delegation.</li> </ul>
Benefit to Borrower	Tangible benefit ≥ \$50 reduction in PITI which includes the annual fee payment on the new guaranteed loan when compared to the existing PITI including the annual fee payment.
Borrowers – Adding or Deleting	Borrower(s) may be added but <b>not</b> deleted from the existing loan.
Borrower Type	Existing guaranteed loan borrowers or Direct 502 borrowers
Borrowers - Eligible	<p>Borrowers who do not qualify for conventional credit and whose income does not exceed the maximum limit set by the USDA for the applicable area. Borrowers must also be:</p> <ul style="list-style-type: none"> <li>A U.S. citizen, or</li> <li>A permanent resident alien with an unexpired “Green Card” issued by the U.S. Citizenship and Immigration Services (USCIS). A copy of both the front and back of the card is required, or</li> <li>Revocable Inter vivos trust</li> <li>A non-permanent resident alien. Non-permanent resident aliens are eligible as follows: <ul style="list-style-type: none"> <li>Borrower has a valid Social Security number (cannot be used as evidence of eligible work status).</li> <li>Borrower has an unexpired Employment Authorization Document (EAD) issued by the United States Citizenship and Immigration Services (USCIS) as evidence of eligible work status. If the authorization for temporary residency status expires within one year, continuation may be assumed when there is a prior history of renewals. If no continuation has been previously granted the underwriter must determine the likelihood based on evidence from USCIS.</li> </ul> </li> </ul> <p>NOTE: Borrowers residing in the United States under refugee or asylee status granted by the USCIS are automatically eligible to work in the U.S., therefore, an EAD is not required.</p> <ul style="list-style-type: none"> <li>All borrowers are required to have a social security number; a TIN is not acceptable.</li> <li>Non-Borrowing/Non-Purchasing Spouse: Generally have no ownership interest in the property and are not liable for the debt. In community property/marital rights states the non-borrowing spouse does have an interest in the property and is required to execute the security instrument and all applicable documents as determined by state law.</li> </ul>



## USDA Program Guidelines Streamlined Assist Refinance Program

<b>Borrowers - Ineligible</b>	<ul style="list-style-type: none"> <li>• Foreign Nationals</li> <li>• Borrowers with diplomatic immunity</li> <li>• Borrowers without a social security number</li> <li>• Non-U.S. citizens with no lawful residency in the U.S.</li> <li>• Non-occupant co-borrowers</li> <li>• Co-Signers</li> <li>• Borrowers who qualify for conventional credit</li> </ul>
<b>Cash Back to Borrower</b>	<p>The borrower is eligible to receive reimbursement from loan proceeds at settlement for personal funds advanced such as:</p> <ul style="list-style-type: none"> <li>• Appraisals fees</li> <li>• Credit reports</li> <li>• Final escrow</li> <li>• Interest calculations</li> </ul> <p>Tax credits, excess loan funds and items paid with credit cards <b>cannot</b> be refunded to the borrower; a principal reduction is required.</p> <p><b>NOTE:</b> Any excess gift funds at closing may be returned to the borrower</p>
<b>CAIVRS/LDP/SAM</b>	<p><b>CAIVRS at <a href="#">CAIVRS</a></b></p> <ul style="list-style-type: none"> <li>• All borrowers must be checked against the Credit Alert Interactive Voice Response System (CAIVRS) to determine if they have delinquent federal debt. A clear CAIVRS is required.</li> <li>• All federal debt and judgments must be paid in full or otherwise resolved and have supporting documentation.</li> <li>• CAIVRS claims: The borrower must provide official documentation that the delinquency has been paid in full or otherwise resolved prior to loan processing.</li> </ul> <p><b>LDP / GSA <a href="#">LDP</a> / <a href="#">SAM</a></b></p> <p>All of the following parties to the transaction, as applicable, must be checked against HUD's Limited Denial of Participation list and the System of Awards Management Parties List.</p> <ul style="list-style-type: none"> <li>• Appraiser</li> <li>• Borrower(s)</li> <li>• Closing Attorney</li> <li>• Escrow/Settlement Agent</li> <li>• Lender</li> <li>• Loan Officer</li> <li>• Processor</li> <li>• Title</li> <li>• Underwriter</li> </ul>
<b>Credit History</b>	Planet requires documented proof that the borrower has maintained existing tradelines for at least 180 days prior to application.
<b>Credit Report</b>	A mortgage only credit report on the subject property is required. <a href="#">Refer to the Mortgage seasoning requirements for additional information.</a>
<b>DTI</b>	No debt-to-income calculations required
<b>Employment</b>	<ul style="list-style-type: none"> <li>• A verbal verification of employment (VVOE) is required within 10 business days of the Note date for salaried borrowers and 30 calendar days for self-employed borrowers. A sample VVOE form is posted on the Planet Home Lending website under "Forms and Resources." Sellers are not required to utilize this exact form. However, any form used, must provide the information contained on the Planet Home Lending form.</li> <li>• Sellers must independently obtain the phone number, and when possible, the address of the wage earner borrower's employer using directory assistance/internet/phone book, etc.</li> <li>• Self-employed borrowers are individuals who have 25% or greater ownership interest in a business. Self-employed borrowers require verification of the business by a third party source (e.g. CPA, Federal Tax ID Certificate, Business License, and 411/Reverse Look-up). Refer to the <a href="#">USDA Handbook Chapter 9</a> for complete Employment income details.</li> </ul>



## USDA Program Guidelines Streamlined Assist Refinance

<b>Escrow Holdbacks</b>	Not allowed
<b>Gift Funds</b>	<ul style="list-style-type: none"> <li>• Gift funds are eligible for closing costs or may be applied to guarantee fee. There must be no expected or implied repayment requirement of the gift funds.</li> <li>• Gift funds may <b>not</b> be used for cash reserves as a compensating factor.</li> <li>• Any excess gift funds at closing may be returned to the borrower.</li> <li>• A cash gift is acceptable if the donor is: <ul style="list-style-type: none"> <li>– A person not living in the household, or</li> <li>– An eligible organization.</li> </ul> </li> <li>• A gift letter is required which includes the following: <ul style="list-style-type: none"> <li>– The dollar amount of the gift,</li> <li>– Signature of the donor and the borrower,</li> <li>– The date the funds were transferred,</li> <li>– The donor(s) name, address, phone number, and relationship to the borrower, and</li> <li>– A statement by the donor that no repayment of the gift funds is expected.</li> </ul> </li> <li>• The gift fund donor cannot be affiliated with the broker or any other interested party to the transaction including household members. Gift funds from household members are <b>eligible</b>.</li> <li>• Regardless of when gift funds are made available to the borrower, it must be determined that the gift funds were not provided by an unacceptable source and that the gift funds were the donor's own funds.</li> <li>• Gift fund availability and transfer of the funds must be documented. Verification of transfer of funds must be documented as noted below: <ul style="list-style-type: none"> <li>– Gift funds given prior to closing <ul style="list-style-type: none"> <li>o Copy of the donor's canceled check (front and back) and conclusive evidence that the money was withdrawn from the donor's account (conclusive evidence might be a withdrawal slip or bank statement and the borrower's deposit slip and/or bank statement verifying the deposit.</li> </ul> </li> <li>– Gift funds given to closing agent: <ul style="list-style-type: none"> <li>o Must be received at least one day prior to closing to allow for underwriter review; gift funds the day of closing are not allowed.</li> <li>o A copy of donor's check to the closing agent is required, and</li> <li>o Gift must be reflected on CD.</li> </ul> </li> </ul> <p style="text-align: center;">NOTE. When a bank statement is used to document funds, the donor <b>may</b> be required to document large deposits to ensure the funds did not come from an interested third party.</p> <p>Gift funds are eligible from any acceptable source provided the borrowers are not obligors to any Note to secure the money borrowed for the gift.</p> </li> </ul>
<b>Impound Account</b>	Required on all loans, no exceptions.
<b>Income Documentation</b>	<p>Income must be documented for the previous 2 years for all adult household members.</p> <p><b>Salaried Borrowers</b></p> <ul style="list-style-type: none"> <li>• Current pay stubs for previous 30 days with YTD income</li> <li>• W -2s for prior 2 years</li> </ul> <p><b>Self-Employed Borrowers</b></p> <ul style="list-style-type: none"> <li>• 2 years signed tax returns including all schedules</li> <li>• YTD P&amp;L (audited or unaudited) with balance sheet</li> <li>• YTD Income &amp; Expense statement</li> </ul>
<b>Income Limits</b>	<p>The borrower's total adjusted annual household income cannot exceed the moderate level of the area median as determined by Rural Development for the state/county where the property is located. To view the GRH income limits by state click here: <a href="#">Rural Development Single Family Housing Guaranteed Loan Income Limits</a></p>



