Planet Home Lending
CORRESPONDENT DIVISION

SELLER GUIDE

Contents

Introduction

Planet Home Lending, LLC (Planet) 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.

Planet will purchase loans underwritten and closed by the Seller in all states and U.S. territory of Puerto Rico. *See* Chapter 1: Seller Eligibility for restrictions.

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, High Balance, HomeReady, RefiNow, HomeStyle Renovation, High LTV Refinance Options (Fixed/ARM).
- FHA: Standard, Streamline, 203(h), 203(k) (Fixed/ARM)
- Freddie Mac: Conforming and Super Conforming, Refi Possible, Choice Renovation, Choice Reno eXPress, Home Possible, HomeOne (Fixed Rate)
- Home Equity Loan 2nd Lien (HELOAN)
- VA, VA IRRRL, and VA Alterations and Repair Conforming & High Balance (Fixed/ARM)
- USDA: Purchase and Non-Streamlined refinance, Streamlined, and Streamlined-Assist (Fixed Rate)

Planet's centralized Correspondent platform streamlines 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.

Planet Home Lending Funding Website

The Planet website is 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 referred to as the "CORE Seller Portal".

Use of the Seller Guide

This Seller Guide contains confidential information and is the sole property of Planet. This Seller 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 programs unless otherwise denoted. Sellers should follow the applicable Agency guidelines for any topic not addressed in the individual program guidelines or on the Planet Overlay document.

Updates to the Seller Guide

Sellers are responsible for staying up-to-date on Planet's current loan programs and guidelines. All updates to the Planet Seller Guide and Planet Announcements are in writing and posted on the CORE Seller Portal located at 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 Seller's responsibility to address any and all questions regarding Planet's policies and guidelines.

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

Doing Business with Planet Home Lending

Planet hours of operation are Monday through Friday 8:00 A.M. to 5:00 P.M. Pacific Time. In addition, Sales Service Representatives are available from 6:30 A.M. to 5:30 P.M. Pacific Time.

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

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

Chapter 1: Seller Eligibility

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.

Loans submitted for purchase shall be subject to extensive Quality Assurance (QA) 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 (QC). 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 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) with 20% liquidity. 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 < 25% of TNW, net of reserves and the most recent audited year-end and quarterly financials must document profitability.

Experience

Mortgage lending or banking must be the Seller’s primary business. It is required that there is a minimum of five 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.

FHA Sponsored Third-Party Originator (TPO)

A non-delegated, approved Seller that is also approved as a FHA Mortgagee, has the option of being a Sponsored TPO. 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 Seller that is also approved as a FHA Mortgagee with unconditional Direct Endorsement (DE) authority, has the option of being 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
Delegated Underwriting Experience	5 years
Management Experience	5 years
Loan Amount	Up to Agency High Balance Limits
Minimum Net Worth	$1,000,000
Liquidity	20.00%

TPO

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

U.S. Territories

For properties located in approved U.S. territories, Sellers must be expressly authorized by Planet to submit loans for purchase.

Standard Conventional Conforming Loans

Fannie Mae Desktop Originator Sponsorship

Planet offers sponsorship to Fannie Mae's Desktop Originator (DO) system for Seller's that do not have a Seller/Servicer Master Agreement with Fannie Mae. Planet DO sponsorship will allow Seller's access to Fannie Mae's Desktop Underwriter (DU) automated underwriting system.

DO Registration

Sellers may register their company for the DO system through the following link:

- Desktop Underwriter and Desktop Originator Learning Center
- Select the link for DO Online Registration for Brokers under the "Other Resources" heading, which will lead you to the registration instructions within Fannie Mae's Technology Manager.

Sponsorship Request

Once registered to use DO, the Seller may request Planet Home Lending as a sponsor by completing the following steps through the Technology Manager Application after signing in with their log-in credentials:

- Click Request Additional Sponsorships
- Planet Home Lending, LLC from the list of Sponsoring Lenders
  - When assigning DU access, please select 692313 – Planet Home Lending, LLC
- Complete the remaining instructions to submit the access request.

Sponsorship Approval

Fannie Mae will inform Planet's TPO Client Administration regarding the sponsorship authorization request. Once Planet has accepted the sponsorship request, Fannie Mae will notify the Seller the request has been approved.

Please note that changing sponsors may result in a new case file ID being generated, which may update/change the AUS findings.

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.

Additional eligibility requirements apply to all Sellers submitting government loans for purchase in Puerto Rico. Approved Sellers must be expressly authorized by Planet, and have the ability to originate, process, and close 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 Approved 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 and 3555-16
Delegated Underwriting Experience	5 years
Management Experience	5 years

eNotes

An electronic promissory note (eNote) is the digital equivalent of a paper promissory note. Like a paper note, an eNote includes the terms for repayment of the loan (e.g., interest rate, loan term, loan amount). Unlike a paper note, an eNote includes language that identifies it as eNote that is electronically generated, presented, and signed (eSigned).

Prior approval from Planet is required for eNote delivery.

To begin the approval process, Sellers should reach out to their Regional Sales Manager for documentation required for approval.

Planet Client Administration will coordinate eNote systems and warehouse testing with the Seller. Upon completion, Planet TPO Client Administration will provide final approval.

The following products and loan attributes are ineligible with eNote delivery:

- **Loans using a Remote Online Notarization (RON)**
- **Loans using an In-Person Electronic Notarization (PEN)**

- **FHA, Home Equity 2nd Liens, USDA, and VA loans**
- NY CEMA loans
- Mortgages on properties located in Puerto Rico
- **Renovation loans**
- Construction-to-permanent financing (Single Closing) loans (OTC)
- Co-op loans
- Texas Section 50(a)(6) loans
- **Loans closed using a power of attorney**
- **Loans secured by community land trust properties**
- Manufactured homes located in a certificate of title state
- Mortgages to inter vivos revocable trust properties
- Any products that require additional or special purpose legal documents
- Not closed on MOM Documents, MERS required

Application Process

The prospective Seller is directed to the Comergence website to complete the application form and upload all documents required by Planet. The use of Comergence 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:

1. Completed Correspondent Application (www.comergence.com)
2. Executed Correspondent Agreement
3. Previous two 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 months' QC reports with management responses to adverse findings
13. Copies of Agency Approval Letters
14. Warehouse References - Evidence of `minimum of two warehouse lines of credit or alternative acceptable funding sources
15. Investor Scorecards, two minimum
16. Zero Tolerance Loan Fraud Policy
17. IRS Form W-9

Underwriting Delegation Approval (if applicable):

18. Executed Delegated Underwriting Addendum

FHA Approval (additional items if applicable):

19. Executed FHA Approval Addendum
20. Copies of DE Underwriter's resumes
21. Copy of FHA Lender Approval Letter

FHA 203(k) Delivery Approval:

22. Completed Questionnaire

VA Approval (additional items if applicable):

23. Copy of VA Automatic Lender Approval Letter
24. Copy of Resumes of VA Underwriters

USDA Approval (additional items if applicable):

25. 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"
26. Copy of USDA Underwriter's resumes

Comergence performs the following tasks as to all of Seller's direct individual owners:

- Validation of corporate NMLS ID and all NMLS ID's associated with the company
- Last seven years' State and Federal Civil Filings
- Last seven years' State and Federal Criminal Filings
- HUD Limited Denial Participation (LDP)
- Office of Foreign Assets Control (OFAC)
- Excluded Parties List System (EPLS)
- Last seven 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.

Comergence performs the following tasks as to all of Seller's 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 years' State and Federal Civil Filings as applicable
- HUD Limited Denial Participation List (LDP)
- Office of Foreign Assets Control (OFAC)
- Last seven 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.

Comergence performs constant monitoring of the following information:

- Judgments and Tax Liens
- Bankruptcies
- Civil and Criminal Records
- OFAC
- Information appearing in the NMLS database.

A Planet analyst verifies that the file is complete, reviews the Comergence results, and performs the following tasks:

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

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

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

Approvals

Seller Approval

Seller is informed of approval in writing. Upon approval, Planet issues a Seller Identification Number and an administrative login granting access to Planet's CORE Seller Portal. Additional credentials are issued upon request if so authorized.

Special Approvals

An approval letter is issued by Planet, indicating the Seller's Underwriting Delegation Authority and approval to sell FHA, Home Equity 2nd Liens (HELOAN), Renovation, Puerto Rico, VA, USDA Loans, and loans utilizing eNotes.

Ongoing Requirements

Planet uses Correspondent Surveillance Services through Comergence. This service includes ongoing monitoring of all licenses in each state that the Seller is conducting business. Should

Planet receive any potentially adverse data, it is reviewed by Planet's Chief Compliance Officer/Senior Counsel.

Furthermore, Planet shall review Seller's 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. The Chief Compliance Officer/Senior Counsel makes the final decision as to Seller's status.

Annual Recertification (Seller Annual Renewal)

Planet sends 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 sends a second and final notification giving an additional 60 days to certify.

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

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

Failure to recertify within the allotted time frame may result in suspension. The documents required for annual recertification include:

1. Completed Renewal Correspondent Application (www.Comergence.com)
2. Previous two 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 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):

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

Maintaining Eligibility and Authorities

The Seller must provide Planet with timely notification of significant events that materially impact their ownership, corporate structure, or financial status. Examples of such significant 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 reviews the circumstances and determines if the Seller'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 , 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 Seller's quality control reporting.

Termination

Termination with Cause

Seller 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 Seller'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. Seller's entire active pipeline shall be canceled unless doing so would cause irreparable harm to a consumer.

Termination without Cause

The Seller can be terminated without cause upon 1 30-day written notice. Only loans locked prior to the termination date are eligible for purchase. A terminated Seller 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 affected as follows:

- Seller's termination is documented within Planet's CORE Seller Portal
- Comergence shall be notified.
- Planet contacts by telephone a principal officer of the Seller to inform them of its decision
- Planet issues a notice of termination in writing to the Seller

Chapter 2: Compliance

Overview

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

Planet requires strict compliance with all Federal Regulations, in addition to all state and local laws, rules and regulations. The Seller should contact its 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
- 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. The Seller should contact its legal counsel for advice on complying with all state disclosure requirements, laws and restrictions.

Planet Commonly Used Terms Defined

Within the scope of this 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 3, 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 1/12th 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 3, 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 state 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 the Seller at all times.

Planet requires the Seller 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 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 SAM List Verifications

All parties on government transactions should be checked against the FHA Limited Denials of Participation (LDP) and System for Award Management (SAM) exclusionary lists for matches. These parties may include, but are not limited to:

- Appraiser
- Appraisal Company
- Borrower(s)
- Closing Agent
- Lender
- Listing Agent
- Mortgage Loan Originator
- Mortgage Processor
- Mortgage Underwriter
- Seller(s)
- Selling Agent
- Title Company
- 203(k) Consultant

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 SAM lists can be accessed at:

LDP: Limited Denials of Participation

SAM: 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.

Loan Estimate

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

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

The initial LE is binding and must reflect the fees and charges the borrower is 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 business days of the change occurring. The Seller 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 is required to issue a check to the borrower to “cure” the RESPA violation.

Closing Disclosure

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

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

NOTE: If sent electronically, 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 business days prior to consummation.

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 business days waiting period. In those instances, the Seller must provide the re-disclosed CD at or before consummation. However, any one of the following change in circumstance triggers an additional three business days waiting period:

- The disclosed APR becomes inaccurate and exceeds tolerance
- The loan product changes
- 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:

- Refund of under-disclosed amount or "cure" means the last disclosed TIL was accurate and no additional disclosure is required.
- On CA loans, per diem interest may only be collected one 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.

The Seller must provide evidence the cure has been issued to the borrower; provide a copy of the cover letter and a copy of the check sent to the borrower.

Notice of Borrower's Right to Cancel

Refinance transactions (owner occupied homes) that are subject to Notice of Right to Cancel (NORTC) must contain two NORTC forms given to the borrower at closing. One form is for the Borrower to keep and, if the Borrower wishes to cancel, the Borrower must execute the other form and submit to the Seller.

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 and/or 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 two copies of the NORTC at closing.
- Transaction date is not the same date as the date the borrower signed the loan documents, evidenced by 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 are required for certain settlement services (i.e., 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.

The Seller is required to maintain copies of all invoices, including but not limited to:

- Credit Report
- Appraisal
- Recording Fees

NOTE: Seller may be required to provide documents upon request.

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 are required for each loan:

- **Mandatory Photo ID**

  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 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 to verify the borrower is not on the OFAC SDN list.

Data Collection of Information for Government Monitoring Purposes

The Demographic Information Addendum must be completed for each borrower. If a face-to-face interview was conducted and the borrower does not wish to furnish the information, the interviewer must complete the information based on visual observations or the surname of the borrower.

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. 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.

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 ATR and Qualified Mortgage requirements under the CFPB's final regulation nor is it intended as legal advice. The Seller is 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, the Seller is responsible to ensure all applicable disclosures and documentation required under the ATR and QM provisions of the Dodd-Frank Act are provided. The Seller should consult with its own legal counsel to guarantee understanding and compliance of the ATR and QM rules.

Purchase and refinance transactions secured by **owner-occupied and second homes** are covered by ATR/QM rules.

ATR/QM rules do not apply to the following:

- Investment properties that are for business purposes.
- 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).

Planet shall not make a loan unless Planet makes a reasonable and good faith determination that the consumer will have a reasonable ability to repay the loan according to its terms, as outlined in TILA.

Planet will make a reasonable and good faith determination that the consumer will have a reasonable ability to repay the loan according to its terms at or before consummation (closing). Planet may satisfy the requirement to make a reasonable and good faith determination that a consumer has the ability to repay the covered transaction by making a QM loan in accordance with the applicable requirements.

In doing so, Planet pursuant to its underwriting standards will review and consider the following factors which include, but are not limited to:

1. The consumer's current or reasonably expected income or assets, other than the value of the dwelling, including any real property attached to the dwelling, that secures the loan;
2. If the creditor relies on income from the consumer's employment in determining repayment ability, the consumer's current employment status;
3. The consumer's monthly payment on the covered transaction, calculated using the greater of the fully indexed rate or any introductory interest rate and monthly, fully amortizing payments that are substantially equal (with special rules for loans with a balloon payment, interest-only loans, and negative amortization loans);
4. The consumer's monthly payment on any simultaneous loan that the creditor knows or has reason to know will be made, taking into account any mortgage-related obligations and calculated in accordance with specific requirements depending on if the simultaneous loan is a covered transaction or a HELOC;
5. The consumer's monthly payment for mortgage-related obligations;
6. The consumer's current debt obligations, alimony, and child support;
7. The consumer's monthly debt-to-income (DTI) ratio or residual income; and
8. The consumer's credit history.

Planet may request additional documentation if determined necessary to establish a consumer's reasonable ability to repay the loan. The ability to repay assessment will be determined at or before the loan is consummated.

Non-QM programs may provide specific investor required documentation and processes in order to satisfy the ATR requirements for specific programs and scenarios. Planet will comply with the applicable investor guidelines for loan programs, including Non-QM programs.

Verification using Reasonably Reliable Third-Party Records

Planet will verify the eight underwriting factors using reasonably reliable third-party records that are specific to the individual consumer and provide reasonably reliable evidence of the information sought to be verified.