## USDA Program Guidelines Streamlined Assist Refinance

<b>Income Limits (cont.)</b>	<p>To determine income eligibility click here <a href="#">Rural Development Income Eligibility</a> and enter the information requested.</p> <p>NOTE: The Rural Development system will indicate eligible/ineligible for both the Guaranteed Rural Housing Loan Program <b>and</b> the Direct Rural Housing Loan Program. Planet Home Lending <b>only</b> offers the Guaranteed Rural Housing program. Refer to the USDA Planet <a href="#">Purchase and Non-Streamlined program guide</a> for additional income details.</p>
<b>Inspections</b>	Not required
<b>Maximum Loan Amount</b>	<p><b>Loan amount may not exceed the total of:</b></p> <ul style="list-style-type: none"> <li>• The principal balance of the existing</li> <li>• Eligible closing cost and</li> <li>• Fund necessary to establish a new tax and insurance escrow account</li> <li>• Upfront guarantee fee.</li> <li>• Loan discount pts not eligible for inclusion except to reduce the effective interest rate</li> </ul> <p>Note: Unpaid fees, past due interest, late fees and penalties cannot be included in the new loan amount.</p>
<b>Mortgage History</b>	<ul style="list-style-type: none"> <li>• Existing mortgage must have been paid as agreed for 12 months prior to refi application.</li> <li>• Existing mortgage must have closed 12 months prior to request for refinance.</li> <li>• Mortgage payment history must be verified through a Verification of Mortgage (VOM) or a credit report.</li> </ul> <p>Note: If a credit report is ordered to determine timely mortgage payments, other credit accounts will not be reviewed.</p>
<b>Mortgage seasoning</b>	<p>If the loan being refinanced is an existing government loan, the following mortgage seasoning requirements must be met.</p> <p>On the date of the case assignment:</p> <ul style="list-style-type: none"> <li>• Six (6) consecutive monthly payments must have been made on the subject property being refinanced</li> <li>• Six (6) months must have passed since the first payment due date of the subject</li> <li>• 210 days must have passed since the closing date of the subject property being refinanced, and</li> <li>• Six (6) payments since assumption date must have passed (if applicable).</li> </ul> <p>Note: Refinance of loans on which fewer than six (6) consecutive regularly scheduled payments have been made are not eligible for financing.</p>
<b>Occupancy</b>	Owner-occupied 1-unit primary residence
<b>Other Real Estate Owned</b>	<p>Borrower may own one additional property under the below cases:</p> <ul style="list-style-type: none"> <li>• Must be financially qualified to own more than one property</li> <li>• Rental income that has been received ≥ 24 months must be documented with 2 years most recent tax returns, including Schedule E, and a copy of the current signed lease agreement.</li> <li>• Other owned property is not financed by a Rural Development guaranteed or direct Section 502 or 504 loans or active grant (the grant agreement has not expired).</li> </ul>
<b>Power of Attorney</b>	Allowed on an exception basis for closing only; cannot be used for the execution of the initial application and disclosures.
<b>Prepayment Penalty</b>	Not permitted
<b>Products</b>	<p>30 year fixed rate</p> <p>Must not exceed the interest rate of the original loan</p>
<b>Properties Eligible</b>	<ul style="list-style-type: none"> <li>• Owner-occupied principal residence</li> <li>• Must be secured by original loan</li> <li>• Properties do not have to be located in an area currently identified as an eligible rural area.</li> </ul>
<b>Reserves</b>	Not required



## USDA Program Guidelines Streamlined Assist Refinance

<b>Subordinate Financing</b>	No new subordinate financing. Existing subordinate financing cannot be included in the new loan amount. Any existing subordinate financing must subordinate to the new first lien. Planet will accept direct loans for refinancing. When a direct loan is refinanced any recapture amount owned may be included or deferred as long as the recapture amount takes a subordinate lien position to the new SFHGLP.
<b>Temporary Buydowns</b>	Not Allowed
<b>Transactions - Ineligible</b>	Refinance of any loan that is not a current Rural Development loan.
<b>USDA Forms and Links</b>	<p>USDA Rural Development forms and guidelines are available at: <a href="#">USDA LINC Training and Resource Library</a></p> <ul style="list-style-type: none"><li>• <b><i>Request for Single Family Housing Loan Guarantee</i></b> (RD Form 3555-21) is used to request a loan guarantee from Rural Development. Must be completed at time of origination and signed by the borrower(s).</li></ul> <p>NOTE: Any increase in the loan amount or interest rate from what was indicated on the initial Form 3555-21 will require a new Form 3555-21 be submitted to USDA by Planet Home Lending which will delay the loan process. Loans <b>cannot</b> be closed with a higher loan amount/interest rates than noted on the Conditional Commitment; a new Commitment will be required.</p> <ul style="list-style-type: none"><li>• <b><i>Conditional Commitment for Single Family Housing Loan Guarantee</i></b> (RD Form 3555-18) is issued by Rural Development to indicate the loan appears to be eligible for a GRH loan. The Conditional Commitment is valid for 60 days from issuance.</li></ul>



## USDA Program Guidelines Streamlined Assist Refinance

### Version History

Version	Date	Descriptions of change
1.0	2/26/-3/2018	<ul style="list-style-type: none"><li>• Updated 4506-T requirements</li><li>• Added Mortgage Seasoning requirements</li><li>• Updated credit history section mortgage seasoning statement.</li></ul>





## Chapter 6 – Lock Registration and Commitments

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### Lock Registration

Sellers must lock each loan submitted to Planet for purchase. Individual loans can be locked before or after a loan is submitted to Planet.

### Rate Sheets

Rate sheets outline Planet's current loan products, pricing, and lock terms. Rate sheets are published daily between approximately 7:00 a.m. and 7:30 a.m. Pacific Standard Time, and are available online at [www.phlcorrespondent.com](http://www.phlcorrespondent.com). Access to online rate sheets are restricted to approved Sellers with an assigned login and password.

### Locking a Loan

Sellers can lock a loan with Planet by going to [www.phlcorrespondent.com](http://www.phlcorrespondent.com) and logging into Planet's CORE Seller Portal using your CORE username and password. Loans can be locked prior to submission utilizing the "New Loan Actions" button. To lock an existing loan, select the loan in the pipeline and select the "Lock" button.

Lock registrations are accepted from approved Sellers only and may be locked anytime during the day, prior to the cut-off time of 5:00 p.m. Pacific Standard Time.

### Maximum Locks per Day

Planet limits each Seller to a maximum of \$5 million in locks per day.

The daily limit will begin with the issuance of the morning rate sheet and end at 5:00 PM (PST) **or** when there is a mid-day price change. In the event of a mid-day price change, the limit will **reset** when the new rate sheet is issued (i.e., Sellers who have locked \$3MM in loans based on the morning rate sheet are eligible to lock up to an additional \$5MM based on the rate sheet issued with the mid-day price change for a total of \$8MM in locks for the day). This reset also applies with any additional price changes published by Planet throughout the day.

Exceptions to this policy may be granted on a case-by-case basis by Planet's Capital Markets.

This policy does **not apply** to mandatory bulk trades or direct trades.

### Daily Pricing

Pricing will be available to Sellers on a daily basis and are available at [www.phlcorrespondent.com](http://www.phlcorrespondent.com). Due to market conditions and other circumstances, Planet may have periods when no pricing is available. During these periods, Sellers will not be able to obtain rate locks.

### Intra-Day Pricing Changes

Due to the volatile nature of the secondary mortgage market, all pricing is subject to change at any time without notice. Planet will determine cut-off times for intra-day pricing changes.



## Chapter 6 – Lock Registration and Commitments

### Lock a Loan Where Subject Property is To Be Determined

Lock a loan where the subject property is to be determined (TBD) enter address as follows:

- Enter “TBD” in the Address field
- Enter the anticipated zip code in the Zip Code field (this may be changed once an actual property is selected)

Once an actual property is determined the Seller should import an updated 3.2 file that has the property address.

### Locked Loan Changes

Any changes to the loan information on a loan already locked with Planet will need to be reviewed for potential re-pricing.

A Change In	Will Receive
Interest rate, credit score, loan amount, LTV, property type, or occupancy	Pricing from original day's lock date plus all applicable Loan Level Pricing Adjustments
Term (e.g., 30-year term to 15-year term )	Worst case pricing
Product switch: Government to/from Conventional	Worst case pricing
Product switch: FHA to/from VA with the same term	Pricing from original lock date
Product Type: Fixed to/from ARM	Worst case pricing

Worst case pricing is the lower of the current day's rate sheet base price **or** the original lock date's rate sheet base price, **plus** all accumulated loan level price adjustments, extension fees, and deficiency fees.

There are specific fields that cannot be changed by the Seller. They are as follows:

- Seller identification number,
- Primary borrower name (first and last) and co-borrower name, if applicable,
- Primary borrower social security number and co-borrower social security, if applicable, and
- Property address, city, state, and zip code.

Note: Any updates to these fields must be requested and updated by Planet.

### Incomplete Lock Information

Loans that have incomplete information (required data fields are not provided) may not be quoted a price.

### Error Notification

Loans that have been locked that have incorrect information should be reported to Planet within one (1) business day of lock. Any error, omission, or mistake in locking a loan will be considered on a case-by-case basis for correction and may be subject to a re-price and/or penalty. Any correction of errors, omissions, or mistakes reported after the one (1) business day time frame will require that the loan be re-priced subject to worst case pricing.



## Chapter 6 – Lock Registration and Commitments

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### Lock Commitments

Planet will require that the Seller lock all loans prior to the purchase date. A lock commitment is an agreement whereby the Seller commits to deliver a mortgage loan that is eligible for purchase under the terms of the Agreement and Seller Guide.

### Lock Commitment Options

Lock commitment options:

#### ***Best Efforts Commitment***

##### **Single Loan**

Best effort commitments are utilized as a lock for a specific single loan that identifies the loan program, subject property, and borrower for a specific period, at an interest rate and price, according to program parameters. If the loan does not close, and the Seller cannot deliver the loan for purchase, a pair off fee will **not apply**. However, Planet closely monitors pull-thru ratios of locked pipelines, and unacceptable activity may impact the Seller's eligibility to do business with Planet.

A Seller may register a best efforts commitment lock for 15, 30, 45, 60, 75, **90 or 120** days.

#### ***Mandatory Commitment***

##### **Single Loan**

Mandatory commitments may be utilized as a lock for a specific single loan that identifies the loan program, subject property, and a borrower for a specific period, at an interest rate and price, according to program parameters. If the loan does not close, and the Seller cannot deliver the loan for purchase, a pair off fee will apply. The pair off fee includes the difference in price due to market movement and a .125% administrative fee.

A Seller may register a mandatory commitment lock for 15, 30, 45, 60, 75, **90 or 120** days.

- **Multiple Loans:** Mandatory commitments may be utilized as a lock for multiple loans that are negotiated with Planet. This mandatory commitment for multiple loans (or “**Bulk Transaction**”) may be used for the purchase of a specific pool of loans at a specific price, based upon the loan characteristics of the pool. If the Seller fails to deliver any of the loans identified in the pool, a pair off fee will be assessed on that loan. The pair off fee includes the difference in price due to market movement plus a .125% administrative fee. With Planet approval, the Seller may elect to substitute a loan in lieu of a pair off. However, the Seller must deliver a minimum of 95%, or a maximum of 105% of the unpaid principal balances of the original pool of loans or Planet may modify the price of the commitment to reflect current market prices for the over or under delivery.
- **Master Commitments:** Forward commitments and volume incentives are available on a case-by-case basis. Please contact your Regional Sales Manager, if interested.



## Chapter 6 – Lock Registration and Commitments

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### **Long Term Rate Lock Commitment**

#### **Single Loan**

Long term rate lock commitments are utilized as a lock for a specific single loan that identifies the loan program, subject property, and borrower for a specific period, at an interest rate and price, according to program parameters. A 1% upfront fee will be charged and is due from the Seller within 5 business days of the lock commitment. On the 6<sup>th</sup> business day, if the fee has not been received the lock will automatically be canceled. The 1% upfront fee will be refunded upon purchase of the loan by Planet. If the loan does not close and the Seller cannot deliver the loan for purchase, the 1% upfront fee will not be refunded.

A Seller may register a long term rate lock commitment for 180, 270 or 360 days.

The Seller has the option to wire transfer or overnight a check for payment of the 1% upfront fee.

#### **Wire Transfer instructions:**

Fifth Third Bank  
Cincinnati, OH  
ABA: 042000314  
Account #: 7237533968  
Account Name: Planet Home Lending, LLC

#### **Check Instructions:**

Planet Home Lending, LLC  
Attn: Allyson Jackson  
10025 Governor Warfield Pkwy, Suite 301  
Columbia, MD 21044

### **Lock Confirmations**

Sellers will receive a confirmation on each rate lock commitment. This lock confirmation does not constitute a loan decision or a commitment to purchase a mortgage loan.

### **Rate Lock Extensions**

Sellers may request a rate lock extension with Planet by logging onto [www.phlcorrespondent.com](http://www.phlcorrespondent.com) and providing the necessary information to obtain a rate lock extension.

The extension will be granted up to 30 days on or before the original lock expiration date. Planet may grant a rate lock extension on a best efforts lock, single loan mandatory commitment or mini-bulk mandatory commitment. Due to market conditions and other circumstances, rate lock extensions are at the discretion of Planet. Rate lock extensions are calculated in calendar days and must be continuous. Weekend or holiday expirations are calculated from the actual calendar expiration date that falls on the weekend of the holiday. At no time shall the extension exceed an aggregate of 60 days.



## Chapter 6 – Lock Registration and Commitments

Extension fees are as follows:

Expiration Date	Fee
Less than or equal to 7 days	(.125 )
8-15 days	(.250)
16-30 days	(.500)

Extension fees are at the discretion of Planet and are subject to change without notice. Planet will not offer a rate lock extension without an additional fee.

### Expirations

Planet must receive all mortgage loans by the lock expiration date.

### Lock Expiration

The lock expiration is the expiration of Planet's commitment to honor a locked loan at a particular interest rate. If the Seller requires additional time and a rate lock extension was not requested prior to the lock expiration, the mortgage loan will be subject to relock at worst case pricing. Locks expiring on a weekend or holiday, the expiration will roll to the next business day.

### Relocks

The following table details the Planet re-lock policy:

Number of Days from Original Lock Expiration to Re-lock	Loan Submitted to Planet	Pricing
≤ 45 days	Yes	Subject to worst case pricing*
≤ 45 days	No	Subject to worst case pricing*
> 45 days	Yes	Subject to worst case pricing*
> 45 days	No	Priced at current market

\* Worst case pricing is the lower of the current day's rate sheet base price **or** the original lock date's rate sheet base price **plus** all accumulated loan level price adjustments, extension fees, and deficiency fees.

### Holiday or Weekend Lock Expirations

An original lock, relock, or extended lock commitment expiring on a holiday or weekend will roll into the following business day.

### Locked Loan Delivery Policy

All loans locked under a best efforts or mandatory commitment must be received on, or before, the expiration date of the lock.

### Purchasing Disposition

When the review of a file is completed, a purchasing disposition is issued to notify the Seller of certain conditions including, but not limited to, underwriting and purchasing conditions, which have not been met.



## Chapter 6 – Lock Registration and Commitments

### Conditions Cleared By Date

The purchasing disposition will be issued with a *Conditions Cleared By Date*, which will be the greater of seven (7) calendar days from the date of disposition or the lock expiration date. If the *Conditions Cleared By Date* is on a holiday or weekend, it will roll to the next business day.

If the Seller is not able to clear the conditions for purchase by the *Conditions Cleared By Date*, the Seller is responsible for a deficiency fee.

### Deficiency Fees

Deficiency fees to purchase loans are as follows:

Number of Calendar Days to Extend Conditions Cleared by Date	Deficiency Fee
0-7 days	No Fee
8-14 days	.125%
15-22 days	.250%
23-30 days	.375%
Over 30 days	Re-lock loan at worst case pricing

### Pair Off Fees

The pair off fee includes the difference in price due to the market movement, plus a .125% administrative fee.

### Calculation of Pair Off Fees

Below are two (2) examples of the calculation of pair off fees for a \$200,000 loan amount with either negative or positive market movement.

**Example 1:** Mortgage loan not received by lock expiration date; negative market movement:

Price at expiration date	101.000
Price at lock date	<u>101.500</u>
Negative market movement	(0.500)
Pair off fee	0.000
Administrative fee	<u>0.125</u>
Total pair off	0.125
Amount subject to pair off fee	\$200,000
Multiplied by pair off	0.125
Total pair off fee	\$250.00





## Chapter 6 – Lock Registration and Commitments

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**Example 2:** Mortgage loan not received by lock expiration date; positive market movement:

Price at expiration date	101.000
Price at lock date	<u>100.500</u>
Positive market movement	0.500

Pair off fee	0.500
Administrative fee	<u>0.125</u>
Total pair off	0.625

Amount subject to pair off fee	\$200,000
Multiplied by pair off	0.625
Total pair off fee	\$1,250.00

### Pair Off Fee Notification

Once the Seller is issued a pair off fee notification, the Seller is required to pay Planet within fifteen (15) business days. If the pair off fee is not paid, Planet may offset fees due from any proceeds owed to the Seller by Planet.

## Chapter 7 – Planet CORE Seller Portal - Loan Submissions

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### Planet CORE Seller Portal

#### Overview

Planet embraces technology to create an electronic, paperless environment where receipt of data, images, underwriting, purchasing and servicing information is processed, stored, maintained and completed, all within the Planet CORE Seller Portal.

The CORE Seller Portal is a secure website that can be accessed by all Sellers approved to conduct business with Planet. The CORE Seller Portal is available on the Planet website at [www.PHLcorrespondent.com](http://www.PHLcorrespondent.com) under the Seller Login button.

Sellers can submit and lock loans, request pipeline reports, view and print purchase advices, access the Planet Seller Guide, all within the CORE Seller Portal.

#### Loan Submission

Loans submitted to Planet must comply with all federal regulations, state and local laws.

Planet's internal Quality Control process includes the review of loans received from a newly approved Seller prior to purchase. Each of these loans will undergo a comprehensive review to ensure continued quality in the loans we purchase.

In addition Quality Control will conduct a review on a population of selected loans based on a random sampling to include loans from all Sellers. In an effort to deliver acceptable service levels for our Sellers the QC review will, in most cases, be a parallel process with our standard pre-purchase loan review.

Planet will partner with all Sellers to assist in enhancing their internal policies and procedures to ensure quality loan production by sharing the findings and resources whenever possible.

A complete loan package must be submitted to Planet on or before the lock expiration date. A document Reference guide is available to assist Sellers in submitting the documentation required by Planet on the Planet Core Seller Portal at [www.phlcorrespondent.com](http://www.phlcorrespondent.com) under "Forms & Resources".

All flow loans must be locked prior to purchase by Planet.

To submit a loan to Planet, log into the CORE Seller Portal and select "New Loan Actions". All data, images and submission requirements are processed through the CORE Seller Portal.

#### Upload Conditions

Underwriting and purchasing conditions can be reviewed and uploaded through the CORE Seller Portal.



## Chapter 7 – Planet CORE Seller Portal - Loan Submissions

### Incomplete Closing Packages

Upon a review of the closing package, a Purchasing Disposition, which outlines outstanding conditions, will be generated. All conditions must be delivered the later of seven (7) days following the Purchase Disposition or the Lock expiration date.

### Condo Analytics

Loans delivered to Planet for underwriting with a property type of condominium or attached PUD (conventional), without a Condo Analytics Report will be subject to a new documentation review as part of the Planet approval process.

Planet will review and make a project decision based on the Condo Analytics Report and applicable documentation provided by the Seller.

If the Seller does not provide a Condo Analytics Report at the time of submission, but does provide all project documentation required to complete a review, Planet will order the review from Condo Analytics at a cost of \$149.00 (Conventional, FHA and Non-Agency Reviews) passed on to the Seller through the Purchase advice immediately.

Planet will order a Condo Analytics Report and all project documentation for Sellers who have not provided the applicable materials to complete a review at the time of submission. The cost is outlined below and will be passed on to the Seller through the Purchase Advice immediately.

Condo Analytics Project Review Cost		
Conventional and Non-Agency	Full Condo Review	\$299.00
Conventional and Non-Agency	Limited Condo/PUD Review	\$149.00
FHA	Full Condo Review	\$399.00
FHA	Refresh	\$ 99.00

### Bailee Requirement

Planet requires a Bailee Letter from the Warehouse Lender when a loan has been pledged to secure a warehouse line of credit. (Self-funding is allowed by depository institutions only (i.e. banks and credit unions).

When self-funded, the Seller should complete a Wire Transfer/Authorization form which must be signed by an authorized representative of the Seller. A sample Wire Verification Form is available on the Planet website at [www.phlcorrespondent.com](http://www.phlcorrespondent.com) under the “Resources” link. Sellers are not required to utilize this form but any form used must provide all of the information contained on the Planet form.

### Original Note

The Note may be shipped under separate cover if it is forwarded by the Seller's warehouse bank. Planet does **not** accept Lost Note Affidavits (LNA).



## Chapter 7 – Planet CORE Seller Portal - Loan Submissions

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### Original Note Endorsement or Allonge

The Allonge must be completed and executed by an authorized employee of the Seller endorsing the Note in blank. If an Allonge is not provided, then an authorized employee of the Seller endorsing the Note in blank must endorse the Note itself.

Endorsement should read (for all states):

Pay to the Order of  
Planet Home Lending, LLC  
Without Recourse [Seller]  
[Signature of Officer]  
[Officer's Name and Title]

Original Note, Bailee Letter and Allonge should be shipped to:

Wells Fargo Bank NA  
Attn: PLNT Review Team  
751 Kasota Avenue, Suite MDC  
Mail Code MAC N9328-010  
Minneapolis, MN 55414

### Collateral File

Sellers are required to upload collateral documents using the "Upload Documents" link available in the CORE Seller Portal. If a document must be re-recorded per an exception, this must be stipulated as a condition. The Seller must meet this condition before Planet will purchase the loan.