A reliable third-party record includes, but is not limited to:

- A document or other record prepared or reviewed by an appropriate person other than the consumer, Planet, or other such interested parties;
- A copy of a tax return filed with the IRS or a state taxing authority;
- A record that Planet maintains for an account of the consumer held by the Planet;
- If the consumer is an employee of Planet, a document or other record maintained by Planet regarding the consumer's employment status or employment income;

- A form that Planet gives to a third party to provide information, even if Planet completes parts of the form unrelated to the information sought.

Third-party records may be submitted electronically or provided in hard copy. Planet must be able to reproduce accurately any records and forms relied on it in determining the ATR.

For the Correspondent channel, Planet ensures the Seller has considered, verified, and complied with the ATR by ensuring the file includes evidence as obtained from the following documents:

- Compliance findings validating a pass of ATR
- Compliance findings validating a pass of QM, where applicable
- Automated Underwriting System (AUS) approval, where applicable
- Evidence of manual approval, where applicable
- Underwriting Analysis (e.g., Final 1008/Loan Transmittal, VA Loan Analysis, FHA Transmittal Summary)
- Income Worksheet

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.

Planet Program	APR	Points and Fees Limits
Fannie Mae (all programs) **Freddie Mac** **FHA** (all programs) **USDA** **VA**	APR must be: <APOR + 1.50%	Thresholds are subject to change annually. • Loan amount ≥ $107,747 limited to 3% of the total loan amount • Loan amount $64,648 to $107,747 $3,232 (flat fee) • Loan amount $40,000 to $64,648 5% of the total loan amount
FHA (HUD Temporary QM)	APR must be: < 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 assuming 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:

- 3 percent of the total loan amount for a loan greater than or equal to $107,747;
- $3,232 for a loan amount greater than or equal to $64,648 but less than $107,747;
- 5 percent of the total loan amount for a loan greater than or equal to $40,000 but less than $64,648

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 (upfront and monthly)
Excess discount points (greater than 2% bona fide) **OR** 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 3rd 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 3rd 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	Compensation paid by the Lender to

Points and Fees Test	
Included	**Excluded**
affiliate	the loan originator/employee

Planet requires 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; the Seller may use its own form, a compliance vendor report, or an LOS-generated form.

Loans that receive an AUS Finding of "Approve/Eligible" or "Accept" or are manually underwritten (government loans only) to Agency and Planet guidelines, are 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 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 business days prior to closing. When counting business days, Saturday is included but Sunday and federal holidays are not.

Emailed Appraisal Copy

The three- 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).

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

NOTE: The three- business day waiting period begins the day the appraisal/valuation was provided to the borrower.

Mailed Appraisal Copy

The three-business day ECOA waiting period requirement begins three 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 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 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-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 business days prior to close. However, **borrower is still required to receive a copy at closing. The Notice with the waiver selected must be signed and dated at least three 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 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 provide a written list of homeownership counseling agencies near the borrower's current zip code within three days of taking a loan application. To view the entire Bulletin, click here: CFPB Bulletin 2013-13.

NMLS Identification

The new rules require 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, such as the Loan Estimate.
  - 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.), or an executed acknowledgment form signed at closing.
- 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

Quality Control Requirements

Planet requires evidence of a fraud check be included in every file submitted for purchase.

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

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

- Borrower validation to include:
  - Address
  - Employment
  - Phone number
  - Property alerts

- Loan Officer
- Seller
- Social security number verification
- MERS and property information to include a minimum 12-month chain of title

Planet does not accept a social security number and an OFAC check alone to satisfy this requirement. The fraud report must include all parties associated with the mortgage transactions to be validated through exclusionary lists including, but not limited to:

- OFAC
- HUD-LDP
- GSA-EPLS
- Freddie Mac Exclusionary List (FMEL)

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

- CoreLogic Loan Safe
- Data Verify
- Interthinx FraudGUARD

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 $25.00 charge to the Seller collected through the Purchase Advice.

Chapter 3: Prior Approval

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 at www.phlcorrespondent.com.

All documents necessary for underwriting must be included at the 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 five business 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 is 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 Seller

The following requires 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

Seller may request Planet approval to deliver 203(k) loans on a non-delegated basis.

Planet purchases loans underwritten and closed by a delegated Seller in all states.

Non-Delegated Seller

Planet purchases loans in all states. The Seller may submit all Fannie Mae, Freddie Mac, FHA, VA, and USDA, products for prior approval. Additional approvals are required for the Seller to deliver FHA and USDA loans for prior approval. All loans delivered by a non-delegated Seller are underwritten prior to purchase.

FHA — Non-Delegated Underwriting

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

Planet.

Sponsored Third-Party Originator Relationship

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

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 Seller with Unconditional DE authority can designate Planet to act as its "authorized agent" for the purpose of underwriting mortgages. The Seller must originate the mortgage and Planet must underwrite the mortgage.

FHA Prior Approval for 203(k) Loans

Delegated and Non-Delegated Sellers may submit FHA 203(k) loans for prior approval under the below stipulations:

- Delegated Sellers must be approved to submit loans for prior approval.
    - All 203(k) loans must be underwritten by Planet prior to loan purchase.
    - The Delegated Seller will be re-established in CORE with a status of "Sponsored" for FHA.
- All non-FHA 203(k) loans can continue to be submitted on a delegated basis.
- Contractor Validation Process:

  As part of the 203(k) process, Planet will offer prior approval of the contractor.
    - Sellers must submit a complete Contractor Validation Package to ensure a complete appraisal.
- Sellers must pay the Up Front Mortgage Insurance Premium (UFMIP) for FHA loans underwritten by Planet, and Planet will submit the loan for insuring.

NOTE: There is an Administration Fee for all FHA 203(k) loans underwritten by Planet is $595.

FHA 203(k) — Seller Draw Administration

Planet will allow approved Sellers to manage the disbursement process. Prior to submission the Seller will:

- Validate that the contractor(s) are qualified to perform the work as agreed to in the Work Write Up or the Contractor Estimate and meets all jurisdictional licensing and bonding requirements. Validation includes:

    - Contractor's credentials
    - Work experience, and
    - Client references
- Manage any disputes between contractor and borrower.
    - Intercede and work with all parties to resolve such issues.
    - Validate a new contractor if the borrower opts to terminate the existing borrower/contractor relationship.
- Maintain communication with the borrower, contractor and consultant including but not limited to providing notices for the following:
    - Rehab has not started within 30 days of the disbursement date
    - Ceases for more than 30 consecutive days; or
    - Has not been completed within the established time, or an extended period approved by the Seller/Planet.
- Obtain the executed HUD-9746-A, Draw Request from the 203(k) Consultant, or the Borrower when there is no 203(k) Consultant.
    - The Seller will review and approve each draw request
        - Ensure the work for which funds are being requested has been completed satisfactorily. and
        - The form has been properly executed prior to submitting the draw request to Planet.
- Submit **Change Orders** to Planet for approval, prior to work being completed.
    - A Contingency Release Letter must be submitted with each change order.
- Order and obtain a title update for each draw (Standard) and final draw (Limited).
- A 10% holdback will apply for all interim draws on Standard 203(k). Holdback funds will not be released until final title update has been received and reviewed by Planet.
- To ensure disbursement within five business days of receipt, the HUD-9746-A and all other applicable documentation listed on the 203(k) Draw Disbursement Request Checklist must be submitted within a timely manner. The Checklist is posted on the CORE Seller Portal at www.phlcorrespondent.com under **Forms and Resources > 203(k) Forms**.

NOTE: Draw Request documents must be sent to Renostar@planethomelending.com.

- Planet must receive the following documentation when the renovation project is complete for proper closeout in FHAC:
    - Borrower Letter of Completion signed by borrower
    - An CO or equivalent, if required by local jurisdiction
    - All inspections required by the local jurisdiction
    - Complete the Final Release Notice authorizing the final payment

    - Obtain a release of any and all liens arising out of the contractor or submission of receipts, or other evidence of payment covering all subcontractors or suppliers who could file a legal claim.
- Authorization from Borrower to apply remaining funds to principal balance.

As part of the Draw disbursement process, Planet will:

- Upon receipt of draw request, respond promptly and advise Seller of any outstanding documentation.
- Upon raw Request approval, wire funds to Seller using instructions provided by Seller.
- All remaining funds, including any interest earned will be applied to the principal balance after the renovation is complete.
- Provide borrower Notice of Principal Reduction
- Process closeout in FHA Connection within 30 days of final draw.

NOTE: Any disbursement made by the Seller must be fully documented and submitted prior to purchase by Planet. An administrative fee of $200.00 is required for each draw disbursement request.

Loan Process

Loans should be submitted for prior approval through the CORE Seller Portal following the normal process.

Seller Responsibilities

- Originate the loan
- Obtain the FHA Case# and identify Planet 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 to HUD for insuring in the name of Planet

Documentation

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

- Final HUD/VA 92900-A Addendum to Uniform Residential Loan Application
- HUD 92900-LT FHA Loan Underwriting and Transmittal Summary
- HUD 92800-56 Conditional Commitment Direct Endorsement Statement of Appraised Value

VA Supervised and Non-Supervised Sponsored Agent

A VA Supervised Lender and Non-supervised Lender may request to be a Non-supervised Sponsored Agent of Planet.

Planet will maintain a copy of the Agent's corporate resolution which includes the geographic area in which the Agent will be originating and/or closing the loans.

Loan Process

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

Seller Responsibilities

- Originate the Loan
- Order the Appraisal/Case Assignment and identify Planet as Sponsoring Lender
- Run CAIVRS and LDP/GSA checks
- Run Total Scorecard
- Close and fund the loan
- Pay VA Funding Fee if applicable (within 15 days from closing date)

Planet Responsibilities

- Underwrite the loan
- Issue the NOV
- Submit the loan to VA and have the LGC issued in the name of Planet.

Documentation

Documents generated by Planet will be provided to the Seller when the loan is "Clear to Close" unless requested earlier.

- 26-1802a VA Addendum to Uniform Residential Loan Application
    - Initial: Seller to provide initial pages 1 & 2 signed by the Borrower and MLO
    - Final: Planet will provide
- 26-6393 VA Loan Analysis
    - Planet will provide
- 26-0286 VA Loan Summary Sheet
    - Planet will provide
- Lenders Notice of Value
    - Planet will print from the VA Portal
- 26-1820 Report and Certification of Loan Disbursement
    - Seller to provide with submission of closing package

USDA Non-Delegated

Seller approval is required for this type of submission.

Loan Process

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

Seller Responsibilities

- Originate the Loan
- Completes initial submission to GUS
- Run CAIVRS and LDP/SAM checks
- Processes loan prior to submission to Planet
- Close and fund the loan

Planet Responsibilities

- Underwrite the loan
- Final Submission to GUS
- Pays upfront guarantee fee
- Submit loan for insuring

Documentation

Documents generated by Planet will be provided to the Seller when the loan is "Clear to Close" unless requested earlier.

- RD 3555-21 Request for Single Family Housing Loan Guarantee
    - Initial: Seller to provide initial signed by the Borrower(s)
    - Final: Planet will provide
- RD 3555-18 Conditional Commitment for Single Family housing Loan Guarantee
    - Planet will provide

Chapter 4: Mortgage Insurance

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 accepts MI issued by any MI company that is Fannie Mae or Freddie Mac approved. View approved MI companies at FannieMae.com or FreddieMac.com. The MI coverage must meet the requirements detailed in the "Coverage Requirements " on page 41 listed below.

Eligible Types of Mortgage Insurance

Planet accepts 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 MI 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 MI premium

  Additionally, the following applies to financed MI:

  - The amount of required MI 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 MI, by the lower of the sales price or current appraised value.
  - The loan amount, including the financed MI premium, can never exceed the applicable loan or LTV limit.
- Lender paid mortgage insurance (LPMI) with a single premium only
- Split Premium

The following MI options are available:

- Non-refundable
- Refundable
- Level/constant renewal

Ineligible Types of MI

Planet will not accept the following types of MI:

- Reduced coverage
- Lender paid with monthly or annual premiums
- 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 x 2.55% = $2,550.00 (total amount of premium)
  $100,000 x 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 requires 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 95%.

***See* Fannie Mae Conforming program guidelines for eligibility > 95% LTV.

Chapter 5: Products and Programs

Planet 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
- ARM: The index used must be the SOFR (Secured Overnight Financing Rate).5/6 Caps are 2/1/5, 7/6 &10/6 Caps are 5/1/5. Margin is 3.00. 5/6 ARMs are qualified at the greater of: Note rate plus 2%; or the fully indexed rate; 7/6 and 10/6 are qualified at the note rate.

Fannie Mae High Balance Program

- Fixed Rate: Fully amortizing 10-, 15-, 20-, 25- and 30-year terms
- ARM: The index used must be the SOFR (Secured Overnight Financing Rate).5/6 Caps are 2/1/5, 7/6 &10/6 Caps are 5/1/5. Margin is 3.00. 5/6 ARMs are qualified at the greater of: Note rate plus 2%; or the fully indexed rate; 7/6 and 10/6 are qualified at the note rate.

Fannie Mae HomeReady

- Fixed Rate: 10-, 15-, 20- and 30-year terms
- ARM: The index used must be the SOFR (Secured Overnight Financing Rate).5/6 Caps are 2/1/5, 7/6 &10/6 Caps are 5/1/5. Margin is 3.00. 5/6 ARMs are qualified at the greater of: Note rate plus 2%; or the fully indexed rate; 7/6 and 10/6 are qualified at the note rate.

Fannie Mae RefiNow

- Fixed Rate conforming only: 10-, 15-, 20-, 25- and 30-year terms

Fannie Mae HomeStyle Renovation

- Fixed Rate: 10-, 15-, 20- and 30-year terms
- ARM: The index used must be the SOFR (Secured Overnight Financing Rate). 5/6 Caps are 2/1/5, 7/6 & 10/6 Caps are 5/1/5. Margin is 3.00. 5/6 ARMs are qualified at the greater of: Note rate plus 2%; or the fully indexed rate; 7/6 and 10/6 are qualified at the note rate.

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

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

Freddie Mac Conforming and Super Conforming Program

- Fixed Rate: Fully amortizing 10-, 15-, 20-, 25-, and 30-year terms
- ARM: The index used must be the SOFR (Secured Overnight Financing Rate).5/6 Caps are 2/1/5, 7/6 &10/6 Caps are 5/1/5. Margin is 3.00. 5/6 ARMs are qualified at the greater of: Note rate plus 2%; or the fully indexed rate; 7/6 and 10/6 are qualified at the greater of the note rate or the fully indexed rate.

Freddie Mac Refi Possible

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

Freddie Mac Choice Renovation

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

Freddie Mac ChoiceReno eXPress

- Fixed Rate: Fully amortizing 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

Freddie Mac HomeOne

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

Freddie Mac Home Possible

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

Home Equity Loan 2nd Lien (HELOAN)

- Fixed Rate: Fully amortizing 15- and 30-year terms

Government Programs

FHA Conforming and High Balance Program

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

FHA Streamline Program – Conforming and High Balance

- Fixed Rate: Fully amortizing 15- and 30-year terms
- ARM: 3/1 and 5/1; 1- year CMT index; 1/1/5 Caps; Margin/Floor: 2.00

- Qualified at the Note rate

FHA 203(k) Program – Conforming and High Balance

- Standard and Limited
- Fixed Rate: Fully amortizing 30-year term
- ARM: 3/1 and 5/1; 1- year CMT index; 1/1/5 Caps; Margin/Floor: 2.00
  - Qualified at the Note rate

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

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

VA Alterations and Repair

- Fixed Rate: Fully amortizing 15-, 20-, 25- and 30-year terms
- Cash-Out Refinance on LTV's 90% must be 30 year fixed only (HB not allowed on Cash-Out > 90% LTV)
- ARM: 3/1 and 5/1; 1-year CMT 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

- Financed Properties: Maximum five loans per borrower up to $2.5MM
- Assumptions: Allowed
- Buydowns: Permitted on Fannie Mae, Freddie Mac, FHA, USDA and VA
- Interest-only: Not permitted
- 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.