Collateral documents must include:

- Copy of Mortgage/Deed of Trust stamped certified true with closing agents name and signature,
- Copy of Mortgage/Deed of all riders,
- Copy of the Assignment of Security Instrument (if no MERS), and
- Copy of title commitment/preliminary title report.

Refer to [Chapter 8 – Loan Purchasing Loan Assignments](#) topic for requirements regarding the assignment of the security instrument.

### Administration Fees

Administration fees are assessed based on the Seller's delegation authority. The administration fees, indicated on the Planet rate sheet, are effective as of the date of the lock.



## Chapter 8 – Loan Purchasing

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### Loan Review

Prior to purchase, all loans must be reviewed by the Loan Eligibility Department. Loans are reviewed for completeness as well as for compliance with Planet loan program overlays. Planet has the right to conduct a quality control audit on all loans.

Closed loans are reviewed to determine purchase eligibility. Collateral delivery and submission of the closed loan package must include **all** underwriting conditions to ensure that all requirements have been met.

If Planet does not conduct a review or discover any deficiencies, the Seller is not released from any obligations. The Seller must provide the documentation required to correct any errors. Planet has the right to remedies and indemnification, which includes the right to request a repurchase of a loan file. When the purchase review is complete, Planet will determine if the loan is approved, suspended or denied for purchase.

### Seasoned Loans

Loans must be delivered for purchase within 30 days of the loan closing date and purchased by Planet prior to the second payment due date. Planet defines a seasoned loan as a loan that has been credited with a maximum of one payment. The seasoned loan may have one additional **scheduled** payment at the time of purchase by Planet.

**NOTE: Planet will not purchase a loan when more than one loan payment has been credited.**

A printout of the payment history must be included in the loan package indicating how the payment was applied and any disbursements from escrows for all seasoned loans.

### HUD-1 Settlement Statement (effective for loan applications received prior to October 3, 2015)

A final HUD-1 Settlement Statement must be fully completed on every loan indicating all fees, funds, and costs involved with the transaction.

The HUD-1 Statement must:

- Identify the borrower, seller, closing agent and lender including addresses as required,
- Indicate the subject property address,
- Itemize costs and fees and identify each payee,
- State all fees paid outside of closing (POC), and
- Be certified by the Settlement Agent.

### Non-Escrow States

HUD-1 Settlement Statement for states that do not use escrow companies must include the signatures of all parties involved in the transaction.

### Escrow States

A copy of the HUD-1 Settlement Statement is acceptable if it is certified by the closing agent as the final HUD-1. The certification must identify the company name and the name of the entity represented by the closing agent.



## Chapter 8 – Loan Purchasing

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### **Closing Disclosure** (effective with loan applications received on or after October 3, 2015)

For loans taken on or after October 3, 2015, a CD must be fully completed on every loan indicating all fees, funds and cost involved with the transaction.

Planet does not mandate the use of a specific form, but any form used must be executed completely.

On purchase transactions the Settlement Agent must provide a signed executed copy of the settlement break down from the seller's side. The document must be signed by the Settlement Agent/Attorney and Seller.

### **Principal Reductions**

Planet will allow principal reductions at closing subject to the guidelines detailed below. This policy applies to principal reductions required due to cash-out limitations or excess credit.

If the principal reduction is applied at closing, it must be documented on the Closing Disclosure/HUD-1 Settlement Statement (as applicable) is indicating the amount of the reduction and reason.

If the principal reduction is applied after closing, the file must include documentation that indicates the amount of the principal reduction and the reason or source of the reduction (e.g. lender refund or borrower remittance).

#### **Conventional Rate/Term Transactions – Cash-back Limitation**

A principal reduction is allowed when cash-back to the borrower will exceed Fannie Mae's cash back to the borrower limit of the lesser of 2% of the loan amount or \$2,000 on rate/term transactions. Reimbursements for overpayment of fees and charges due to federal or state laws/ regulations are not included in the cash back limitation.

#### **Conventional Rate/Term Transactions - Principal Reduction Limitation**

The maximum amount of the principal reduction cannot exceed the lesser of \$2,500 or 2% of the original loan amount.

If the cash-back to the borrower will exceed Fannie Mae's limit even after applying the maximum principal reduction, the loan must be re-worked or be re-underwritten as a cash-out transaction subject to cash-out guidelines and pricing.

#### **DU Refi Plus Transactions**

Maximum cash-back to the borrower is \$250.00; a principal reduction is required on any amount exceeding \$250.00 up to the lesser of \$2500 or 2% of the loan amount.

#### **Government Transactions**

The maximum principal reduction is 1% of the loan amount excluding any allowable cash-back to the borrower per the applicable guideline.





## Chapter 8 – Loan Purchasing

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### Prime Jumbo

#### Lender Paid Transactions

- On transactions where the loan originator is paid by the Seller, Planet will permit a principal curtailment on purchase and refinance loans unless noted below as a result of excess premium rate credit. The excess premium must be identified on the Closing Disclosure and is limited to the amount of the excess premium rate credit below. The premium rate credit is the amount associated with the lowest pricing rate option that allows for some or all of the borrower's closing costs to be paid so the borrower does not have to pay those closing costs out of pocket
- If the premium rate credit is less than or equal to \$2,000 for loan amounts up to \$350,000, or \$4,000 for loans amounts exceeding \$350,000, then no further documentation is required
- For premium credits exceeding these thresholds, evidence that the next lower pricing option would require the borrower to pay closing costs out of pocket must be documented in the file (LE, CD, Rate sheet, etc.)
- If the borrower was not provided with the best rate, the loan is not eligible for sale to Planet.

#### Borrower Paid Transactions

- On transactions where the loan originator is paid by the borrower, principal curtailments are not permitted.
- The premium rate credit may not exceed the amount of third party costs.

### Federal Emergency Management Agency (FEMA) Disaster Declarations

Planet requires an Appraisal Update and/or Completion Report (Fannie Mae Form 1004D) or DU Property Inspection Report (Fannie Mae Form 2075) when an appraisal has been completed on or before the incident period end date identified on the Disaster Declaration issued by FEMA to confirm the property has not sustained any damage and that the marketability and value remain the same.

Transactions that did not originally require an appraisal (i.e. DU Refi Plus with a PIW or a Stream line without Appraisal) will require, at minimum, a Fannie Mae Form 2075.

Appraisals completed after the Disaster Declaration incident period end date require the appraiser to comment on the value and marketability of the property for 60 days from the end of the incident period.

It is the Sellers responsibility to check the FEMA website to determine if a property is in a declared area. Only properties located in counties listed under "Individual Assistance" require an Appraisal Update.

Disaster Declarations can be viewed on FEMA's website at [FEMA](https://www.fema.gov).

## Chapter 8 – Loan Purchasing

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### Servicing Documents

#### Servicing Released

Planet will purchase all loans on a servicing released basis. The sale date is the funding date.

The Seller will collect any payments due from the borrower according to statements on the Purchase Advice. Planet services the loans purchased and will collect all payments due from the borrower thereafter.

Planet will issue the initial payment statement to the borrower within two to three business days after loan purchase. Subsequent payment statements will be issued within one week of Planet receiving the borrower's payment.

It is the Seller's responsibility to continue servicing the loan up to the effective transfer date.

#### Servicing Letters

A Servicing Transfer Letter (aka Good-bye Letter) is required to transfer servicing and must be prepared for all Planet loans. The Servicing Transfer Letter must reference the correct servicer or sub-servicer. Servicing Transfer Letters should reference the following servicing information regarding payment address, correspondence address, phone numbers, and hours of operation.

A sample Good-bye Letter is available on the Planet website at [www.phlcorrespondent.com](http://www.phlcorrespondent.com); Sellers should add their logo and company information when using the sample.

#### Servicer Payment Address:

Planet Home Lending,  
LLC P.O. Box 660016  
Dallas, TX 75266-0016

#### Servicer Payment Overnight:

Planet Home Lending, LLC  
321 Research Parkway, Suite 303  
Meriden, CT 06450  
Attn: CashManagement  
Phone: (866) 882-8187  
Hours: Monday – Friday, 8:30 am to 9:00 pm EST

## Chapter 8 – Loan Purchasing

### Servicer Correspondence Address:

Planet Home Lending, LLC  
321 Research Parkway, Suite 303  
Meriden, CT 06450  
Attn: Customer Service  
Phone: (866) 882-8187  
Hours: Monday – Friday, 8:30 am to 9:00 pm EST

### Record Maintenance

The Seller must maintain records in accordance with applicable laws and regulations up to the effective date of the servicing transfer. Proper documentation includes but is not limited to, all records that relate to the origination, sale, and servicing of the loan.

### Servicing Transfer Numbers – FH A Transactions

When transferring an FHA loan to Planet for servicing, the following numbers should be entered into FHA Connection:

- Holder (Planet Home Lending, LLC) Number: 27128
- Servicer (Planet Home Lending, LLC): 27128

### Servicing Transfer Information – USDA Transactions

When transferring a USDA to Planet for servicing, the following information is required to complete the Lender Certification for SFH Guaranteed Loan (attachment to USDA RD Form 3555-18)

### Servicing Lender – Planet Home Lending

<b>Lender Tax ID:</b>	26-0362771
<b>Assigned Branch Number:</b>	001
<b>Address:</b>	Planet Home Lending 321 Research Parkway, Suite 303 Meriden, CT 06450

### Holding Lender – Planet Home Lending

<b>Lender Tax ID:</b>	26-0362771
<b>Assigned Branch Number:</b>	001
<b>Address:</b>	Planet Home Lending 321 Research Parkway, Suite 303 Meriden, CT 06450

## Chapter 8 – Loan Purchasing

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### Disclosure of Information

The Seller must agree to provide any requested information to the designated servicer to ensure proper loan servicing.

### Eligible Delivery

The Seller must ensure that each loan delivered and sold to Planet meets all terms and criteria set forth in the Planet Seller Guide.

### Documents

The Seller warrants that all documents that are required as detailed in this Guide have been completed, executed and delivered in the form and manner specified by Planet.

### Doing Business As “DBA”

Loans submitted for purchase may not identify the lender solely by its DBA. While you may use an approved DBA over the course of a transaction, the Security Instrument and Note must also identify the registered legal name of your organization.

Please follow the below examples when submitting DBA loans:

- Mortgage Plus, LLC d/b/a Mortgage Ready (*corporate name & /dba name*), or
- Mortgage Plus, LLC (*corporate name only*)

All other loan documents may be submitted using the DBA only.

### Electronic Signatures

Planet will accept electronically executed signatures as follows:

- Purchase/sales contracts,
- Initial 1003, and
- Initial disclosures.

It is the Seller's responsibility to ensure the documents have been validly signed by the correct parties just as for non-electronically signed documents.

Planet requires physical signatures at closing on all closing documents.

## Chapter 8 – Loan Purchasing

### Flood Determination and Insurance General Requirements

A Life of Loan Flood zone determination certificate is required from one of the Planet approved vendors. The flood zone determination must include the National Flood Insurance Program (NFIP) map number, map date, and flood zone. All flood zones beginning with the letter “A” or “V” are considered a Special Flood Hazard Area (SFHA) as designated on a Flood Insurance Rate Map (FIRM). Properties located in an “A” or “V” zone will require flood insurance issued by the NFIP.

Flood insurance is required for all residential buildings’ on the mortgaged premises if any part of the structure is located within an SFHA. If two or more residential structures are located on a security property (e.g. a principal structure and a guest house) all structures with any part in an SFHA must be covered by adequate flood insurance.

Flood insurance requirements are as follows:

If:	Then Flood Insurance:
any part of the principal structure on a property securing the mortgage loan is located in an SFHA,	is required on the principal structure
a non-residential detached structure attached to the land on a property securing the mortgage loan has any part located in an SFHA,	is not required on the non-residential detached structure
a detached residential structure on a property securing the mortgage loan has any part located in an SFHA,	is required on the detached residential structure.

The Seller must ensure that any flood insurance required for the subject property is in place prior to purchase by Planet. A one (1) year policy must be in effect at the time of loan closing.

If flood insurance is not available because the community does not participate in the NFIP, the loan is not eligible for purchase.

Planet will accept all transferable life of loan flood zone determination contracts from:

- American Flood Research, Inc.,
- CBCInnovis
- E-Flood zone,
- Fidelity National Flood Service,
- First American Flood Services (CoreLogic Flood),
- GC Engineering,
- GeoLogixs,
- Geotrac, Inc.,
- Kroll Factual Data
- Lereta LLC,

## Chapter 8 – Loan Purchasing

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- Nationwide Real Estate Tax and Compliance Service,
- Palma, Lazar, & Ulsh,
- ServiceLink National Flood, LLC,
- Stewart MortgageInformation,
- Storm water ResearchGroup,
- United One Resources,
- US Determination Service, a division of PCI Corporation, or
- US Flood Research, Inc.

It is the responsibility of the Seller to notify all flood zone determination carriers of the change in servicer prior to the effective date of servicing transfer.

In the event the Seller does not provide an acceptable transferable life-of-loan flood zone determination contract, Planet will order the life-of-loan flood zone determination contract and the Seller will be charged for all costs associated with securing the contract.

### **Initial Escrow Account Disclosure Statement**

The Seller agrees to provide an initial escrow account disclosure statement that aligns with the Closing Disclosure/HUD-1 on any loan closed using the aggregate escrow analysis method in accordance with the HUD Final EscrowRule.

### **Notification to Planet**

The Seller is responsible to promptly notify Planet of any changes that affect the loan's servicing. In addition, the Seller must agree to forward any information requested by Planet that is required to service the loan.

### **Notification of Subordination**

The Seller agrees to notify Planet and its designated servicer of any junior lien holder on all loans sold to Planet. If the junior lien holder is required to pay a fee to the senior lien holder, the Seller will immediately forward the payment to Planet's designated servicer.

### **Payment of Taxes/ Assessments**

The Seller must pay the property taxes for loans with escrow accounts when the bill is due and available prior to purchasing by Planet. A copy of the check, bill and pay history, including escrow balance will also be required prior to purchase. All penalties incurred by Planet as a result of delinquent payments or real estate taxes prior to purchase date of the loan are the responsibility of the Seller.

### **Insurance Policies**

Insurance policies include, but are not limited to, property, flood, mortgage, earthquake, condominium and PUD insurance, as applicable.

## Chapter 8 – Loan Purchasing

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### Acceptable Policy Ratings for Insurance Carriers

Insurance policies must be issued by a carrier rated as noted below:

- Carriers rated by the A.M. Best Company, Inc. must have either:
  - A “B” or better Financial Strength Rating in the *Best’s Insurance Reports*, **or**
  - An “A” or better Financial Strength Rating and a Financial Size Category of “VIII” or greater in *Best’s Insurance Reports Non-US Edition*
- Carriers rated by Demotech, Inc. must have an “A” or better rating in *Demotech’s Hazard Insurance Financial Stability Ratings*.
- Carriers rated by Standard and Poor’s must have a “BBB” or better Insurer Financial Strength Rating in Standard and Poor’s Ratings Direct Insurance Service.

The following types of insurance policies are acceptable as detailed below:

- Policies underwritten by a state’s Fair Access to Insurance Requirements (FAIR) if they are the only coverage that can be obtained.
- Policies obtained through state insurance plans, such as the Hawaii Property Insurance Association (HPIA), Florida’s Citizens Property Insurance Corporation, or other state-mandated windstorm and beach erosion insurance pools, if they are the only coverage available.
- A separate hurricane insurance policy issued by the Hawaiian Hurricane Relief Fund (for properties in Hawaii), as long as the companion non-catastrophic fire and extended coverage, or homeowner’s, policy is obtained from a property insurer that meets the rating requirements detailed under the Acceptable Policy Ratings for Insurance Carrier’s topic.

### Notification to Insurance Carriers

The Seller agrees to notify all insurance carriers of the change in servicer prior to the effective date of servicing transfer. All insurance policies are required to be endorsed.

### Premiums

The Seller must pay all insurance premiums for loans with escrow accounts when the bill is due and available prior to purchasing by Planet. A copy of the check, bill and pay history, including escrow balance will also be required prior to purchase. All penalties incurred by Planet as a result of delinquent payments of insurance prior to purchase dates of the loan are the responsibility of the Seller.

### Property Insurance

Property insurance must protect against loss or damage from fire and other hazards covered by the standard extended coverage endorsement. The coverage must provide for claims to be settled on a replacement cost basis. Extended coverage must include, at a minimum, wind, civil commotion, smoke, hail, and damages caused by aircraft, vehicle, or explosion.



## Chapter 8 – Loan Purchasing

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Policies that limit or exclude, in whole or in part, damage from a windstorm hurricane, hail damage, or any other perils normally included under an extended coverage endorsement are not eligible.

### Single Family & Individual PUD Unit Policy

#### ***Amount of Coverage***

The following coverage amounts are acceptable:

- The lesser of:
  - 100% of the insurable value as determined by the property insurer,  
or
  - The unpaid principal balance of the mortgage, as long as it equals 80% of the insurable value of the improvements, **OR**
- Guaranteed Replacement Cost coverage provided it specifically guarantees replacement, regardless of cost. The declaration page must reflect "Full Replacement Cost Coverage or 100% Replacement Cost Coverage".

NOTE: If the appraisal is used to determine the insurable value, the value should be based on total estimate of cost-new

#### ***Coverage for Construction-to-Permanent Transactions***

Property insurance is not required on construction-to-perm loans if they are covered by builder's risk insurance during the construction period. Builder's risk insurance covers any losses during the construction period that result from theft, vandalism, and acts of nature (includes fire, flood, and wind damage).

The amount of builders risk insurance coverage must be equal to the original mortgage loan amount. Standard insurance policy requirements apply as soon as the borrower occupies the property.

#### ***Deductible Maximum***

The maximum deductible is 5% of the face value of the policy.

#### ***Policy Period***

Purchase transactions require the coverage to begin no later than the date of closing for a minimum of twelve (12) months. Evidence of payment for twelve (12) months is required.

Refinance transactions require the coverage to extend for a minimum of one month after the first payment is made. Documentation the policy is paid through the policy period is required.

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### ***Insured Names & Property Address***

All parties on title **must** be on the insurance policy. The legal address of the property must match the appraisal and title.

NOTE: If an “also known as” (aka) is being used due to a mailing address, the zip code must match or the “also known as” cannot be used (e.g. if the property city according to the United States Postal Service is Newbury Park, but the legal description is City of Los Angeles, it is acceptable if the insurance reflects Los Angeles instead of Newbury Park provided the zip code is the same for both).

### **Condominium and PUD – Common Areas**

#### ***Master Insurance Policy***

The master insurance policy must cover all general and limited common elements including fixtures, building service equipment, and common personal property and supplies belonging to the HOA.

The policy must, at a minimum, protect against fire and all other hazards that are normally covered by the standard extended coverage endorsement, and all other perils customarily covered for similar types of projects, including those covered by the standard “all risk” endorsement.

The premiums must be paid as a common expense. The master policy must be paid through the policy period.

The policy must cover 100% insurable replacement cost of the project improvements, including the individual units in the project. The insurance policy that includes, either in the policy language or in a specific endorsement, any of the following is acceptable:

- Guaranteed Replacement Cost (the insurer agrees to replace the insurable property regardless of the cost), or
- Extended Replacement Cost (the insurer agrees to pay more than the property’s insurable replacement cost), or
- Replacement Cost, (the insurer agrees to pay up to 100% of the property’s insurable replacement cost, but no more).

NOTE: If the policy includes a coinsurance clause, an Agreed Amount Endorsement or selection of the Agreed Value Option (which waives the requirement for coinsurance) is acceptable evidence that the 100% insurable replacement cost requirement has been met.

#### ***HO-6 (Walls-in Coverage Policy)***

HO-6 Insurance is required on all condominium units unless the interior of the unit is included in the HOA master insurance policy, known as a “Single Entity” or “All-In/All-Inclusive” policy. The HO-6 coverage amount is determined by the property insurer and must be sufficient to repair the condo unit to its condition prior to a loss claim event.

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### ***Special Endorsements***

Required endorsements are as follows:

- Inflation Guard Endorsement, when it can be obtained,
- Building Ordinance or Law Endorsement, if the enforcement of any building, zoning, or land use law would result in loss or damage, increased the cost of repairs or reconstruction, or additional demolition and removal costs to rebuild after a covered loss occurs. The endorsement must provide for contingent liability from the operation of building laws, demolition costs, and increased costs of reconstruction.  
  