Conventional

Fannie Mae Conforming Program Grid

Owner-Occupied Primary Residence Fixed Rate[2]					
Transaction Type	**Units**	**LTV[1]**	**CLTV[3]**	**Loan Amount**	**Credit Score**
Purchase	1	97%[4]	97%	*See* Loan Limits below	Per DU
	2	95%	95%		
	3-4	95%	95%		
Limited Cash-Out	1	97%[4]	97%		
		95%	95%		
	2	95%	95%		
	3-4	95%	95%		
Cash-Out	1	80%	80%		
	2-4	75%	75%		
Owner-Occupied Primary Residence ARM[2]					
Transaction Type	**Units**	**LTV[1]**	**CLTV[3]**	**Loan Amount**	**Credit Score**
Purchase	1	95%	95%	*See* Loan Limits below	Per DU
	2	95%	95%		
	3-4	95%	95%		
Limited Cash-Out	1	95%	95%		
	2	95%	95%		
	3-4	95%	95%		
Cash-Out	1	80%	80%		
	2-4	75%	75%		

Second Home
Fixed Rate and Arm[2]

Transaction Type	Units	LTV[1]	CLTV	Loan Amount	Credit Score
Purchase	1	90%	90%		
Limited Cash-Out	1	90%	90%	*See* Loan Limits below	Per DU
Cash-Out	1	75%	75%		

Investment (Non-Owner Occupied)
Fixed Rate and ARM[2]

Transaction Type	Units	LTV[1]	CLTV	Loan Amount	Credit Score
Purchase	1	85%	85%		
	2-4	75%	75%		
Limited Cash-Out	1-4	75%	75%	*See* Loan Limits below	Per DU
Cash-Out	1	75%	75%		
Cash-Out	2-4	70%	70%		

Texas 50(a)(6) Fixed Rate Only

Transaction Type	Units	LTV	CLTV	Loan Amount	Credit Score
Cash-Out	1	80%	80%	*See* Loan Limits below	Per DU

Texas 50(f) Fixed Rate Only

Transaction Type	Units	LTV	CLTV	Loan Amount	Credit Score
Rate Term Refinance	1	80%	80%	*See* Loan Limits below	Per DU

Manufactured Homes

Transaction Type	Units	LTV[1]	CLTV[3]	Loan Amount	Credit Score
Purchase		95%	95%		
Limited Cash-Out	1	95%	95%	*See* Loan Limits below	Per DU
Cash-Out		65%	65%		

Manufactured Homes Second Home

Transaction Type	Units	LTV[1]	CLTV[3]	Loan Amount	Credit Score
Purchase	1	90%	90%	*See* Loan Limits below	Per DU
Limited Cash-Out		90%	90%		

Owner-Occupied Primary Residence MH Advantage					
Transaction Type	**Units**	**LTV[1]**	**CLTV[3]**	**Loan Amount**	**Credit Score**
Purchase	1	97%	97%	*See* Loan Limits below	Per DU
Limited Cash-Out		97%	97%		
Cash-Out		65%	65%		
Second Home MH Advantage					
Transaction Type	**Units**	**LTV[1]**	**CLTV**	**Loan Amount**	**Credit Score**
Purchase	1	90%	90%	*See* Loan Limits below	Per DU
Limited Cash-Out		90%	90%		

Footnotes:

1. 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. *See* "Mortgage Insurance" on page 87 for additional information
2. 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 or 2-4 unit projects; no LTV restrictions; projects with a Limited Review:
   - Primary residence: Max 75/90/90% LTV/CLTV/HCLTV
   - Second home: Max 70/75/75% LTV/CLTV/HCLTV
   - Investment: Max 70/75/75% LTV/CLTV/HCLTV; Manufactured housing ineligible
3. Up to 105% CLTV allowed when using a Community Seconds that meets Fannie Mae guidelines for MH Advantage properties. Maximum 95% LTV/CLTV for manufactured homes that do not meet MH Advantage criteria.
4. Purchase transactions: Must be first time home buyer. Refinance transactions: Current loan must be owned/securitized by Fannie Mae. *See*"95.01% — 97% LTV" on page 50 for complete details.

Fannie Mae Maximum Cost Conforming Loan Limits			
Contiguous States, District of Columbia, and Puerto Rico			**Alaska, Hawaii**
Unit	General	High Cost Area	General
1	$766,550	$1,149,825	$1,149,825

2	$981,500	$1,472,250	$1,472,250
3	$1,186,350	$1,779,525	$1,779,525
4	$1,474,400	$2,211,600	$2,211,600

See FHFA Limits for maximum loan amounts by county/metropolitan area.

Fannie Mae Conforming Program Guidelines

Planet Home Lending follows the Fannie Mae Selling Guide for topics not addressed in this guide.

4506-C

- All borrowers must sign 4506-C prior to loan closing. Planet does not require a signed 4506-C for borrowers whose income is not used to qualify.
- Tax transcripts, both personal and/or business, must be provided when required per DU.

95.01% — 97% LTV

Purchase and rate/term refinance eligible as follows:

- Property is a 1-unit primary residence
- Fixed rate required
- DU Approve/Eligible is received
- Conforming loan amounts only
- Maximum 97% LTV/CLTV/HCLTV. CLTV may only exceed 97% if the second lien is a Community Seconds (maximum 105% CLTV)
- 35% mortgage insurance coverage
- Standard minimum borrower contribution requirements apply (purchase transactions)
- **Purchase transactions** 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 3 years)
- **Refinance transactions** require documentation that the loan is currently owned/securitized by Fannie Mae (e.g., screen shots from Fannie Mae's KnowYourOptions website, documentation from loan service, etc.)
- Loan meets all other Planet guidelines

Ability to Repay/Qualified Mortgage

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:

- Compliance findings validating a pass of ATR
- Compliance findings validating a pass of QM, where applicable
- Automated Underwriting System (AUS) approval, where applicable
- Evidence of manual approval, where applicable

- Underwriting Analysis (e.g., Final 1008/Loan Transmittal, VA Loan Analysis, FHA Transmittal Summary)
- Income Worksheet

Additionally, all disclosures and documentation required under the ATR/QM provisions of the Dodd-Frank Act must be provided.

The Seller will comply with the verification standards of the applicable agency Seller's Guide.

- **Chapters B3-3 through B3-6 of the Fannie Mae Single Family Selling Guide.**

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 the lesser of the expiration date noted per DU or 4 months as of Note date.
- Appraisal documents must be within 4 months as of the Note date or an appraisal update will be required. Appraisal updates must be ≤ 12 months or a new appraisal is required.
- The title commitment must be ≤ 120 days from Note Date and must be unexpired as of the date of the note date.
- VVOE requirements:
  - Wage earners: ≤ 10 business days prior to the Note date
  - Self-employed: ≤ 120 calendar days prior to the Note date
- New construction requires all documentation to be ≤ 4 months from the Note date.

Appraisals

DU determines the level of appraisal on owner-occupied properties. If a reduced appraisal recommendation is received from DU, **it must be on the final DU**.

- Appraisals must be Uniform Appraisal Data (UAD) compliant and meet Fannie Mae's Appraiser Independence Requirements (AIR).
- All appraisals must be submitted to the UCDP by the AMC or independent appraiser. A copy of the Fannie Mae Submission Summary Report (SSR) and Freddie Mac Submission Summary Report that includes the Appraisal Finding Detail Report (AFDR) with a Document File Status of "Successful" and the 10-digit Doc File ID number or a copy of the XML file, must be provided.
- Value Acceptance (appraisal waivers), Value Acceptance+Property Data (PD), and Form 1004 Hybrid are eligible for sale to Planet.

- Appraisal must identify and address properties located within a declining market.
- A full appraisal must provide legible interior and exterior photos.
  - 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.
  - The interior photos, at minimum, must include:
    - Kitchen (free-standing stove/range or refrigerator not required)
    - Main living area
    - All bathrooms
    - Any physical deterioration and recent updates that materially impact the market value or marketability of the subject property (i.e., remodel, restoration, renovation)
- 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.).
  - 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 are not eligible for purchase. Any deficiencies impacting the safety, soundness, or structural integrity of the property must be repaired with a resulting minimum condition rating of C5 prior to purchase by Planet.
- When the effective date of the original appraisal report is more than four months but less than 12 months from the date of the note and mortgage, the appraiser must perform an appraisal update that includes inspecting the exterior of the property and reviewing current market data to determine whether the property has declined in value since the date of the original appraisal report. This policy

applies regardless of whether the property was appraised as proposed or existing construction. The appraisal update must occur within four months prior to the date of the note and mortgage.

- 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 AIR compliant.
- Properties located in a FEMA Disaster Declaration area will be subject to additional appraisal review. *See* "Chapter 8: Loan Purchasing" on page 576 for detailed requirements.

See Fannie Mae Selling Guide for complete appraisal requirements.

Value Acceptance (Appraisal Waivers)

Value acceptance (appraisal waivers) will be accepted per Fannie Mae guidelines. The value acceptance must be offered on the final DU feedback recommendation.

Assets

Documentation requirements per DU.

- All funds used to close the transaction must be disclosed on the 1003 and input into DU.
- 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:
  - 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.
  - 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).
- 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:
  - 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 used for down payment, closing costs and/or reserves. Examples of acceptable documentation:

        - Letter from the bank confirming borrower is an authorized signer, or
        - Online documentation that confirms borrower is an authorized signer.

- Verification of assets from foreign sources:
    - 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:
        - Documentation of the transfer of funds from the borrower's country of origin is provided, and
        - It can be established that the funds belonged to the borrower before the date of transfer, and
        - The source of all funds used for closing can be verified following the same requirements for U.S. citizens.
        - All asset documentation must be completed in English, or a translation attached to each document is required.

- Virtual Currency:
    - Virtual currency that has been exchanged into U.S. dollars is acceptable for the down payment, closing costs, and financial reserves provided the following requirements are met:
        - there is documented evidence that the virtual currency has been exchanged into U.S. dollars and is held in a U.S. or state regulated financial institution, and
        - the funds are verified in U.S. dollars prior to the loan closing.
    - A large deposit may be from virtual currency that was exchanged into U.S. dollars. The lender must obtain sufficient documentation to verify the funds originated from the borrower's virtual currency account.
    - Virtual currency may not be used for the deposit on the sales contract (earnest money) for the purchase of the subject property.
- 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.
- 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.
- Large deposits are considered to be a single deposit where any **unsourced** 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) and 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:

- **Refinance transactions:** 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.
- **Purchase transactions:** 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.

Examples:

1. The borrower has a monthly income of $4,000.00 and a bank account with a balance of $20,000.00. A deposit of $3,000.00 was made, but $2,500.00 of the deposit is documented as the borrower's tax refund (sourced).

   In this example, only the $500.00 is considered "unsourced" ($3,000.00 total deposit minus $2,500.00 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 $20,000.00 balance in the borrower's bank account may be used for underwriting purposes.

2. The same borrower has a deposit of $3,000.00 but only $500.00 is documented as the borrower's tax refund (sourced) leaving $2,500.00 as unsourced.

   In this example, the unsourced $2,500.00 is 63% of the borrower's $4,000.00 monthly income which does meet the definition of a large deposit.

   The unsourced $2,500.00 must be deducted from the borrower's $20,000.00 bank account balance leaving $17,500.00 that may be used for underwriting purposes.

3. The same borrower has 3 separate unsourced deposits of $1,800.00 which technically does not meet the 50% of the borrower's gross monthly income requirement since each deposit is less than $2,000.00 (50% of $4,000.00); however, at underwriter discretion, sourcing/documentation may be required.

- 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:
  - The borrower customarily uses cash for expenses, and the amount of funds saved is consistent with the borrower's previous payment practice.
  - 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.
  - A written statement from the borrower that discloses the source of funds and states that the

funds have not been borrowed.

- 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.

- Assets derived from employment in the marijuana or cannabis industry is an eligible source of income if the borrower is a W-2 wage earner (salaried or hourly). The borrower cannot have any ownership interest in the business. If W-2 income is generated from a business where the borrower has any ownership interest, the income not eligible.
  - Assets from employment at a marijuana dispensary (or similar) is acceptable if:
    - marijuana is legal under state law; and
    - the subject property cannot be income producing.
    - *See* National Conference of State Legislatures for states where marijuana is legal.
- Real estate commission may be used as a source of down payment and closing costs when the borrower is a licensed real estate agent and will receive sales commission from the purchase of the subject property.

Gift Funds

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.

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.

- Gift funds are not allowed on investment transactions.
- Gift funds may be provided by the following:
  - a relative, defined as the borrower's spouse, child, or other dependent, or by any other individual who is related to the borrower by blood, marriage, adoption, or legal guardianship, or
  - a non-relative that shares a familial relationship with the borrower defined as a domestic partner (or relative of the domestic partner), individual engaged to marry the borrower, former relative, or godparent.
  - The donor may not be, or have any affiliation with, the builder, the developer, the real estate agent, or any other interested party to the transaction.

  - Gift funds from the seller who is also an acceptable donor and not affiliated with any other interested party to the transaction are allowed. The donor of a gift of equity is not considered an interested party to the transaction.
- The gift must be evidenced by a gift letter, signed by the donor and it must:
  - Specify the dollar amount.
  - Be signed by the donor and the borrower.
  - Indicate the donor(s) name, address, phone number, and relationship to the borrower.
  - Include a statement by the donor that no repayment of the gift funds is expected.
- The transfer of the gift funds must be documented. Acceptable documentation includes:
  - Copy of the donor's canceled check and the borrower's deposit slip.
  - Copy of the donor's withdrawal slip and the borrower's deposit slip.
  - Evidence of the electronic transfer of funds from the donor's bank account to the borrower's account or to the closing agent.
  - Copy of the donor's check to the closing agent, or
  - The settlement statement showing receipt of the donor's check.
  - If funds are not transferred prior to settlement, documentation the donor gave the closing agent the gift funds in the form of an electronic transfer, certified/cashier's check or other official check.

See Fannie Mae Selling Guide for complete details.

Gift of Equity

- Allowed from an immediate family member only.
- Eligible on a primary residence and second home purchase transactions.
- A gift letter must be provided (*see* "Gift Funds" on the previous page for gift letter requirements).
- The CD must indicate "gift of equity".

If the above requirements are met, the gift of equity is not subject to the interested party contribution requirements.

Reserves

- Per DU
- Cash-out refinance transactions with Borrower DTI over 45%, six months reserves required.
- Borrowers financing a second home or investment property must meet Fannie Mae's Reserve Requirements.

Example: A lender is simultaneously processing two refinance applications for two investment properties owned by the borrower. The application for Property A requires reserves of $5,000.00. The application for Property B requires reserves of $10,000.00. Because the reserves are covering the same properties, the lender does not have to verify $15,000.00 in reserves but only those required per each application.