The Building Ordinance endorsement is not required if it is not applicable or the coverage is not obtainable in the insurance market available to the association.
- Boiler and Machinery/Equipment Breakdown endorsement if the project has central heating or cooling. The endorsement should provide a minimum liability per accident of at least \$2,000,000 or the insurable value of the building (s) where the machinery is located.

NOTE: In lieu of obtaining the Boiler and Machinery/Equipment Breakdown endorsement, the project may purchase separate standalone boiler and machinery coverage.

### ***Deductible Maximum***

The maximum deductible is 5% of the face value of the policy.

### ***Policy Period***

Purchase and refinance transactions; the master policy cannot expire before loan disbursement date.

### ***Paid Receipt***

Purchase transactions require documentation that the policy was paid for a year. Acceptable documentation is a paid receipt or a copy of the check payable to the insurance company. If paid at closing the payment must be indicated on the Closing Disclosure/HUD-1.

Refinance transactions require evidence of paid receipt through at minimum the policy period.

### ***Insured Names and Property Address***

The master policy must list the Homeowners Association as the insured. Individual unit certificates must reference all individuals on the title.

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### Flood Insurance

#### Single Family and Individual PUD Units

##### *Amount of Coverage*

The minimum amount of flood insurance required for 1-4 unit properties, including individual PUD units and specific types of condo units (i.e. detached site condos, townhouses, rowhouses) is the lesser of:

- 100% replacement cost of insured value, or
- The maximum insurance available from the NFIP, which is currently \$250,000 per dwelling, or
- The unpaid principal balance of the mortgage.

##### *Policy Period*

Purchase transactions require the coverage to begin no later than date of closing for a minimum of 12 months. Acceptable documentation is a paid receipt or a copy of the check payable to the insurance company. If paid at closing the payment must be indicated on the Closing Disclosure /HUD-1.

Refinance transactions require the coverage must extend for a minimum of one month after the first payment is made. Documentation the policy is paid through the policy period is required.

##### *Maximum Deductible*

Deductible must meet NFIP requirements for the type of improvement insured unless the applicable state law requires a higher deductible amount.

##### *Insured Names and Property Address*

**All** parties on title **must be** on the insurance policy. The legal address of the property must match the appraisal and title.

NOTE: If an also known as is being used due to a mailing address, the zip code must match or an also known as cannot be used.

#### Condominium and PUD Projects

##### *Condominium Projects*

Stand-alone flood insurance policies for individual units in an attached condominium project are **not** acceptable. A master condo flood insurance policy **must be maintained** by the HOA. The Seller must verify that the HOA maintains a Residential Condominium Building Association Policy or equivalent private flood insurance coverage for the **subject unit's building** if it is located in an SFHA.

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The master policy must cover all of the common elements and property (including machinery and equipment that are part of the building), as well as each of the individual units in the building.

Note: Any machinery and equipment that are not part of the building are not required to be covered under a Residential Condominium Building Association Policy (RCBAP).

The master flood insurance policy must be at least equal to the lower of:

- 80% of the replacement cost, or
- The maximum insurance available from NFIP per unit, which is currently \$250,000.

The contents coverage should equal 100% of the insurable value of all contents, owned in common by association members.

If the condo project master policy meets the minimum coverage requirements above but does not meet the 1-4 unit coverage requirements a supplemental policy may be obtained by the unit owner for the difference.

If the condo project has no master flood insurance policy or if the master flood insurance policy does not meet the requirements above, the loan is **ineligible** for purchase.

### ***PUD Project Coverage***

The amount of flood insurance coverage for the common areas of a PUD project should be at least equal to the lesser of:

- 100% of the insurable value of the facilities, or
- The maximum coverage available under the NFIP.

### ***Maximum Allowable Deductibles***

The deductible for the master project must meet NFIP requirements for the type of improvement insured unless the applicable state law requires a higher deductible amount.

## **Fidelity Insurance – Condominium Projects**

Evidence of fidelity insurance is required for condominium projects with more than 20 units. In states that have statutory fidelity/crime insurance requirements, those requirements are acceptable in place of Fannie Mae requirements.

The homeowner's association must have blanket fidelity insurance for any party that handles or is responsible for funds it holds or administers, even if the party is not compensated for their services. The policy must name the HOA as the insured, and the premiums should be paid as a common expense by the association. The policy must include a provision for ten (10) days written notice before the policy can be cancelled or modified for any reason.

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If a management company handles the funds for the HOA, the management company must be covered by its own fidelity insurance.

The fidelity insurance must cover the maximum amount of funds that are in the custody of the HOA or its management agent at any time the policy is in force. Fidelity insurance is not required if the maximum estimated funds are less than or equal to \$5,000.

The coverage amount may be less if the condominiums legal documents require the HOA or management company to have **one** of the following financial controls in place:

- Separate bank accounts are maintained for the working account and the reserve account and each have specific access controls and the bank in which the funds are deposited sends copies of the monthly bank statements directly to the HOA; or
- The management company maintains separate records and bank accounts for each HOA that provides services for and the management company does not have the authorization to draw checks on or transfer funds from the HOA's reserve account; or
- Two members of the Board of Directors must sign any checks written on the reserve account.

The fidelity insurance must, at minimum cover at least the sum of three months of assessments on all units in the project even with the above financial controls in place.

### Liability Insurance – Condominium and PUD Projects

Evidence of liability insurance is required for condominium and PUD projects as follows:

- Liability insurance coverage must be verified as part of the project review.

NOTE: Type E PUD projects or PUD/condo projects processed under Limited Project Review, verification is not required.

- The HOA must maintain a commercial general liability insurance policy for the entire project, including all common areas and elements, public ways, and any other areas that are under its supervision. The insurance must also cover commercial spaces that are owned by the homeowners' association, even if they are leased to others. The commercial general liability insurance policy must provide coverage for bodily injury and property damage that result from the operation, maintenance, or use of the project's common areas and elements.
- The amount of coverage must be at least \$1 million for bodily injury and property damage for any single occurrence. Higher amounts of coverage may be required if similar amounts are usually required by mortgage investors in other projects in the area.
- If the policy does not include "severability of interest" in its terms, a specific endorsement to preclude the insurer's denial of a unit owner's claim because of negligent acts of the homeowners' association or of other unit owners is required.
- The policy should provide for at least ten (10) days written notice to the HOA before the insurer cancels or substantially modifies the policy.

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### Title Insurance

The title insurance policy must ensure that the title is acceptable and that the mortgage constitutes a lien of the required priority on a fee simple or leasehold estate.

#### Acceptable Insurers

The title insurer must have a rating from at least one independent rating agency with the following rating:

Rating Agency	Rating Requirements
Demotech, Inc.	Financial Stability Rating of "S" (Substantial) or better or a Statutory Accounting Rating of "C" (Average or better
Duff & Phelps Credit Rating Company	"BBB" or better
Fitch, Inc.	"BBB" or better
LACE Financial Corporation	"C" or better
Moody's Investors Service	"Baa" or better
Standard and Poor's, Inc.	"BBB" or better

### Coverage

Loans originated on or after January 1, 2008, require the title policy to be written on one of the following forms:

- 2006 American Land Title Association (ALTA) standard form, or
- ALTA short form (must provide coverage equivalent to the 2006 ALTA standard form), or
- ALTA form with amendments as required by state law in states in which standard ALTA forms of coverage are not used or in which the 2006 ALTA forms have not yet been adopted. The amendments cannot materially impair protection to Planet.

Loans originated prior to January 1, 2008, the title policy must use either the appropriate 2006 ALTA form noted below or ensure the title coverage meets the requirements in place at the time of mortgage loan origination.

The amount of title insurance coverage must, at minimum be equal to the original principal amount of the mortgage.

#### Effective Date of Coverage

The effective date of the title insurance coverage written on forms that do not provide the gap coverage included in the 2006 ALTA policies may be no earlier than the later of the date of the final disbursement of loan proceeds or the date the mortgage was recorded.

Because the 2006 ALTA forms provide protection for the time between loan closing and recordation of the mortgage, policies written on those forms may be effective as of loan closing.



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### **Additional Title Insurance Requirements**

If a mortgage is registered with MERS and is originated naming MERS as the original mortgagee of record, solely as nominee for the lender named in the security instrument and the note, and the lender's successors and assigns, then the "insured mortgage" covered by the title insurance policy must be identified in the title insurance policy as the security instrument given to MERS, solely as nominee for the lender and lender's successors and assigns. However, under no circumstances may MERS be named as beneficiary of a title policy.

The title insurance coverage must include an environmental protection lien endorsement (ALTA Endorsement 8.1-06 or equivalent state form provides the required coverage).

References are to the ALTA 2006 form of endorsement, but state forms may be used in states in which standard ALTA forms of coverage are not used or in which the 2006 ALTA forms have not yet been adopted, provided that those amendments do not materially impair protection to Planet. As an alternative to endorsements, the requisite protections may be incorporated into the policy. For loans originated prior to January 1, 2008, endorsement forms that meet Fannie Mae requirements at the time of origination are acceptable.

Title policies may not include the creditors' rights exclusion language that ALTA adopted in 1990.

### **Special Considerations**

#### ***Condo and PUD Units***

The title insurance policy for a condominium or PUD unit mortgage must describe all components of the unit estate.

Condominium unit mortgages require an ALTA 4-06 or 4.1-06 endorsement or its equivalent. The endorsement must be attached to each policy or incorporated into the text of the policy.

PUD unit mortgages require an ALTA 5-06 or 5.1-06 endorsement or its equivalent. The endorsement must be attached to each policy or incorporated into the text of the policy.

If the unit owners own the common areas of the project as tenant's income on, the policy for each unit mortgage must reflect that ownership.

If the HOA owns the common elements areas or facilities of the project separately (or holds them in a leasehold estate) the title insurance on those areas must insure that ownership.

This title policy must show that title to the common elements, areas, or facilities are free and clear of any objectionable liens and encumbrances, including any statutory or mechanics' liens for labor or materials related to improvements on the common areas that began before the title policy was issued.

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The title policy must protect Planet by insuring:

- The mortgage is superior to any lien for unpaid common expense assessments. In jurisdictions that give these assessments a limited priority over a first or second mortgage lien, the policy must provide assurance that those assessments have been paid through the effective date of the policy.
- Against any impairment or loss of title of Planet's first lien caused by any past, present, or future violations of any covenants, conditions, or restrictions of the master deed for the project. It must specifically insure against any loss that results from a violation that existed as of the date of the policy.
- That the unit does not encroach on another unit or any of the common elements, areas, or facilities. The policy also must insure that there is no encroachment on the unit by another unit or by any of the common elements, areas, or facilities.
- That the mortgage loan is secured by a unit in a condo project that has been created in compliance with the applicable enabling statutes.
- That real estate taxes are assessable, and a lien may only be placed on the individual condo unit and its undivided interest in the common elements, rather than against the project as a whole.
- That the owner of a PUD unit is a member of the HOA and that the membership is transferable if the unit is sold.

### **Leasehold Estates**

A mortgage that is subject to a leasehold estate must have an ALTA Endorsement 13.1-06. When a mortgage loan is secured by a property held by a community land trust, the lender's title insurance policy (or an endorsement to the policy) must expressly confirm the following:

- The recording of the complete community land trust ground lease or ground lease memorandum.
- The recording of the Community Land Trust Ground Lease Rider (Form 2100).
- The community land trust mortgage is a first lien on the leasehold estate and the improvements.
- There are no existing mortgage loans or other liens on the fee estate, except as may be permitted under Form 2100.
- The ground lessor's reversionary interest is subordinate to the community land trust mortgage.
- There are no related community land trust ground lease occupancy and resale restrictions, covenants, or agreements that "run with the land," and have been recorded apart from the ground lease, except as may be permitted under Form 2100.

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### Title Exceptions

Loans with title exceptions are not eligible for purchase by Planet, specifically unpaid real estate taxes, and survey exceptions.

A survey or Alta 9 endorsement if required. If surveys are not commonly required in particular jurisdictions, an ALTA 9 Endorsement is acceptable. If it is not customary in a particular area to supply either the survey or an endorsement, the title policy must not have a survey exception.

By delivering the loan to Planet the lender warrants that any minor impediments do not materially affect the marketability of the property and agrees to indemnify Planet if Planet should later incur a loss that can be directly attributed to the impediment(s).

Title for a property that secures a conventional mortgage is acceptable even though it may be subject to the minor impediments.

Examples of minor impediments, include, but are not limited to:

- Customary public utility subsurface easements that were in place and completely covered when the mortgage was originated, as long as they do not extend under any buildings or other improvements.
- Above-surface public utility easements that extend along one or more of the property lines for distribution purposes or, along the rear property line for drainage purposes, as long as they do not extend more than 12 feet from the property lines and do not interfere with any of the buildings or improvements or with the use of the property itself.
- Mutual easement agreements that establish joint driveways or party walls constructed on the security property and on an adjoining property, as long as all future owners have unlimited and unrestricted use of them.
- Restrictive covenants, conditions, cost, and minimum dwelling size, or set back restrictions, as long as their violation will not result in forfeiture or reversion of title or a lien of any kind for damages, or have an adverse effect on the fair market value of the property.
- Encroachments of one foot or less on adjoining property by eaves or other overhanging projections or by driveways, as long as there is at least a ten-foot clearance between the buildings on the security property and the property line affected by the encroachment.
- Encroachments on adjoining properties, as long as those encroachments consist only of hedges or removable fences.
- Outstanding oil, water, or mineral rights that are customarily waived by other lenders, as long as they do not materially alter the contour of the property or impair its value or usefulness for its intended purposes.

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- Variations between the appraisal report and the records of possession regarding the length of the property lines, as long as the variations do not interfere with the current use of the improvements and are within an acceptable range. Front property lines, a 2% variation is acceptable; for all other property lines, 5% is acceptable.
- Rights of lawful parties in possession, as long as such rights do not include the right of first refusal to purchase the property. No rights of parties in possession, including the term of a tenant's lease, may have duration of more than two years.
- Minor discrepancies in the description of the area, as long as the lender provides a survey and affirmative title insurance against all loss or damage resulting from the discrepancies.
- Exceptions to Indian claims, as long as the lender is insured against all loss and damage from such claims.

Loans secured by properties with an unexpired redemption period are not eligible for purchase unless:

- The property is located in a state where it is common and customary to sell single-family residential properties during the redemption period.
- The mortgagee policy of title insurance must take specific exception to the unexpired right of redemption but also affirmatively insure the mortgagee against all loss arising out of the exercise of any outstanding right of redemption, without qualification.
- If any party exercises a right to redeem the mortgaged property, the mortgage must be paid off directly out of the redemption proceeds with no requirement for any further action or claim for repayment.
- By delivering the mortgage loan to Planet, the Seller warrants that Planet will not incur any loss due to the exercise of any party of a right to redeem the mortgaged property, including without limitation, a loss related to a borrower default due to a dispute with the redeeming party over the terms of the redemption. Additionally, the lender agrees to indemnify Planet if Planet should incur a loss that can be directly attributed to the impediment(s).

### Compliance with Statutes and Regulations

The Seller must comply with all local, state, and federal statutes and regulations governing the transfer of servicing and notification to the borrower. All interim servicing performed on loans purchased by Planet, must be serviced in accordance with this Seller Guide.



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### **IRS Reporting**

The Seller must comply with IRS reporting requirements for points and interest paid by the borrower, interest on escrow funds paid by the Seller, and tax disbursements as of the effective date of servicing transfer. It is the Seller's responsibility to prepare and deliver a change of servicer notification and a Servicing Transfer Letter to the borrower.

The Servicing Transfer Letter (aka Good-bye Letter) must comply with all applicable laws and statutes governing the transfer of servicing.

### **Notification of Change of Servicer**

A Notification of Change of Servicer is required for all of the following, as applicable.

- Condominium Insurers,
- Earthquake Insurers.
- Flood Insurance Company,
- Flood Zone Determination Company,
- Property Insurance Company,
- Private Mortgage Insurance Company, and
- PUD Insurers.

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### Payments Received by Seller

If a Seller receives a payment due to Planet, it is the Seller's responsibility to endorse and forward the payment within 24 hours of receipt.

Payments should be mailed to the following address:

Planet Home Lending, LLC  
321 Research Parkway, Suite 303  
Meriden, CT 06450  
Attn: Transfer Coordinator

### Payment Endorsement

All payments must be endorsed as follows:

Pay to the Order of Planet  
Home Lending, LLC  
Without Recourse  
(Name of Seller)  
(Signature of Officer)  
(Officer's Name and Title)

The Planet servicing number must be included on all payments to ensure proper credit.

### Escrow Reconciliation

If a Seller is due escrow funds from Planet, a written request must be submitted for reimbursement; funds will **not** be issued without a written request. The request must include documentation supporting the request. The Seller has 120 days after the date of purchase to request funds.

Federal law prohibits any reimbursement from the escrow account after an escrow analysis has been completed therefore all reimbursement requests received after 120 days will be denied.

Planet strongly recommends the Seller conducts a reconciliation of the escrow immediately after purchase. The borrower is allowed to request an early analysis or an escrow deletion on their loan.

To expedite the request for reimbursement of escrow funds, the Seller must submit the following documentation:

- A written request for reimbursement of escrow funds,
- The Closing Disclosure/HUD-1 Settlement Statement,
- The loan history, and
- The loan submission summary.

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### Tax Information

The Seller is responsible for providing Planet with complete and accurate tax information. This information is imperative to properly begin the administration of the tax escrow account for servicing.

The Seller is responsible for any tax penalties incurred due to incorrect information being provided to Planet.

A sample Tax Record Information Sheet is located on the website under the “Forms and Resources” link. The Planet form is not required; Sellers may use their own form as long as all of the required information is provided.

### Purchase Advice

When a loan has been approved for purchase, Planet will notify y the Seller of each scheduled purchase date by posting the Purchase Advice in the CORE Seller Portal. A Planet Sales Service Representative (SSR) will notify Seller by phone and/or email. The Purchase Advice will detail the wire amount that will be transmitted via wire transfer.

### Wire Transfer

On the purchase date, Planet will wire all transfer funds due to the depository institution that is identified on the wire transfer instructions or Bailee Letter. The funds will include the principal balance adjusted for interest, premiums, discounts, escrow and any other applicable fees.

A sample of the Wire Authorization form is located on the Planet website, under the “Forms and Resources” link.

### Purchasing

On the date of purchase, the unpaid principal balance of the loan will be calculated based on the effective servicing transfer date.

- Loans purchased on or before the 10<sup>th</sup> calendar day of the month; the effective servicing transfer date will be the first day of the month following the month of purchase.
- Loans purchased after the 10<sup>th</sup> calendar day of the month; the effective servicing transfer date will be the first day of the second month following the month of purchase.

Examples:

- If a loan is purchased on January 6<sup>th</sup> the effective servicing transfer date would be February 1<sup>st</sup>.
- If a loan is purchased on January 15<sup>th</sup>, the effective servicing transfer date would be March 1<sup>st</sup>.

If a loan payment is scheduled before the servicing transfer date, the principal portion of the scheduled payment will be deducted from the principal balance of the loan.



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### Escrow Funds

Planet will require an impound/escrow account on all loans with an LTV of 80.01% or more unless prohibited by state law. Mortgage insurance must always be impounded unless prohibited by state law.

Planet strongly recommends that when an escrow account for taxes and insurance is established at closing, the taxes and insurance are calculated using the maximum cushion permitted by the mortgage loan documents or applicable law, whichever is lower. If a lesser amount is escrowed, the borrower may experience an unexpected increase in their monthly payment shortly after the transfer date. An escrow cushion is not collected for private mortgage insurance or FHA's mortgage insurance premium.

Borrowers have the option to request an impound account for taxes and insurance when impounds are not mandated by policy or state law. Loans with impounds will be purchased with the impound balance.

### Escrowed Flood Insurance Premiums

Planet aligns with the Biggert-Waters Flood Insurance Reform Act of 2012 regarding escrowed flood insurance premiums; on all loans closed on or after January 1, 2016, including but not limited to Higher-Priced Mortgage Loans (HPML), the Seller must provide the following prior to purchase by Planet:

- Evidence that all flood insurance premiums have been escrowed (regardless of any other fees and charges associated with the loan) prior to purchase.
- Seller must provide an SFHDF (Standard Flood Hazard Determination Form) on all properties prior to purchase by Planet.