- 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.
- Premium pricing or lender credits not allowed.

Acceptable Sources of Reserves

- Checking/savings accounts
- Investments in stocks, bonds, mutual funds, certificates of deposit, money market funds, and trust accounts. For borrowers using this above stock options and mutual funds for assets:
    - When used for down payment or closing costs, evidence of the borrower’s actual receipt of funds realized from the sale or liquidation must be documented in all cases.
    - When used for reserves, no more than 70% of the value of the asset must be considered, and liquidation is not required.
- Vested amount in retirement accounts
- Cash value of a vested life insurance policy

Unacceptable Sources of Reserves

- Cash-out proceeds from a cash-out refinance transaction on the subject property
- Funds that cannot be withdrawn under circumstances other than the account owner’s retirement, employment termination or death
- Funds that have not been vested
- Interested party contributions
- Personal unsecured loans
- Stock held in an unlisted corporation
- Stock options and non-vested restricted stock

Assumptions

Planet follows Fannie Mae Guidelines.

AUS

DU “Approve/Eligible” results required. Manual underwriting is ineligible.

Available Markets

- **Delegated Sellers**
  - Planet will purchase loans underwritten and closed by the delegated Seller in **all** states.
- **Non-Delegated Sellers**
  - Planet will purchase loans from the non-delegated Sellers in all states on Fannie Mae products. All loans require Planet underwriting approval.
- Seller must receive approval from Planet Home Lending to deliver loans with properties located in Puerto Rico.
- The U.S. territories of Guam and the Virgin Islands are ineligible regardless of delegation.

Borrower Eligibility

Eligible Borrowers

- A natural person
- U.S. Citizens
- Permanent resident aliens:
  - 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.
- Revocable Inter-Vivos Trust that meets Fannie Mae guidelines
- Non-permanent resident aliens:
  - 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:
    - An unexpired Employment Authorization Document (EAD) by the USCIS (including C-33 EAD/DACA), or
    - An unexpired visa. Eligible types are E-1, G series, H series, or TN.
  - 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.
- All borrowers are required to have a social security number.

Ineligible Borrowers

- Borrowers with diplomatic immunity and IMF employees
- Borrowers without a social security number

- Foreign Nationals

Borrower Types

Co-Borrower: An individual, who applies jointly with the borrower, takes title to the property and is liable for the debt. The co-borrower signs all documents.

Non-Occupant Co-Borrower: An individual who applies with the credit borrower on a principal residence transaction who do not occupy the subject property; may or may not have an ownership interest in the subject property as indicated on the title; sign the mortgage or deed of trust note; have joint liability for the note with the borrower(s); and do not have an interest in the property sales transaction, such as the property seller, the builder, or the real estate broker.

Co-Signer/Guarantor: An individual who has no ownership interest in the property but is liable for the debt, signs the mortgage or deed of trust note, and does not have an interest in the property sales transactions (i.e., property seller, builder, or real estate agent).

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.

NOTE: Community property states: Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington and Wisconsin.

Chain of Title

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). If more than one transfer in previous 12 months **or** property has significant increase in value since prior transfer, an appraisal addendum addressing all transfers is required.

Community Seconds

Community Seconds, meeting Fannie Mae requirements, are eligible for fixed-rate or ARM purchase or rate/term refinance of the 1-4 unit owner-occupied property, including manufactured homes.

The CLTV ratio may exceed the limits in the LTV matrix up to 105% only if the loan is part of a Community Second transaction. A loan securing a manufactured home that is not MH Advantage that has a Community Second is limited to the LTV/CLTV/HCLTV in the LTV matrix.

Construction-to-Perm

- 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.
- 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.
- 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. Planet will retain the appraiser's certificate of completion and a photograph of the completed property in the loan file. When a construction-to- permanent 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.
- Units in a condo project are not eligible for construction-to-permanent financing.
- Detached condos allowed.

Single-Closing Transactions

- Single-closing transactions may be closed as either a purchase or limited cash-out refinance.
- Transactions structured as a purchase:
  - The borrower is not the owner of record of the lot at the time of the first advance of interim construction financing.
  - Purchase LTV/CLTV limits apply
- Transactions structured as a rate/term refinance:
  - The borrower is the owner of record of the lot at the time of the first advance of interim construction financing.
  - Limited cash-out (rate/term) LTV/CLTV limits apply.
  - Must use additional due diligence to ensure the most recent information is obtained to help ensure any disruption to borrower's employment (or self-employment and or income does not negatively impact the borrowers ability to repay the loan.

Two-Closing Transactions

- Two-closing construction-to-permanent transactions use 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.
- The borrower is underwritten based on the terms of the permanent mortgage.

- Transactions are subject to the limited cash-out and cash-out refinance maximum LTV/CLTV/ HCLTV ratios, as applicable.
- 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.
- All other standard cash-out refinance eligibility and underwriting requirements apply.

See Fannie Mae Selling Guide, Chapter B5-3 for complete guidelines.

Credit Report/Scores

- Credit score per DU.
- All borrowers are required to have a credit score (*see* "Credit Exceptions/Non-Traditional Credit" on the next page).
- Planet will accept a credit report, in the Seller's name, from any Fannie Mae acceptable credit vendor.
- A tri-merged credit report is required for all borrowers.
- The representative credit score is determined as follows:
  - If there are three valid scores, the middle score is used. If two of the three scores are a duplicate, the duplicate score is used.
  - If there are two valid scores, the lower of the two is used.
  - If there is one valid score, that score is used.

The representative score for the loan is the lowest representative score of all borrowers.

- The borrower(s) must address **all** 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).
- Sellers are encouraged 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:
  - A "soft pull" credit report within 10 business days of the Note date, or
  - A debt affidavit, signed by the borrower(s) (sample form is posted on the CORE Seller Portal at www.phlcorrespondent.com under **Forms and Resources**), or
  - A letter, written and signed by the borrower(s) stating no new credit was obtained.

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.

Credit Report — Fraud Alert

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:

- A letter of explanation from the borrower, and
- A copy of the identity theft report, and
- An additional form of identity verification, and
- 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.

Credit Exceptions/Non-Traditional Credit

- 1-unit, primary residence
- All borrowers will occupy the property
- DU "Approve/Eligible" results
- Purchase or LCOR transactions only
- Reserves may be required as determined by DU
- 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, all of the above requirements apply in addition to the following:

- All property types are permitted, with the exception of manufactured housing
- DTI must be less than 40%
- The maximum LTV, CLTV, and HCLTV ratios are 90%
- Fixed Rate mortgage
- 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 additional borrower(s) do not, all of the above requirements apply in addition to the following:

- 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.
- If the borrower(s) with the credit score contributes > 50% of the qualifying income), there is no need to document a non-traditional credit history for borrower(s) without a credit score.

See Fannie Mae Selling Guide for complete details.

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 non-mortgage charge-offs regardless of the amount.
- Two-to-Four Unit Owner-Occupied Primary Residence and Second Home
  - If the combined total of collections and non-mortgage charge-offs are greater than $5,000.00, the accounts must be paid in full prior to or at closing.
- Investment Property
  - Individual/non-mortgage charge-off 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.

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.

Disputed Accounts

- Disputed accounts are subject to DU Findings.
- If DU Findings do not indicate any action required, none is required.
- If DU does not issue an approval, DU will re-asses the risk without the disputed tradelines. If DU is able to issue an Approval, the underwriter must investigate the tradelines to determine whether the borrower is responsible for the accounts or if the account information is accurate or complete.

- If the borrower is not responsible for the disputed account, supporting documentation must be obtained and retained in the loan file. No further action is necessary for the disputed tradelines.
- If the borrower is responsible for the disputed account, the underwriter must determine the aspect of the tradeline that is being disputed. If the borrower is able to provide documentation to disprove adverse information (suck as cancelled checks), the loan may be delivered to Planet as a DU loan.
- If the borrower is responsible for the disputed account and the tradeline information is accurate and complete, the loan is ineligible.

- The payment for the tradeline, if any, must be included in the DTI ratio if the account belongs to the borrower.

NOTE: An "Approve/Eligible" result 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.

Credit History

- Tradeline requirements per DU.
- Authorized user tradelines require underwriter review to ensure the tradelines are an accurate reflection of the borrower's credit history.

Derogatory Credit

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.
Chapter 13 BK	2 years from discharge date to the disbursement date of the new loan, **or** 4 years from dismissal date to the disbursement date of the new loan.	2 years from discharge **or** dismissal date.
Multiple BK Filing*	5 years if more than one filing in the previous 7 years.	3 years from discharge dismissal
Foreclosure	7 years from the completion date to the disbursement of the	3 years from completion date. The maximum LTV is the lesser of 90% or the maximum LTV allowed for

Derogatory Event	Waiting Period	Extenuating Circumstance
	new loan.	the program. The purchase of a primary residence is permitted. Limited cash-out refinances are permitted for all occupancy types.
Deed-In-Lieu/ Pre-Foreclosure/ Charge-Off of a Mortgage/ Short Sale	4 years from completion date to disbursement of the new loan.	2 years from completion date.

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).

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 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.). Documentation that can be used to support extenuating circumstances include:

- 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" result are still required even when considering extenuating circumstances; manual underwriting is not allowed on Agency loans.

Re-Established Credit Requirements

After a foreclosure, bankruptcy, deed-in-lieu, or pre-foreclosure, borrowers are required to have re-established good traditional credit. Re-established credit is met if all of the following are met:

- The above-detailed waiting periods and additional related requirements are met.
- The loan receives an "Approve/Eligible" Finding from DU.
- The borrower has established new traditional credit (non-traditional credit or "thin files" are not acceptable).

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.**

DTI

- Per DU
- The DTI ratio must account for the borrowers rental housing if the subject transaction is:
  - a second home
  - or investment or
  - includes a non-occupant co-borrower

Business Debt

- 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.
- Business debt does **not** need to be considered as part of the borrower's individual recurring monthly debt when:
  - The account does not have a history of delinquency, **and**
  - Documentation is provided that the debt was paid from the borrower's business funds (e.g., 12-months' canceled business checks), **and**
  - 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.

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.

Co-Signed Debt (aka Contingent Liability)

Certain debts can be excluded from the borrower's recurring monthly obligations in the DTI calculation:

- When a borrower is obligated on a non-mortgage debt and is not the party who is repaying the debt, the payment can be excluded in the monthly payment from the borrower's recurring monthly obligations. This applies whether or not the party is obligated on the debt but is not applicable if the other party is an interested party to the subject transaction. Non-mortgage debts include installment loans, student loans, revolving accounts, lease payments, alimony, child support, and separate maintenance.

- When a borrower is obligated on a mortgage debt but is not the party repaying the debt, the full monthly housing expense (PITIA) from the borrower's recurring monthly obligations if all of the following are met:
  - The party making the payment is obligated on the mortgage debt,
  - There are no delinquencies in the most recent 12 months, **and**
  - The borrower is not using rental income from the applicable property to qualify.

To exclude a contingent liability from the borrower's DTI, the lender must obtain the most recent 12 months canceled checks or bank statements from the other party making the payments that document a 12-month-payment history with no delinquent payments.

When a borrower is obligated on a mortgage debt, the applicable property must be included in the number of financed properties, regardless if the borrower is making the monthly mortgage payments.

Installment/Revolving Accounts

All debts must be run through DU to ensure accurate DU results.

- **Alimony/Child Support/Separate Maintenance Payments**

  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:

  - Included in the borrower's monthly debt obligations if they will continue for > 10 months
  - Deducted from the monthly base income
  - Voluntary payments are **not** required to be considered in the DTI calculation.
- **Alimony Treatment**

  There are now two options available with regard to alimony paid by the borrower as summarized below.

  1. The borrower's monthly qualifying income can be reduced by the amount of the monthly alimony payment, or
  2. Included as a monthly payment in the DTI calculation.

     - Lenders using option 1
       - Must enter the adjusted income figure as the income amount in DU
       - 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.
     - Lenders using option 2

- Follow the standard requirements as outlined in the Monthly Debt Obligations section of the Selling Guide.

NOTE: Lenders must continue to obtain documentation confirming the amount of the alimony obligation.

- **Delinquent Federal Income Tax Installments**

Payments may be included in the DTI in lieu of "payment in full" if:

- No federal tax lien has been filed against the borrower in the county in which the subject property is located.
- The following documentation is evidenced in the file:
  - An approved IRS installment agreement which includes the payment amount and total amount due.
  - Evidence that borrower is current on monthly payments:
    - Most recent payment reminder from the IRS which reflects the last and next payment amount and due date
    - File must evidence at least one payment was made prior to closing.

- **Installment Debt**
  - 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.
  - A timeshare account must be treated as an installment debt, regardless of how it is reported on the credit report or other documentation, even if it is reported as a mortgage loan
  - Installment debt with ≤ 10 months remaining will be considered as a recurring monthly debt obligation if it significantly affects the borrower's ability to meet their credit obligations.
- **Open 30-day Charge Accounts**
  - Open 30-day charge accounts that do not reflect a monthly payment on the credit report or reflect a monthly payment that is identical to the account balance, lenders must verify borrower funds to cover the account balance. The verified funds are in addition to any funds required for closing costs and reserves.
  - If the borrower paid off the account balance prior to closing, the lender may provide proof of payment in lieu of verifying funds to cover the account balance.
- **Payoff or Pay Down Debt Before Qualification**
  - 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. The borrower's history of credit should be a factor in determining whether the appropriate approach is to include or exclude debt for qualification. Generally, the following applies:

- 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.
- 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.

- **Revolving Debt**
  - 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:
    - If the credit report does not provide a minimum payment amount and there is no supplemental documentation to support a payment of less than 5%, the underwriter must use 5% of the outstanding balance as the monthly debt obligation.
    - If the monthly payment is not included on the credit report, the underwriter will use the greater of $10.00 or 5% of the outstanding balance to determine the monthly payment.

- **Student Loans**
  - Payments evidenced on credit reports can be used to qualify the borrower.
  - When the credit report does not reflect the correct monthly payment amount The Seller may use the most recent monthly payment reflected on the student loan documentation.
  - 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:
    - Planet may qualify borrowers on income driven payment plans using the $0 as a monthly payment amount with evidenced documentation.
    - For loans that are deferred loans or in forbearance, Planet may calculate:
    - A payment equal to 1% of the outstanding student loan balance (even if this amount is lower than the actual fully amortizing payment), **or**
    - A fully amortizing payment using the documented loan repayment terms.

Conversion of Principal of Residence or Pending Sale

- Pending Sale
  - If the borrower's current principal residence is pending sale, but the transactions will not close with title transfer to the new owner prior to the subject transaction, and the borrower is purchasing a new principal residence, the current PITIA and the proposed PITIA must be used in qualifying the borrower for the new mortgage loan.

- The current residence PITIA is not required to be used in qualifying the borrower if the following documentation is obtained:
  - A copy of the executed sales contract is provided, and
  - Documentation is provided confirming all financing contingencies have been cleared.

- Conversion of Second Residence or Principal Investment Property.
  - *See* Fannie Mae Selling Guide B3-6 for complete details.

Employment and Income

- A two-year employment history is recommended.
- 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.
- Borrowers relying on overtime and/or bonus income for qualifying purposes must have a minimum 12-months' history to be considered stable.
- 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. *See* Fannie Mae Selling Guide B3-3 for alternative methods for employment verification.
- A current paystub with YTD income and most recent W-2s are required.
- Seller 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.

See Fannie Mae Selling Guide B3-3 for complete employment requirements.

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.

- Wage earner borrowers:
  - 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.
- 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.
- Amended tax returns are allowed with an exception from an Underwriting Manager, subject to the following requirements:
  - Original and amended tax returns are required. Tax transcripts for the amended tax returns must be obtained and be provided from the IRS. Borrower obtained tax transcripts for amended tax returns are not allowed.
  - Tax returns must be amended prior to the application date. Tax returns amended after the

application date are not allowed.
  - Amended tax returns must be accepted by the IRS.
  - If the borrower owes taxes to the IRS, the full amount must be paid in full. Installment agreements for taxes are allowable if Agency guidelines are met.
  - An explanation for the amended tax returns is required to be obtained from the borrower if the income is being used to qualify.

Self-Employment

- Self-employed borrowers may be considered with a 12 to 24-month self-employment history.
  - A borrower with less than 2-year history of self-employment may be considered if the personal and business federal income tax returns reflect a year (12) months of self-employment income from the current business. The loan file must also contain documentation to support the history of receipt of prior income at the same, or greater, level, and
    - In a field that provides the same products and services as the current business, or
    - In an occupation in which the borrower has similar responsibilities to those undertaken in connection with the current business.
- Self-employed income:
  - 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.
  - The requirement for business tax returns may be waived if:
    - Borrower is using personal funds for down payment, closing costs and to satisfy applicable reserve requirements,
    - Borrower has been self-employed in the same business for a minimum of 5 years, and
    - Borrower's individual tax returns show an increase in self-employment income over the past 2-years.
  - 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.
  - When the co-borrower's 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.
  - Schedule K-1 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. The Schedule K-1 alone cannot be used to support business liquidity in the absence of distributions as it does not provide

sufficient information for this purpose.

Other sources of income:

- Employment related assets used as qualifying income is permitted; *see* Fannie Mae Selling Guide for additional details.
- 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.

- **Employment offers or contracts:**
  - If the borrower is scheduled to begin employment after the loan closes, the borrower may qualify using one of the options below.
  - When a borrower is scheduled to begin new employment under the terms of an employment offer or contract, the offer or contract cannot be for employment by a family member or interested party to the transaction. This requirement applies regardless of whether a paystub is obtained prior to loan delivery.

1. Loan delivered after borrower starts employment.

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

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
    - File must evidence, in addition to reserves required by DU or for the transaction, one of the following:
        - 6 months sufficient reserves, or
        - Sufficient reserves or income to cover monthly obligations including DTI and PITIA for the number of months between the note date and employment start date plus one Rental Income
  - Planet follows Fannie Mae guidelines regarding the use of rental income.
  - First-time homebuyer: Rental income not eligible for qualifying when purchasing an investment property.
  - Seller is encouraged to use the Fannie Mae rental income worksheets when calculating rental income. The worksheets (Form 1037, 1038, and 1039) are located on the Fannie Mae website under Guide Forms & Legal Docs.
- Marijuana/Cannabis
  - Income derived from employment in the marijuana or cannabis industry is an eligible source of income if the borrower is a W-2 wage earner (salaried or hourly). The borrower cannot have any ownership interest in the business. If W-2 income is generated from a business where the borrower has any ownership interest, the income not eligible.
  - Income from employment at a marijuana dispensary (or similar) is acceptable if:
    - Marijuana is legal under state law, and
    - The subject property cannot be income producing.
  - *See* National Conference of State Legislatures for states where marijuana is legal.

See Fannie Mae Selling Guide B3-3 for complete details.

Escrow/Impound Account

- >80% LTV required unless prohibited by state law
- <80% LTV not required; refer to rate sheet for pricing adjustment

Escrowed Flood Insurance Premiums

Escrowed flood insurance premiums are required on all loans including, but not limited to, Higher Priced Mortgage Loans (HPML). When the subject property is in a special flood hazard area, the Seller must provide the following:

- Evidence that flood insurance premiums have been escrowed (regardless of any other fees and charges associated with the loan).
- Seller must use Standard Flood Hazard Determination Form (SFHDF) on all properties.

NOTE: Planet will not purchase loans with negative escrow balances.

Financed Properties

- **Planet will purchase a maximum of five loans to one borrower with an aggregate loan amount up to $2.5M.**
- Owner-occupied properties: There is not a maximum number of financed properties the borrower may have if the subject property will be owner-occupied.
- Second home and investment: Maximum 10 residential properties may be financed, including the borrower's principal residence. Borrowers with 7-10 financed properties must have a minimum credit score of 720; all other standards apply.

See "Assets" on page 53 **> Reserves** for additional information.

Calculating the Number of Financed Properties

Types of property ownership **included** in the calculation of financed properties:

- 1-4 unit residential properties where the borrower is personally obligated on the mortgage, even if the monthly housing expense is excluded from the DTI.
- The borrower's principal residence

Types of property ownership **not** included in the calculation of financed properties:

- Commercial real estate
- Multifamily property consisting of more than 4 dwelling units
- Timeshare
- Vacant lot
- Ownership of a manufactured home on a leasehold estate not titled as real property.

Inspections

- Septic inspections are only required when the appraiser indicates there is evidence the septic system is failing.
- Termite inspections are only required when the purchase contract requires one, or the appraiser indicates there is evidence of active infestation.
- Well inspections are only required when state or local regulations require or if there is an indication the well may be contaminated.

Interested Party Contributions

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:

- Seller
- Builder/developer
- Real estate agent
- Broker, or
- Any affiliate of the above that will benefit from the sale of the property and/or at the highest possible sales price.

IPC's cannot be used to make the borrower's down payment, reserve requirements or to meet the minimum borrower contribution requirement.

- 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 the closing costs for the transaction

IPC's 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%

Occupancy Type	LTV/CLTV	Maximum Allowable Contribution
Investment Property	All	2%

*If the subject property is a primary residence and the property is a Fannie Mae REO as identified in the HomePath section B5-4-03 of the Fannie Mae Selling Guide, the maximum allowable contribution > 90% is 6%.

- 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:

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

Financing concessions can also include prepaid items, such as:

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

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.

Manufactured Homes

This section is specific to Manufactured Homes. Sellers should follow the standard guidelines for topics not covered in this section.

- Per DU

NOTE: Project approval for mortgage loans secured by multi-width manufactured homes located on individual lots in subdivisions or in PUDs is generally not required, but Fannie Mae may choose to require project approval.

Eligible Properties

- 1-unit multi-wide dwelling classified as real property
- Allowed on Texas 50(a)(6) transactions
- Condominiums
- Existing or New construction
- PUDs
- REO/HUD REOs
- Second home

Ineligible Properties

- 2-4 units
- Investment properties
- **Leaseholds**
- **Properties located in a 100-year flood zone**
- **Singlewide**

Additional Requirements

- A full appraisal must be provided and must include photos of either the HUD Data Plate or the HUD Certification Label(s).
    - As an alternative to the original HUD Certification Label(s) or the HUD Data Plate, the Seller must obtain either a label verification letter with the same information contained on the HUD Certification Label(s) or duplicate HUD Data Plate from the Institute for Building Technology and Safety (IBTS). A duplicate HUD Data Plate may also be available by contacting the In-Plant Primary Inspection Agency (IPIA) or the manufacturer. (A list of IPIA offices is posted on HUD's website.)

    NOTE: This flexibility does not apply to new construction properties.

- File must evidence

- Copy of executed sales contract for both property and land (if purchased separate), and
- Copy of the manufacturer's invoice for new properties
- Copy of the Appraisal Report (form 1004C).
- Value conclusion based on the real property required and consisting of the
  - Manufactured home
  - Site improvements, and
  - Land on which the home is situated
  - Non-realty items are not allowed (i.e., insurance, warranties and furniture)
- Temporary buydowns are ineligible.

- **New Construction**

Properties not yet attached to land or not yet constructed the appraisal can be based on plans and/or specification or model home. When the required information is not available at time of inspection, the property must be appraised based on the appraiser's receipt and review of the items and completion of improvements as condition of the appraisal.

- Certification of completion is required prior to submission to Fannie Mae and must include:
  - Be completed by the original appraiser if possible, or if not possible, a substitute appraiser provided in the Fannie Mae Selling Guide,
  - Verification improvements were completed, and all other requirements/conditions have been satisfied
  - Previously unavailable information and a summary of the appraiser's analysis of any previously unavailable dealer invoice, and
  - Photographs of the completed improvements attached to the permanent foundation, and of the HUD Data Plate and HUD Certification Label(s), or acceptable alternatives.

- **Site Requirements**
  - Opinion of value must be based on the characteristics of the subject property including site area. The appraisal report must indicate whether or not the site is comparable with the neighborhood and must comment on the conformity of the manufactured home to other manufactured homes in the neighborhood.
  - Property must be compatible and conform to the manufactured homes in the neighborhood. The appraiser must comment if the site has adverse conditions or is not typical for the neighborhood.
- **Comparable sales**
  - Two comparable sales of similar manufactured homes are required and must address the marketability and comparability of a manufactured home (example: multi-wide to multi-wide homes)

    - A third comparable sale can be either a site-built home or a different type of factory-built housing. The appraiser must explain why site-built housing or a different type of factory-built housing is being used for the third comparable sale, and make and support appropriate adjustments in the appraisal report.
  - To establish a baseline for the sales comparison analysis when comparable sales are not available:
    - Older sales of similar manufactured homes can be used, or
    - Sales of similar manufactured homes in a competing neighborhood.
    - Comparable sales created using the subject property and vacant lots are not allowed.

The following additional sources may be used to develop a well-documented appraisal:

- NADA Manufactured Housing Appraisal Guide
- Marshall and Swift's Residential Cost Handbook

Manufactured Homes Titled as a Condo

- File must evidence FNMA project acceptance.
  - Both Land and dwelling are subject to condo association.
- The Seller must correctly identify the property type in DU as a manufactured home or MH Advantage, and identify that it is located in a condo project.
- Manufactured housing projects require FNMA PERS review or a Full Review.
  - The project must meet all full review requirements, as applicable. CPM should not be relied upon to complete the Full review because it does not contain all of the requirements that apply to condo projects consisting of manufactured homes.
  - The project must not contain campgrounds or other facilities for transient or mobile units.
  - The project legal documents must require a provision for land-lease "hold-out" units to be converted into the condo structure upon transfer, sale, or refinance of property. Land lease "hold-out" units are limited to 25% or less of the total units in the project.
    - Land-lease hold-out units are units where the structure is owned by an individual, but the land is leased from the HOA or project sponsor. These units were not converted to condo ownership when the project converted to a condo regime.
  - Standard PERS is required for new condo projects consisting of manufactured homes.
  - Streamlined PERS is required for an established condo project consisting of manufactured homes that are subject to a deed restriction.
- All general condo eligibility requirements must be met.
- The manufactured home must be reviewed to confirm all manufactured housing requirements are met.

Additional Requirements

- Cash-out Transactions: ≤ 20-year term.
- Property must be at least 12 feet wide
- Minimum of 600 square ft. of living space, and
- Attached to a permanent foundation in accordance with the manufactured homes industry standards.
- Must be legally classified as real property under applicable state law and cannot include an accessory dwelling unit.
- Permanently connected to a septic tank or sewage system and other utilities according with local and state requirements.
- Properties not situated on a publicly dedicated and maintained street:
  - Must be situated on a street that is community owned and maintained or
  - Privately owned and maintained.
  - There must be adequate vehicle access and there must be an adequate and legally enforceable agreement for vehicle access and maintenance.
- Must not have been previously installed or occupied at any other site or location, except from the Manufacturer’s or the dealer’s lot as a new unit.
- Running Gear, towing hitch, wheels, and axles must be removed (must assume the characteristics of site-built housing).
- Existing properties that need repairs or are in the renovation process are not eligible for purchase until the necessary work has been completed.
  - Exceptions may be considered for items that do not affect the ability to get an occupancy certification, such as landscaping, a driveway, or a walkway.
- Additions and/or modifications are allowed
  - If the state in which the property is located requires inspection by a state agency to approve modification, confirmation must be obtained that the property has met the requirement.
  - Inspections not required by the state must be done by a licensed professional engineer.
- File must evidence certification that the addition or structural changes were completed in accordance with the HUD Manufactured Home Construction Safety Standards.
- Borrower must own the land in fee simple.
- Must be built in compliance with the Federal Manufactured Home Construction and Safety Standards established June 15, 1976, as amended and in force at the time the home is manufactured; and
- Must be evidenced by the presence of both a HUD Data Plate and the HUD Certification Label (HUD seal or tag).

NOTE: If the original or alternative documentation cannot be obtained for both the Data Plate/Compliance Certificate and the HUD Certification Label, the loan is not eligible for delivery to Planet.

Down Payment

Borrower must provide 5% of their own funds unless:

- LTV/CLTV is ≤ 80%, or
- A 1-unit residence is being purchased, and meets the requirements to:
  - Use gift funds
  - Donated grant funds, or
  - Funds from employer to pay for some or all minimum borrower contributions.

The borrower's equity in the land is considered the borrower's own funds. If the borrower holds title to the land on which the manufactured home will be permanently attached, the value of the land may be credited toward the borrower's minimum down payment requirement.

The borrower's equity contribution will be the difference between any outstanding liens against the land and the market value of the land.

Determining the Value of the Land

Date of Land Purchase	Value of Land	Required Documentation
>12 months preceding the loan application	The current appraised value	N/A
<12 months preceding the date of the loan application	The Lesser of the sales price or the current appraised value	Borrower cash investment must be obtained and include: • Copy of settlement statement • Copy of the warranty deed showing no outstanding liens against the property, or • Copy of the release of any prior lien(s)
Land acquired at any time as a gift, inheritance, or other non-purchase transactions	The current appraised value	Documentation which verifies the acquisition and transfer of ownership of the land

Transactions Type

- **Purchase Transactions**

  Proceeds must be used to finance the purchase of the manufactured home and/or the land. Land may be:

  - Previously owned by the borrower
  - Free of any mortgage, or

- Subject to a mortgage that will be paid off with proceeds of new purchase money mortgage.
- No cash-back allowed
- New Manufactured Homes
  - LTV must be based on the lower of the sales price plus:
    - Lowest sales price which the land was sold during the 12-month period if the land was purchased within 12 months preceding the loan date, or
    - The current appraisal value of the land if purchased more than 12 months preceding the loan application date.
  - The “as completed” appraised value of the manufactured home and land.
- Existing Manufactured Homes
  - LTV must be based on the lower of:
    - The sales price and land
    - The current appraisal value and land, or
  - If property was built in the 12 months preceding the loan application date, the lowest price at which the property was sold during that 12-month period, plus the lower of
    - The current appraisal value of the land, or
    - The lowest sale prices at which the land was within that 12-month period.

Limited Cash-Out Refinance Transactions

Limited cash-out refinance transactions may involve the following:

- Pay off the outstanding principal balance of an existing first lien mortgage secured by the property and land (or existing liens if the home and land were encumbered by separate first liens)
- Pay off the outstanding principal balance of an existing subordinate mortgage or lien secured by the property and/or land, but only if it was used to purchase the property and/or land.
- Finance closing costs (including prepaid expenses); and
- Provide cash back to the borrower in an amount not to exceed the lesser of 2% of the balance of the new refinance mortgage or $2,000.