Note: Planet will not waive the escrow for flood insurance premiums on loans secured by 1-4 unit properties (including PUDs and site condos). Loans closed on or after January 1, 2016, where flood insurance is required, and no flood escrow has been established are **not** eligible for purchase.

**Planet will not purchase loans with negative escrow balances.**

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### Purchase Reconciliation

The purchase amount will be calculated by adjusting the principal balance, plus any applicable fees or penalties (based on the Transfer of Service) minus the following:

- Escrowed funds calculated by Planet.
- Fees and interest payments scheduled prior to, but not including, the purchase date.

Sellers will be credited any interest not collected and accrued on the loan prior to, but not including, the purchase date.

The purchase price will be adjusted accordingly when satisfactory evidence of payments is provided to Planet.

The Purchase Advice will show all figures. Calculation of purchase proceeds will use the unpaid principal balance of the loan and include accrued interest based upon a 360-day year. Loans originated using a 365-day year are also eligible for purchase, but per diem used for the purchase will be based upon a 360-day year. This period begins the 1<sup>st</sup> day of the month through the day prior to the purchase date.

If the purchase date is before the cut-off date (the 10<sup>th</sup> day of the month), the loan will be purchased based on the assumption that the interest is paid to the 1<sup>st</sup> day of the month.

### Loans Purchased into the Month

Loans purchased after the 10<sup>th</sup> day of the month will amortize the principal balance forward. After purchase, the Seller will retain one scheduled P&I payment. All other excess principal or escrow payments received by the Seller must be forwarded to Planet.

The Seller is required to remit any payments received from a borrower after the transfer date to:

Planet Home Lending, LLC  
321 Research Parkway, Suite 303  
Meriden, CT 06450  
Attn: Transfer Coordinator

The Planet servicing number must be clearly identified on the payment.

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### Notification Letters

Notification Letters must be sent for the following:

#### Property Insurance

All mortgage loans must have a hazard policy that insures the mortgaged property. The Seller must notify the borrower's insurance carrier that as of the date of transfer the mortgagee clause must read:

Planet Home Lending, LLC  
Its Successors and/or Assigns, ATIMA  
P.O. Box 5023  
Troy, MI 48007-5023

The Seller must pay all insurance premiums when the bill is due and available prior to purchase by Planet.

#### Flood Insurance

If a property is located in a special flood hazard zone, the borrower must have a flood policy covering the mortgaged property. The Seller must notify the borrower's insurance carrier that as of the date of transfer the mortgagee clause must read:

Planet Home Lending, LLC  
Its Successors and/or Assigns, ATIMA  
P.O. Box 5023  
Troy, MI 48007-5023

If the mortgaged property is **not** located in an SFHA but the borrower elects to secure flood insurance, Planet will **not** collect the escrow funds for disbursement for flood insurance.

If the mortgaged property is in an SFHA and is covered by flood insurance, Planet must also escrow the flood insurance if hazard insurance is being escrowed.

#### Flood Determination

Every mortgage loan must have a Life of Loan Flood Determination. The Seller is required to notify the Flood Determination Company that as of the transfer date the servicer is changed to the following:

Planet Home Lending, LLC  
Its Successors and/or Assigns, ATIMA  
P.O. Box 5023  
Troy, MI 48007-5023

## Chapter 8 – Loan Purchasing

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### **Private Mortgage Insurance**

The Seller is responsible for making any PMI disbursements due on amortized loans prior to the transfer date on any mortgage loan requiring Private Mortgage Insurance (PMI); The Seller must notify the PMI Company that as of the transfer date the servicer is changed to the following:

Planet Home Lending, LLC  
Its Successors and/or Assigns, ATIMA  
P.O. Box 5023  
Troy, MI 48007-5023

### **Taxes**

All original tax bills must be forwarded to the following:

LERETA, LLC  
1123 Parkview Dr.  
Covina, CA 91724

If the property is located in the state of New Jersey, Planet's bank code "00597" must be included on the Authorization letter to the tax office.

The Seller must make every effort to accurately determine the amount of taxes on the property including contacting the appropriate taxing authority if required. Planet requires property taxes to be calculated based on Fannie Mae requirements, which require the calculation be based on no less than the current assessed value of the property.

Purchase transactions involving an existing property the tax calculation should be based on the effective rate for the tax rate area where the property is located if located in a state/jurisdiction that re- assesses the property after purchase/transfer. The effective rate and the timeline for the re- assessment may be obtained from the county/jurisdictional tax assessor's office which can be accessed on-line. If the information cannot be obtained, the tax calculation should be based on the preliminary title report. If the property is subject to Mello Roos or other special assessments, and the taxes are being taken directly from the preliminary title report, the amount of the Mello-Roos/special assessments must be added. If the tax calculation is lower than the current taxes, the calculation must be documented on the 1008/LT.

Refinance transactions should have the taxes calculated based on the preliminary title report unless the property was recently purchased and the taxes will be greater than the amount shown on the prelim.

In Purchase transactions, the taxes should be calculated based on 1.25% of the sales price plus any Mello-Roos and other special assessments unless there is documentation provided that lower calculations apply.

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If a mortgage loan is secured by new construction or is an existing property where improvements to the property have been completed, taxes provided by the taxing authority may be under-assessed.

When a mortgage loan is closed on a newly built dwelling (previously unimproved land), a monthly impound will be assessed based on “Full Value” to avoid payment shock to the borrower. This assessment will be based the unimproved land and the newly built dwelling.

The Seller must pay all unpaid taxes when the bill is due and available prior to purchase by Planet. The Seller is responsible for identifying Multiple Tax Parcels. Planet will not be responsible for any loss, expenses or penalties associated with taxes not paid at closing or for Multiple Parcels not identified at the time of purchase.

The Seller should not place a tax service; the servicer will **not** accept a tax service and the servicer will not be responsible for any transfer fee related to a tax service that has been placed by the Seller.

### **Loan Assignments**

Planet recommends that Sellers utilize the Mortgage Electronic Registration Systems (MERS) to transfer ownership and servicing of loans to Planet. No assignment is necessary if the Security Instrument is a MOM document.

Loans should be closed with MERS as the Original Mortgagee (MOM) or as the Assignee.

Planet Loans are registered in MERS as Planet Home Lending.

The Planet Home Lending Organization ID is: 1006543

### **MERS as Original Mortgagee (MOM) Loans**

Sellers that are MERS members should complete the loan closing on MOM documents; no assignments are required. The Mortgage Identification Number (MIN) is placed on the Security Instrument to the right of or below the form title (do not place within the recording margin of the document).

### **MERS as the Assignee**

Sellers should designate MERS as the assignee on the Assignment of Mortgage as follows:

Mortgage Electronic Registration Systems, Inc.  
Its Successors and/or Assigns  
P.O. Box 2026  
Flint, MI 48501-2026

The loan number and MIN number should be printed at the top of the Assignment, directly above the recorder information. The MERS phone number (888-679-6377) should also be included at the top of the page.

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### **MERS Rider**

A MERS Rider (Form 3158) will be required for loans registered with MERS, with a Note dated on or after October 15, 2014, in the following states:

- Montana
- Oregon, and
- Washington.

Post-closing assignment to MERS is prohibited in these states.

### **Non-MERS Loans**

The Seller, at its sole expense, must prepare an assignment of mortgage for each mortgage loan sold to Planet. The loan must be assigned to MERS.

To obtain the MIN number required for the Assignment Sellers must contact Planet's Loan Purchasing department.

The Seller is responsible for recording the original assignment

Sellers should refer to the sample "Assignment to MERS from a Non-MERS Servicer/Investor Exhibit." available on the Planet website at [www.phlcorrespondent.com](http://www.phlcorrespondent.com) under the "Forms and Resources" link.

### **Transfer of MERS MIN**

Within five (5) days of purchase, the Seller is responsible for transferring the MIN to Planet Home Lending as Planet Home Lending Financial Services, Inc. ID 1006543. Once a batch number has been obtained the Seller is responsible for emailing the information to the Planet Purchasing Department at [phlMers@Planethomelending.com](mailto:phlMers@Planethomelending.com).

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### Post Purchase Documents

#### Final Documents and Delivery Instructions

The Seller must submit final documents to Planet within 120 days of the purchase date. Prior to delivery, the Seller must review all post-closing documents. Final documentation includes, but is not limited to:

- **Original** recorded security instrument,
- **Original** recorded assignments to Planet Home Lending, and
- Any additional documentation specified by Planet Home Lending.

Upon completion of the review, the Seller must send the above final documents to Planet at the following address:

Planet Home Lending, LLC  
Attn: Correspondent Trailing Documents  
10025 Governor Warfield Parkway, suite 301  
Columbia, MD 21044

The final title policy with applicable endorsements may be mailed to the address above, uploaded into the CORE Seller Portal through the "Upload Documents" link **or** emailed to:  
[corrtrailingdocuments@planethomelending.com](mailto:corrtrailingdocuments@planethomelending.com).

#### Seller Repurchases

If the Seller fails to provide complete final documentation within 120 days of purchase date, the loan will be Subject to repurchase.

If the sole reason that the Seller did not meet the provision above is due to the fault of the public office where the documentation was recorded (i.e. failure to return the documentation back to the Seller) and the Seller made a diligent effort to obtain the documentation; such failure shall not require repurchase.





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### **Principal Curtailment with recast payment**

Planet will allow Principal Curtailment payments with re-amortization (recast) of payment on conventional loan products. Borrowers can request directly through Planet servicing.

- Request must be made in writing,
- The principal reduction payment is a minimum of \$10,000.00,
- All checks must be received as “Certified Funds” with the exception of Insurance loss checks,
- The loan must be in good standing and payments current at time of request,
- There will be a transaction processing fee of \$150.00.

Written request must be sent to the following address:

Planet Home Lending, LLC  
321 Research Parkway, Suite 303  
Meridian, CT 06450  
Attn: Cash Management  
Phone: (866)  
Phone: (866) 882-8187  
Hours: Monday- Friday 8:30am – 9:00pm EST



## Forms

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### Forms

Forms are available on the Planet Home Lending website located at [www.phlcorrespondent.com](http://www.phlcorrespondent.com). Login to CORE and select "Forms and Resources".

## Announcements

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### Announcements

Announcements are posted on the Planet Home Lending website located at [www.phlcorrespondent.com](http://www.phlcorrespondent.com).  
Login to CORE and select “Announcements” to view.