- Maximum LTV must be based on the lower of the current appraised value and land; or
- If property is owned by the borrower for < than 12 months on the loan application date, and

- If the home and land are secured by separate liens, the lowest price at which the home was previously sold during that 12-month period plus:
  - The lower of the current appraised value of the land, or
  - The lowest sales price at which the land was sold during that 12-month period.
- Proceeds of a limited cash-out refinance may be used to:
  - Pay off the outstanding principal balance of an existing first lien mortgage secured by the property and land (or existing liens if the home and land were encumbered by separate first liens)
  - Pay off the outstanding principal balance of an existing subordinate mortgage or lien secured by the property and/or land, but only if it was used to purchase the property and/or land.
  - Finance costs of construction,
  - Finance closing costs, including prepaid expenses, and
  - Provide cash back to the borrower in an amount not to exceed the lesser of 2% of the balance of the new refinance mortgage or $2,000.

- **Cash-Out Refinance Transactions**
  - Property and land must be owned for at least 12 months preceding the date of application.
  - 65% LTV/CLTV/HCLTV based on the appraised value of property and land.
  - No restriction on use of proceeds.
  - Loan term must be ≤ 20 years.

Down Payment

- Borrower must provide 5% of their own funds unless:
  - The LTV/CLTV is ≤ 80%, or
  - A 1-unit residence is being purchased, and meets the requirements to:
    - Use gift funds
    - Donated grant funds, or
    - Funds from employer to pay for some or all minimum borrower contributions.
  - The property meets the MH Advantage requirements, and the loan meets the requirements for LTV ratios of 95.01-97%.
    - In this case, the borrower must contribute a minimum down payment of 3%, from his or her own funds unless the loan meets the gift, grant, or funds from an employer policy referenced above.

The borrower's equity in the land is considered the borrower's own funds. If the borrower holds title to the land on which the manufactured home will be permanently attached, the value of the land may be credited toward the borrower's minimum down payment requirement.

The borrower's equity contribution will be the difference between any outstanding liens against the land and the market value of the land.

Mortgage Insurance

Follow standard Fannie Mae Guidelines for manufactured homes.

Product

- Fixed Rate: 10-, 15-, 20-, 25-, and 30-year term
- Cash-out Transactions: ≤ 20-year term.
- **ARMs not permitted (including MH Advantage)**

Site Requirements

- No minimum requirements for width, size, roof pitch, or any other specific construction details.

Transaction Type

- Cash-out
- Limited Cash-Out
- Purchase

Ineligible Transactions

- Loans secured by on-frame modular construction.

MH Advantage

MH Advantage is designed to meet certain construction, architectural design, and energy efficiency standards that are more consistent with site-built homes. Examples of the physical characteristics for MH Advantage include:

- Specific architectural and aesthetic features such as distinctive roof treatments (eaves and higher pitch roofline).
- Lower profile foundation, garages or carports, porches, and dormers.
- Construction elements including durability features, such as durable siding materials, and
- Energy efficiency standards (minimum energy ratings apply).

Properties will have a sticker applied to identify that the property is eligible for MH Advantage based on the specific design criteria listed above.

Appraisals *(Standard valuation requirements for manufactured homes apply)*

- The purchase, conveyance, and financing (or refinancing) must be evidenced by:
  - A valid and enforceable first-lien mortgage or deed of trust that is recorded in the land records, and
  - Must represent a single real estate transaction under applicable state law.
  - A Copy of the Appraisal Report (form 1004C) and Completion Report 1004D (if applicable) is required.
- For new construction follow Fannie Mae standard appraisals requirements for:
  - Postponed Improvements
  - Factory-Built Housing:
    - Manufactured Housing for appraisals based on plans and specifications.
    - This will ensure site improvements that are not attached to the home, such as detached garages, are complete.
- Appraisal photos must evidence:
  - The presence of the MH Advantage Sticker (placed in proximity to the HUD Data Plate).
  - HUD Data Plate, and
  - HUD Certification Labels.
- Final inspection photo must show the presence of a driveway leading to the home, garage or carport (if one is available). The driveway must consist of:
  - Blacktop
  - Bricks
  - Cement
  - Concrete
  - Gravel
  - Pavers
- The presence of a sidewalk connecting either the driveway, or a detached garage or carport, to a door or attached porch of the home. The sidewalk must consist of:
  - Blacktop
  - Bricks
  - Cement
  - Concrete
  - Flagstone
  - Pavers

Comparable Sales

- Must use other MH Advantage properties when available.
- Appraiser must supplement with the best and most appropriate sales if fewer than three MH Advantage sales are available.
- Site-built homes may be included in the comparable.
- Sales of new manufactured homes and land (often referred to as land/home sales) may be used as comparables provided both the land and home transpire as a single transaction, and the file evidences that the appraiser has adequately verified the physical attributes, conditions of sale, sales price, and concessions.
- Combining separate transactions of vacant land and purchase price to create a comparable sale is not permitted but may be used as additional support.

Appraisal Requirements for MH Advantage Homes in New Subdivisions *(Standard Fannie Mae appraisals requirements for new subdivisions apply)*

- One comparable sale from the subject subdivision or project and
- One comparable sale from outside the subject subdivision or project is required.
- A third comparable sale can be from inside or outside of the subject subdivision or project, provided it is a good indicator of value for the subject property.
- Two of the sales must be verifiable from a reliable data sources, other than the builder.
- Two pending sales in the subject project or subdivision in lieu of one closed sale may be used, in the event there are no closed sales inside a new subject project or subdivision because the subject property transaction is one of the first units to sell.
- When two pending comparable sales are used in lieu of a closed sale at least three closed comparable sales from projects or subdivisions outside of the subject property’s project or subdivision must be used.
- The appraiser may need to rely solely on the builder of the property he or she is appraising, as this data may not yet be available through typical data sources, in order to meet the requirements for using one comparable sale from the subject subdivision or project. A copy of the settlement statement from the builders file is acceptable.

Minimum Loan Amount

$40,000.00

Mortgage Insurance

- Loans with >80% LTV, mortgage insurance is required and are subject to MI guidelines.
- Eligible MI products:

  - Borrower paid mortgage insurance (BPMI). Monthly or single premium are eligible. The single premium may be financed. *See* "Chapter 4: Mortgage Insurance" on page 39 for detailed requirements.
  - Lender paid mortgage insurance (LPMI). Single premium only.
  - Split Premium.
- Eligible MI options:
  - Non-refundable
  - Refundable
  - Level/constant renewal type (as applicable)

Planet will accept mortgage insurance issued by MI companies that are Fannie Mae approved.

Mortgage insurance coverage is determined by LTV and loan term as detailed below:

Required MI Coverage				
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%

*ARM maximum LTV 95%

** > 95%. *See* "95.01% — 97% LTV" on page 50 for restrictions

LPMI Adjustments (No Single Premium BPMI Allowed)				
LTV and Coverage				
Fixed Rate	80.01% - 85%	85.01% - 90%	90.01% - 95%	95.01% - 97%**
	12%	25%	30%	35%
ARM	12%	25%	30%	N/A

Mortgage/Rental History

Per DU, the mortgage/rental rating cannot have any ≥ 60-day lates in the previous 12 months.

NOTE: If DU allows any delinquencies, a satisfactory explanation of the delinquency is required and is subject to underwriter review and acceptance.

- The credit report must reflect the most recent 12-month activity.
- Mortgage must be current for the month closing.
- 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:
  - A direct verification of rent (VOR) provided by a professional management company, or
  - Copies of money orders

Non-Arms' Length or Identity of Interest Transactions

- 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.
- Non-ARM's length transactions are eligible for resale properties.
- 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.
- 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.

Occupancy

- Owner-Occupied
  - An active-duty military borrower who is unable to occupy the primary residence prior to the delivery date due to military service will be considered an owner-occupied property mortgage. The borrower's military orders must verify that the borrower is temporarily unable to occupy the primary residence due to the military assignment.
- Second Home
- Investment (non-owner occupied)

Power of Attorney

The following requirements apply to all transactions when a Power of Attorney (POA) is utilized:

- Use of the POA must meet all applicable state, federal and agency guidelines.
- The attorney in fact must be an eligible person (the following are examples of ineligible persons: real estate agent, seller or a person related to the seller, any employee of the lender, any employee of the title company, title agent or settlement agent, or any other party with a financial interest in the transaction (other than a relative of the borrower).

- The POA must be signed and notarized.
- Cash-out transactions cannot use a POA.
- For a Texas 50(a)(6) transaction, there must be proof in the file that the POA met all 50(a)(6) signing requirements
- A trustee of a trust cannot sign using a POA.

Prepayment Penalty

Not permitted.

Products

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

ARM: The index used must be the SOFR (Secured Overnight Financing Rate).

- Caps:
  - 5/6 - 2/1/5
  - 7/6 and 10/6- 5/1/5
- Margin: 3.00
- Qualification:
  - 5/6 ARMs are qualified at the greater of the note rate plus 2% or the fully indexed rate.
  - 7/6 and 10/6 ARMs are qualified at no less than the note rate for non-HPML transactions.
    - Must be qualified at the greater of the note rate or the fully indexed rate for loans that are higher-priced mortgage loans (HPML). If the fully indexed rate is higher, the loan is ineligible **(Manual underwriting is ineligible)**.
    - For ARMs with an initial fixed rate period greater than five years, an interest rate higher than the note rate may be used to qualify the borrower. The higher rate must be entered in the ARM Qualifying Rate field in DU and the Lender ARM Plan must be used.

Property Eligibility

Condo/PUDs and Project Standards

- PUDs (attached/detached)
  - Attached PUDs require a signed Condo/PUD Warranty form.
  - A Questionnaire is not required.
  - Detached PUDs **do not** require a Warranty form, a Questionnaire, or a project review.

- Condominiums (attached/detached, live-work) that are Fannie Mae warrantable.
- Projects being reviewed under a full review are required to utilize Condo Project Manager (CPM).

Litigation

- Projects where the HOA is a party to litigation are eligible under the following circumstances:
  - Non-monetary litigation including, but not limited to, neighbor disputes or rights of quiet enjoyment
  - The insurance carrier has agreed to provide the defense, and the amount is covered by the HOA's insurance
  - 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
  - The anticipated damages and legal fees must not exceed expected to exceed 10% of the project's funded reserves
  - The HOA is named as the plaintiff in a foreclosure action or as a plaintiff in an action for past due HOA assessments

See Fannie Mae Selling Guide Chapter B4-2 for complete requirements.

Eligible Project Types

- Established Condo projects
  - At least 90% of the total units have been sold and conveyed.
  - The project is 100% complete, including all units and common elements.
  - The project is not subject to additional phasing or annexation.
  - Control of the HOA has been turned over to the unit owners.

  A project may also be treated as an established project with less than 90% of the units sold to unit purchasers, provided the deficit is the result of the developer holding back units for rent. The following requirements must be met:

  - Projects < 90% sold can be treated as an established project if the deficit is a result of developers holding back units for rent.
  - Developer's share of holdback for rental is < 20% of total units.
  - HOA fees are paid current.
  - No active or pending special assessments in the project.
- 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 or 2-4 unit projects; 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: Max 70/75/75% LTV/CLTV/HCLTV
- Fannie Mae to Fannie Mae Limited Cash-Out Refinance projects: Project review not required on LTVs ≤ 80%.
- New condo:- < 90% of the total units must have been conveyed to unit purchasers (or 80% with exceptions).
- Detached condo: No project review required for new or established projects
- 2-4 unit condo projects: No project review required for new or established projects.
    - Each unit is evidenced by its own title and deed
    - No project review required for new or established project with ≤ 4 units

NOTE: Project review required on High LTV Refinance Options and DU Refi Plus projects.

See Fannie Mae Selling Guide Chapter B4-2 for complete guidance on project standards.

Eligible Properties

- 2-4 units
- Agricultural properties (allowed for Texas 50(a)(6) and Texas 50(f) transactions only)
- Manufactured Homes/Modular, prefabricated panelized or sectional housing (must have like comparables and property must be legally classified as real property)
- Mixed use eligible subject to Fannie Mae guidelines
- Owner-occupied SFR
- 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 **one** of the following:
    - Copy of the hazard insurance declaration page with no mortgagee listed, **or**
    - Copy of the MERS report for the property showing no mortgage listed, **or**
    - Copy of the Data Verify report showing no mortgage listed.
- Properties without road access are allowed on a case-by-case basis with approval from the Credit Risk Officer.
- Rowhouse
- Rural properties
- Single-family residences

Ineligible Properties

- Agricultural-type properties (allowed on Texas 50 (a)(6) and Texas 50(f) transactions only)
- Bed and Breakfast

- Boarding houses
- Builder bailout properties
- Commercial property
- Commercial Space and mixed-use allocation
- Condo Hotels or Timeshares
- Condo Projects listed as Unavailable in the Fannie Mae Condo Project Manager (CPM)
- **Cooperatives (Co-Ops)**
- Farms
- Incoming producing properties (e.g., adult care facilities, bed & breakfast, etc.)
- Industrial zoned property
- Kiddie Condos
- Live-Work Projects that do not meet Fannie's live-work requirements
- Log Homes
- Manufactured homes and MH Advantage properties that include an accessory unit
- Mobile homes (any property that had/has wheels, axles, towing hitch, etc.)
- Multi-family dwellings > 4 units
- New or newly converted condominium projects in Florida without a PERS approval
- Non-warrantable condominiums
- Orchards
- Properties located in the Hawaiian Islands in lava zones one or two
- Properties located on Tribal Lands Properties not suitable for year-round occupancy, regardless of location
- Properties with an Assignment of Contract
- Properties with problem drywall (aka Chinese drywall). Evidence of complete remediation must be provided if property previously contained Chinese drywall.
- Properties without road access not approved by Planet's Credit Risk Officer.
- Ranches
- Single-Entity ownership project
- **Single-wide manufactured homes**
- Unique properties
    - There may be instances when the unique nature of a particular property may require special consideration. In those cases, Fannie Mae encourages lenders to contact their Fannie Mae customer account team.
- Vacant land is ineligible for refinance transactions

Property Flips

Property flips are subject to:

- Appraisal must support any value increases. Additional documentation may be required and a desk review or second appraisal may be required at underwriter discretion.
- Borrower has excellent credit history, employment history, savings pattern, etc.

Property with an Accessory Unit

An ADU is typically an additional living area independent of the primary dwelling that may have been added to, created within, or detached from a primary one-unit dwelling. The ADU must provide for living, sleeping, cooking, and bathroom facilities and be on the same parcel as the primary one-unit dwelling.

ADUs are not permitted for 2–4-unit properties, second homes, or investment properties.

See Fannie Mae Selling Guide Chapter B2-3-04 for complete requirements for accessory dwelling units.

Property with an Addition without Permits

If the appraiser identifies an addition that does not have the required permits, the following is required:

- The appraiser must comment on the quality and appearance of the work, and
- The impact the addition might have, if any, on the market value of the subject property.

Property with Solar Panels

- Properties with solar panels that are owned by the borrower are eligible without additional requirements.
- Properties with solar panels that are not owned by the borrower are eligible subject to Fannie Mae guidelines.

Purchase Agreement Amended/Renegotiated

- Not eligible if the sales price was increased **after** the original appraisal was completed if:
    - The appraised value is higher than the originally contracted sales price that was provided to the appraiser, and
    - The new purchase agreement and/or addendum to the purchase agreement is dated after the

appraisal, and
    - The only change to the purchase agreement was the sales price.
- If the purchase agreement was renegotiated after the completion of the appraisal, the LTV would be based on the **lower** of the original purchase price or the appraised value, unless:
    - The re-negotiation was only for seller paid closing costs and/or pre-paid where the seller paid closing/pre-paids costs are common and customary for the area and are supported by the comparables, or
    - 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.
- Assignment of the purchase contract is not allowed.

Rent Back

Seller allowed to rent back property from buyer (borrower) for a maximum of 60 days after closing.

Seller Contribution

See "Interested Party Contributions" on page 76 for Seller contribution limits.

Subordinate Financing

- Eligible subject to the CLTV limits on the matrix. Max CLTV is 105% for a fixed-rate, owner occupied 1-4 unit property with a Community Seconds.
- If existing subordinate financing is an HELOC, the full amount of the available credit must be used to determine the HCLTV.
- Unacceptable subordinate financing terms include:
    - Mortgages with negative amortization (except employer subordinate financing that has deferred payments).
    - 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.
    - Subordinate financing that has a prepayment penalty. (Does not apply to HELOC early termination fees).
    - An agreement under which a borrower is obligated to pay a third-party (other than a co-owner of the subject property) a share of any appreciation in the value of the property is not permitted, unless it qualifies as a Community Seconds loan.
- Subordinate financing must be evidenced by a promissory note and reflected in a recorded security instrument that is clearly subordinate to the first mortgage.

Temporary Buydown

2-1 and 1-0 interest rate buydowns are eligible. **3-2-1 interest rate buydown is ineligible**. Investment properties, manufactured home properties, and cash-out refinance transactions, including Texas 50(a)(6), are not eligible for temporary buydowns.

Temporary interest rate buydowns are allowed on fixed-rate mortgages and ARMs for primary residences or second homes. ARMs may only have a 2-1 buydown.

The mortgage instruments must reflect the permanent payment terms rather than the terms of the buydown plan. In no event can the buydown plan change the terms of the mortgage note.

When the source of the buydowns funds is an interested party to the property sale or purchase transaction, the Interested Party Contributions limits apply.

When the Seller funds the buydown, the buydown agreement must require that the funds in the buydown account be transferred to Planet if the mortgage is included as part of a subsequent transfer of servicing.

The buydown plan must be a written agreement between the party providing the buydowns funds and the borrower. All of the terms of the buydown plan must be disclosed to Fannie Mae, the mortgage insurer, and the property appraiser. The buydown agreement must provide that the borrower is not relieved of his or her obligation to make the mortgage payments required by the terms of the mortgage note if, for any reason, the buydown funds are not available. The buydown agreement may include an option for the buydown funds to be returned to the borrower or to the lender, if it funded the buydown, if the mortgage is paid off before all of the funds have been applied. A copy of the buydown agreement must be included in the delivery documentation for the mortgage.

When underwriting loans that have a temporary interest rate buydown, the Seller must qualify the borrower based on the note rate without consideration of the bought-down rate.

There is not a limit on the total dollar amount of an interest rate buydown. The total dollar amount of an interest rate buydown must be consistent with the terms of the buydown period. An interest rate buydown plan must provide for:

- A buydown period not greater than 24 months, and
- Increases of not more than 1% in the portion of the interest rate paid by the borrower in each 12-month interval.

The Seller must follow agency requirements the treatment of buydown funds.

If the mortgage is liquidated or the property is sold during the buydown period, the buydown funds should be disposed in the following manner:

Status of Mortgage	Disposition of Funds
The mortgage is paid in full.	The funds should be credited to the total amount required to pay off the mortgage, or they may be returned to either the borrower or the Seller as specified in the buydown agreement.
The mortgage is foreclosed.	The funds are used to reduce the mortgage debt.
The property is sold, and the mortgage is assumed by the purchaser.	The funds may continue to be used to reduce the mortgage payments under the original terms of the buydown plan.

The special feature code 009 must be delivered.

Transaction Types

Eligible Transactions

- 1031 Exchange
- Cash-out
- Land contracts subject to Fannie Mae guidelines
- Lease option to purchase subject to Fannie Mae guidelines
- Limited cash-out refinance (rate/term)
- 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.
- Purchase. The assignment of a purchase contract is not allowed.

Ineligible Transactions

- Any transaction without a DU “Approval/Eligible” Finding
- Community Land Trusts
- **Energy Efficient Mortgages (EEM)**
- Fannie Mae My Community, Community Solutions, and Community Home Choice
- Interest-only
- Loans with tutorship lien
- Non-Arm’s length transaction that involves new construction and the loan is secured by a second home or investment property.
- Non-traditional credit (*see* "Credit Report/Scores" on page 62 for exceptions)
- Properties in the “Right of Redemption Period” as applicable state law allows.
- Refinance transactions where the subject property is listed for sale at time of disbursement of the new loan.

- Restructured mortgages that do not meet Fannie Mae guidelines.
- 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.

Refinance Transactions

Properties that were listed for sale in the previous 12 months must be taken off the market prior to the disbursement of the new mortgage loan and evidence must be provided to show the property listing has been removed prior to the disbursement of the new loan. Borrowers must provide written confirmation of their intent to occupy the property.

Cash-Out

- Any existing first mortgage being paid off through the cash-out transaction must be at least 12 months old, measured from the note date of the existing loan to the note date of the new loan.
- Cash-Out transactions require a minimum 6-month title seasoning (6 months from close date of the previous transaction to the disbursement date of the new mortgage) except as follows:
  - Delayed financing guidelines are met (*see* "Delayed Financing" on the next page), **or**
  - 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.
- Fannie Mae Student Loan Cash-Out
  - The student loan cash-out refinance feature allows for the payoff of student loan debt through the refinance transaction with a waiver of the cash-out refinance LLPA if all of the following requirements are met:
    - The loan must be underwritten in DU. DU cannot specifically identify these transactions, but will issue a message when it appears that only subject property liens and student loans are marked paid by closing.
    - The standard cash-out refinance LTV/CLTV/HCLTV ratios apply.
    - At least one student loan must be paid off with proceeds from the subject transaction with the following criteria:
    - Proceeds must be paid directly to the student loan servicer at closing,
    - At least one borrower must be obligated on the student loan(s) being paid off, and
    - The student loan must be paid in full- partial payments are not permitted.
    - The transaction may also be used to pay off one of the following:
    - An existing first mortgage loan (including an existing HELOC in the first-lien position); or
    - A single-close construction-to-permanent loan to pay for construction costs to build the home, which may include paying off an existing lot lien.
    - Only subordinate liens used to purchase the property may be paid off and included in

the new mortgage.

- The transaction may be used to finance the payment of closing costs, points, and prepaid items. With the exception of real estate taxes that are more than 60 days delinquent, the borrower can include real estate taxes in the new loan amount as long as an escrow account is established, subject to applicable law or regulation.
- All other standard cash-out refinance requirements apply.

Delayed Financing

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 **all** the following requirements are met:

- The purchase transaction was an arms-length transaction, and
- The borrower must have initially purchased the property as one of the following:
  - A natural person
  - An eligible Inter Vivos Revocable Trust, where the borrower established that trust and is the beneficiary of the trust
  - An eligible land trust where the borrower is the beneficiary of the land trust, or
  - An LLC or partnership in which the borrower(s) have 100% ownership individual or joint, **and**
- 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), **and**
- The CD from the original transaction is required to confirm that there was no mortgage financing used to obtain the property, **and**
- 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,

NOTE: If gift funds were used to purchase the property, they may not be reimbursed with the proceeds from the new loan.

- 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 **all** cash-out proceeds be used to pay off or pay down, as applicable, the loan used to purchase the property; **and**
- An "Approve/Eligible" result from DU is required, and the transaction must meet all other cash- out eligibility requirements.

Rate/Term Refinance

At least one borrower on the new loan must be a current owner of the subject property (on title) at the time of the initial loan application. Exceptions to this policy are permitted in the following scenarios:

- the borrower acquired the property through an inheritance or was legally awarded the property via a legal settlement or divorce decree, or
- the property was previously owned by an inter vivos revocable trust and the borrower is the primary beneficiary of the trust.

Student loans can be paid off through a rate/term refinance without being considered cash-out transactions when the following requirements are met:

- Per DU only
- Proceeds from transaction must be used to pay off at least one student loan
- Payoff must be paid directly to the servicer at closing
- One borrower must be obligated on the loans being paid off, and
- Loan must be paid in full (partial payments not allowed)

Transaction may also be used to pay off:

- An existing first mortgage loan (including HELOCs in first lien position), or
- Single-closing construction-to-perm loan to cover cost to build the home, which may include paying off an existing mortgage.

Subordinate liens used to purchase property:

- Financing **is** allowed to secure the payment of closing costs, points, and prepaid items.
- Financing **is not** allowed when the property taxes are more than 60 days delinquent.
  - 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.
  - Cash back to the borrower may not exceed the lesser of 2% of the new refinance loan amount or $2,000.

See Fannie Mae Selling Guide Chapter B2-1 for complete details.

Texas 50(a)(6)

NOTE: This section is specific to Texas 50(a)(6) Transactions. Planet follows Fannie Mae guidelines for any topic not addressed in this section.

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. Fixed Rate only.

Please note the following Planet requirements:

- Borrower Types
  - Unmarried co-borrowers are permitted, must take title to the property and are legally liable for the debt.
  - Non-borrowing spouse is permitted.
- Borrower Eligibility
  - Owner-occupied properties only.
  - No power of attorney permitted.
  - Inter-vivos revocable transactions must meet the qualifying trust requirements under Texas law for purposes of owning residential property that qualifies for the homestead exemption.
- Collateral Eligibility
  - Property must be borrower's Urban Homestead (Rural Homesteads are not allowed).
  - 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
  - Property must be residential in nature and zoning, not a farm or ranch.
  - Property site must not exceed 10 acres (actual size of property; larger parcels may not be valued considering only 10 acres).
  - Full appraisal with both interior and exterior inspection is required.
  - 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
  - Max 80.00% LTV/CLTV.
- Transaction Details
  - A full appraisal is required
  - An existing Texas Section 50(a)(6) first or second mortgage on the homestead must have a minimum of 365 days 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:
    - Baird Law, PLLC
    - Black, Mann & Graham
    - Carolyne K. Davis, P.C.
    - Dorsett Johnson & Swift, LLC
    - Glast, Phillips & Murray
    - Gregg & Valby
    - Matt Haddock, PLLC
    - Kubik Law Firm, PLLC
    - MRG – Mortgage Resource Group
    - McGlynchey, Stafford
    - Pierson & Patterson
    - Polunsky Beitel Green, Attorneys at Law
    - Rich Karlseng, LLC
    - Robertson Anschutz Vetters
    - Sandler Law Group
    - Schwartz & Manente
    - Shanks & Associates, P.C., Attorneys At Law

NOTE: Attorneys not listed above must be approved by Planet in advance of loan purchase.

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

- Forms
  - **Note**
    - Texas Home Equity Note (Fixed Rate - First Lien) — Uniform Instrument Form 3244.1 01/01 (rev. 1/18)
  - **Security Instrument**
    - Texas Home Equity Security Instrument (First Lien) — Fannie Mae/Freddie Mac UNIFORM INSTRUMENT Form 3044.1 01/01 (rev. 01/18)
  - **Borrower Affidavit**
    - Texas Home Equity Affidavit and Agreement (First Lien) — Fannie Mae/Freddie Mac UNIFORM INSTRUMENT Form 3185 01/01 (rev. 01/18).

    NOTE: The affidavit must be recorded together with the Security Instrument and any applicable riders.
  - **Condominium Rider**
    - 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**

    - 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.
- 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
    - **Per Texas Law, all borrowers must receive a copy of the signed 12-day notice, and**
    - **Loan cannot close until the 13th day of application submission date.**
- Texas Home Equity Receipt of Copies
- Texas Home Equity Election Not to Rescind
    - Document must be signed 3-business days after rescission date has expired
- Acknowledgment as to Fair Market Value of Homestead Property
    - This document must accompany the appraisal
- Texas Home Equity Loan/HELOC Closing Instructions Addendum
- File must evidence a copy of closing instructions and acknowledgment receipt.
- Texas Home Equity Certificate from Originating Lender Regarding Compliance with Section 50 (a)(6) Article XVI of the Texas Constitution.
- Owner's Affidavit Acknowledging Lender's Compliance with Constitutional Requirements to Provide Owner Early Final Itemized Disclosure of Actual Fees and Charges
- Owner's Affidavit of Compliance

See State of Texas Constitution for complete Texas 50(a)(6) laws.

Texas 50(f) Rate/Term Refinance

Texas borrowers may refinance an existing Texas 50(a)(6) loan to a Non-Equity refinance product if the following criteria is met:

- 365 days seasoning at closing is evidenced in the file
- Borrower receives no-cash-out at closing
- No additional advances allowed with the exception of refinancing the existing lien and actual closing costs and reserves.
- CLTV does not exceed 80%
- Borrower must sign the Notice of Refinance of Texas Home Equity within 3 business days of loan

application (12-day notice).

- Texas Home Equity Refinance Affidavit executed at closing

NOTE: *See* "Transaction Types" on page 97 for conventional refinance requirements.

See State of Texas Constitution for complete Texas 50(a)(6) laws.

Fannie Mae High Balance Program Grid

Owner-Occupied Primary Residence Fixed Rate & ARM					
Transaction Type	**Units**	**LTV**[1]	**CLTV**[3]	**Loan Amount**[2]	**Credit Score**
Purchase	1	95%	95%	*See* Loan Limits below	Per DU
	2	85%	85%		
	3-4	75%	75%		
Limited Cash-Out	1	95%	95%		
	2	85%	85%		
	3-4	75%	75%		
Cash-Out[6]	1	80%	80%		
	2-4	75%	75%		
Second Home Fixed Rate & ARM					
Transaction Type	**Units**	**LTV**[1]	**CLTV**	**Loan Amount**	**Credit Score**
Purchase and Limited Cash-Out	1	90%	90%	*See* Loan Limits below	Per DU
Cash-Out	1	75%	75%		
Investment (non-Owner Occupied) Fixed Rate & ARM					
Transaction Type	**Units**	**LTV**	**CLTV**	**Loan Amount**	**Credit Score**
Purchase	1	85%	85%	*See* 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%		
Owner Occupied Manufactured Homes					
Transaction Type	**Units**	**LTV**	**CLTV**	**Loan Amount**	**Credit Score**

Purchase	1	95%	95%	*See* Loan Limits below	Per DU
Limited Cash-Out		95%	95%		
Cash-Out		65%	65%		
Second Home Manufactured Homes					
Transaction Type	**Units**	**LTV**	**CLTV**	**Loan Amount**	**Credit Score**
Purchase	1	90%	90%	*See* Loan Limits below	Per DU
Limited Cash-Out	1	90%	90%		
Owner Occupied MH Advantage[2]					
Transaction Type	**Units**	**LTV**	**CLTV**	**Loan Amount**	**Credit Score**
Purchase	1	95%	95%	*See* Loan Limits below	Per DU
Limited Cash-Out	1	95%	95%		
Cash-Out	1	65%	65%		
Second Home Manufactured Home[2]					
Transaction Type	**Units**	**LTV**	**CLTV**	**Loan Amount**	**Credit Score**
Purchase	1	90%	90%	*See* Loan Limits below	Per DU
Limited Cash-Out		90%	90%		

Footnotes:

1. 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. *See* **Fannie Mae Conforming Program Guidelines** "Mortgage Insurance" on page 87 for all requirements.
2. 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 or 2-4 unit projects; 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: Max 70/75/75% LTV/CLTV/HCLTV Manufactured housing ineligible
3. Up to 105%, CLTV allowed when using a Community Seconds that meets Fannie Mae guidelines.

Maximum High-Cost Loan Limits	
Units	**Contiguous States and District of Columbia**
1	$1,149,825
2	$1,472,250
3	$1,779,525
4	$2,211,600

See FHFA Limits for maximum loan amounts by county/metropolitan area.

Fannie Mae High Balance Program Guidelines

For topics not addressed in this guide, see "Fannie Mae Conforming Program Guidelines" on page 50 and Fannie Mae Selling Guide.

4506-C

See **Fannie Mae Conforming Program Guidelines** "4506-C" on page 50 for all requirements.

Ability to Repay/Qualified Mortgage

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:

- Compliance findings validating a pass of ATR
- Compliance findings validating a pass of QM, where applicable
- Automated Underwriting System (AUS) approval, where applicable
- Evidence of manual approval, where applicable
- Underwriting Analysis (e.g., Final 1008/Loan Transmittal, VA Loan Analysis, FHA Transmittal Summary)
- Income Worksheet

Additionally, all disclosures and documentation required under the ATR/QM provisions of the Dodd-Frank Act must be provided.

The Seller will comply with the verification standards of the applicable agency Seller’s Guide.

- **Chapters B3-3 through B3-6 of the Fannie Mae Single Family Selling Guide.**

Affidavit of Identity

See **Fannie Mae Conforming Program Guidelines** "Affidavit of Identity" on page 51 for all requirements.

Age of Documents

See **Fannie Mae Conforming Program Guidelines** "Age of Documents" on page 51 for all requirements.

Appraisals

DU determines the level of appraisal on owner-occupied properties. If a reduced appraisal recommendation is received from DU, **it must be on the final DU**.

- Appraisals must be Uniform Appraisal Data (UAD) compliant and meet Fannie Mae's Appraiser Independence Requirements (AIR).
- All appraisals must be submitted to the UCDP by the AMC or independent appraiser. A copy of the Fannie Mae Submission Summary Report (SSR) and Freddie Mac Submission Summary Report that includes the Appraisal Finding Detail Report (AFDR) with a Document File Status of "Successful" and the 10-digit Doc File ID number or a copy of the XML file, must be provided.
- Appraisal must identify and address properties located within a declining market.
- A full appraisal must provide legible interior and exterior photos.
  - 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.
  - The interior photos, at minimum, must include:
    - Kitchen (free-standing stove/range or refrigerator not required)
    - Main living area
    - All bathrooms
    - Any physical deterioration and recent updates that materially impact the market value or marketability of the subject property (i.e., remodel, restoration, renovation)
- 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.).
  - 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 AIR compliant.
- Properties located in a FEMA Disaster Declaration area will be subject to additional appraisal review. *See* "Chapter 8: Loan Purchasing" on page 576 for detailed requirements.

See Fannie Mae Selling Guide for complete appraisal requirements.

Value Acceptance (Appraisal Waivers)

Value acceptance (appraisal waivers) will be accepted per Fannie Mae guidelines. The value acceptance must be offered on the final DU feedback recommendation.

Assets

See **Fannie Mae Conforming Program Guidelines** "Assets" on page 53 for all requirements.

Assumptions

Planet follows Fannie Mae Guidelines.

AUS

DU "Approve/Eligible" results required. Manual underwriting is ineligible.

Available Markets

- **Delegated Sellers**
  - Planet will purchase loans underwritten and closed by the delegated Seller in **all** states.

- **Non-Delegated Sellers**
  - Planet will purchase loans from the non-delegated Sellers in all states on Fannie Mae products. All loans require Planet underwriting approval.
- Seller must receive approval from Planet Home Lending to deliver loans with properties located in Puerto Rico.
- The U.S. territories of Guam and the Virgin Islands are ineligible regardless of delegation.

Borrower Eligibility

See **Fannie Mae Conforming Program Guidelines** "Borrower Eligibility" on page 59 for all requirements.

Chain of Title

See **Fannie Mae Conforming Program Guidelines** "Chain of Title" on page 60 for all requirements.

Community Seconds

See **Fannie Mae Conforming Program Guidelines** "Community Seconds" on page 60 for all requirements.

Construction-to-Perm

See **Fannie Mae Conforming Program Guidelines** "Construction-to-Perm" on page 61 for all requirements.

Credit Report/Scores

See **Fannie Mae Conforming Program Guidelines** "Credit Report/Scores" on page 62 for all requirements.

DTI

See **Fannie Mae Conforming Program Guidelines** "DTI" on page 67 for all requirements.

Employment and Income

See **Fannie Mae Conforming Program Guidelines** "Employment and Income" on page 71 for all requirements.

Escrow/Impound Account

- >80% LTV required unless prohibited by state law
- <80% LTV not required; refer to rate sheet for pricing adjustment

Escrowed Flood Insurance Premiums

Escrowed flood insurance premiums are required on all loans including, but not limited to, Higher Priced Mortgage Loans (HPML). When the subject property is in a special flood hazard area, the Seller must provide the following:

- Evidence that flood insurance premiums have been escrowed (regardless of any other fees and charges associated with the loan).
- Seller must use Standard Flood Hazard Determination Form (SFHDF) on all properties.

NOTE: Planet will not purchase loans with negative escrow balances.

Financed Properties

Planet will purchase a maximum of five loans to one borrower with an aggregate loan amount up to $2.5M.

See **Fannie Mae Conforming Program Guidelines** "Financed Properties" on page 75 for all requirements.

Inspections

See **Fannie Mae Conforming Program Guidelines** "Inspections" on page 76 for all requirements.

Interested Party Contributions

See **Fannie Mae Conforming Program Guidelines** "Interested Party Contributions" on page 76 for all requirements.

Manufactured Homes

- **ARMs not permitted.**
- **Ineligible Properties:**
  - **Singlewide**
  - **Leasehold**
  - **Properties located in a 100-year flood zone**

See **Fannie Mae Conforming Program Guidelines** "Manufactured Homes" on page 78 for all requirements.

Mortgage Insurance

See **Fannie Mae Conforming Program Guidelines** "Mortgage Insurance" on page 87 for all requirements.

Minimum Loan Amount

$679,651

The maximum loan amount is determined by county. *See* Federal Housing Finance Agency high-cost area summary

Mortgage/Rental History

See **Fannie Mae Conforming Program Guidelines** "Mortgage/Rental History" on page 88 for all requirements.

Non-Arms' Length or Identity of Interest Transactions

See **Fannie Mae Conforming Program Guidelines** "Non-Arms' Length or Identity of Interest Transactions" on page 89 for all requirements.

Occupancy

- Owner-Occupied
  - An active-duty military borrower who is unable to occupy the primary residence prior to the delivery date due to military service will be considered an owner-occupied property mortgage. The borrower’s military orders must verify that the borrower is temporarily unable to occupy the primary residence due to the military assignment.
- Second Home
- Investment (non-owner occupied)

Prepayment Penalty

Not permitted.

Products

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

ARM: The index used must be the SOFR (Secured Overnight Financing Rate).

- Caps:
  - 5/6 - 2/1/5,
  - 7/6 &10/6 - 5/1/5.
- Margin: 3.00
- Qualification:
  - 5/6 ARMs are qualified at the greater of the Note rate plus 2% or the fully indexed rate.
  - 7/6 and 10/6 ARMs are qualified at the Note rate.

Property Eligibility

Eligible Properties

- 2-4 units
- Agricultural properties (allowed for Texas 50(a)(6) and Texas 50(f) transactions only)
- Leaseholds meeting Fannie Mae guidelines
- Manufactured Homes/Modular, prefabricated panelized or sectional housing (must have like comparables and property must be legally classified as real property)
- Mixed use eligible subject to Fannie Mae guidelines
- Owner-occupied SFR
- 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 one of the following:
  - Copy of the hazard insurance declaration page with no mortgagee listed, or
  - Copy of the MERS report for the property showing no mortgage listed, or
  - Copy of the Data Verify report showing no mortgage listed.
- Properties without road access are allowed on a case-by-case basis with approval from the Credit Risk Officer.
- Rowhouse
- Rural properties
- Single-family residences

Ineligible Properties

- Agricultural-type properties (allowed on Texas 50 (a)(6) and Texas 50(f) transactions only)
- Bed and Breakfast
- Boarding houses
- Builder bailout properties
- Commercial property
- Commercial Space and mixed use allocation
- Condo Hotels or Timeshares
- Condo Projects listed as Unavailable in the Fannie Mae Condo Project Manager (CPM)
- **Cooperatives**
- Farms
- Incoming producing properties (e.g., adult care facilities, bed & breakfast, etc.)
- Industrial zoned property
- Kiddie Condos
- Live-Work Projects that do not meet Fannie's live-work requirements
- Log Homes
- Manufactured homes and MH Advantage properties that include an accessory unit
- Mobile homes (any property that had/has wheels, axles, towing hitch, etc.)
- Multi-family dwellings > 4 units
- New or newly converted condominium projects in Florida without a PERS approval
- Non-warrantable condominiums
- Orchards
- Properties located in the Hawaiian Islands in lava zones one or two
- Properties located on Tribal Lands Properties not suitable for year-round occupancy, regardless of location
- Properties with an Assignment of Contract
- Properties with problem drywall (aka Chinese drywall). Evidence of complete remediation must be provided if property previously contained Chinese drywall.
- Properties without road access not approved by Planet's Credit Risk Officer.
- Ranches
- Single-Entity ownership project
- **Single-wide manufactured homes**
- Unique properties (geodesic domes, earth barn homes, log homes, etc.)
- Vacant land or land development properties

See **Fannie Mae Conforming Program Guidelines** "Property Eligibility" on page 90 for all requirements.

Property Flips

See **Fannie Mae Conforming Program Guidelines** "Property Flips" on page 94 for all requirements.

Properties with an Accessory Unit

See **Fannie Mae Conforming Program Guidelines** "Property with an Accessory Unit" on page 94 for all requirements.

Properties with an Addition without Permits

See **Fannie Mae Conforming Program Guidelines** "Property with an Addition without Permits" on page 94 for all requirements.

Properties with Solar Panels

See **Fannie Mae Conforming Program Guidelines** "Property with Solar Panels" on page 94 for all requirements.

Purchase Agreement Amended/Renegotiated

See **Fannie Mae Conforming Program Guidelines** "Purchase Agreement Amended/Renegotiated" on page 94 for all requirements.

Seller Contribution

See **Fannie Mae Conforming Program Guidelines** "Seller Contribution" on page 95 for all requirements.

Subordinate Financing

See **Fannie Mae Conforming Program Guidelines** "Subordinate Financing" on page 95 for all requirements.

Temporary Buydown

2-1 and 1-0 interest rate buydowns are eligible. **3-2-1 interest rate buydown is ineligible.** Investment properties, manufactured home properties, and cash-out refinance transactions, including Texas 50(a)(6), are not eligible for temporary buydowns.

See **Fannie Mae Conforming Program Guidelines** "Temporary Buydown" on page 96 for all requirements.

Transaction Types

Eligible Transactions

- 1031 Exchange
- Cash-out
- Land contracts subject to Fannie Mae guidelines
- Limited cash-out refinance (rate/term)
- 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.
- Purchase. The assignment of a purchase contract is not allowed.

Ineligible Transactions

- Any transaction without a DU "Approval/Eligible" Finding
- Community Land Trusts
- Energy Efficient Mortgages (EEM)
- Fannie Mae My Community, Community Solutions, and Community Home Choice
- Interest-only
- Lease option to purchase
- Loans with tutorship lien
- Non-Arm's length transaction that involves new construction and the loan is secured by a second home or investment property.
- Non-traditional credit (*see* "Credit Report/Scores" on page 353 for exceptions)
- Properties in the "Right of Redemption Period" as applicable state law allows.
- Refinance transactions where the subject property is listed for sale at time of disbursement of the new loan.
- Restructured mortgages that do not meet Fannie Mae guidelines.
- 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.

See **Fannie Mae Conforming Program Guidelines** "Transaction Types" on page 97 for all requirements.

Fannie Mae HomeReady Program Grid

Owner-Occupied Primary Residence
Fixed Rate

Transaction Type	Units	LTV	CLTV/HCLTV	Loan Amount	Credit Score
Purchase	1	97%[2,3,4]	97%[1,4]	*See* Loan Limits below	Per DU
	2	95%	95%		
	3-4	95%	95%		
Limited Cash-Out	1	95%	95%		
	2	95%	95%		
	3-4	95%	95%		
Fannie Owned Limited Cash-Out	1	97%[2,3,4]	97%[4]		

Owner-Occupied Primary Residence
ARM

Transaction Type	Units	LTV	CLTV/HCLTV	Loan Amount	Credit Score
Purchase	1	95%	95%[1,4]	*See* Loan Limits below	Per DU
	2	95%	95%		
	3-4	95%	95%		
Limited Cash-Out	1	95%	95%		
	2	95%	95%		
	3-4	95%	95%		

Manufactured Homes

Transaction Type	Units	LTV	CLTV/HCLTV	Loan Amount	Credit Score
Purchase	1	95%	95%	*See* Loan Limits below	Per DU
Limited Cash-Out					

MH Advantage

Transaction Type	Units	LTV	CLTV/HCLTV	Loan Amount	Credit Score
Purchase	1	97%	97%[1]	*See* Loan Limits below	Per DU
Limited Cash-Out	1	97%	97%		

Footnotes:

1. Up to 105% CLTV allowed when using a Community Seconds that meets Fannie Mae guidelines.
2. Transactions with non-occupant borrowers permitted to a maximum 95% LTV.
3. LTV > 95% subject to additional requirements. *See* "95.01% — 97% LTV" on page 50 for details.
4. High Balance LTV/CLTV/HCLTV permitted to a maximum of 95%.
5. Maximum 95% LTV/CLTV when sweat equity is utilized.

See FHFA Limits for maximum loan amounts by county/metropolitan area.

Fannie Mae Maximum Conforming Loan Limits			
Contiguous States and District of Columbia			Alaska, Hawaii
Unit	**General**	**High Cost**	**General**
1	$766,550	$1,149,825	$1,149,825
2	$981,500	$1,472,250	$1,472,250
3	$1,186,350	$1,779,525	$1,779,525
4	$1,474,400	$2,211,600	$2,211,600

Fannie Mae HomeReady Program Guidelines

For topics not addressed in this guide, see "Fannie Mae Conforming Program Guidelines" on page 50 and Fannie Mae Selling Guide.

4506-C

See **Fannie Mae Conforming Program Guidelines**"4506-C" on page 50 for all requirements.

95.01% — 97% LTV

Purchase or Limited cash-out refinances transactions are eligible as follows:

- At least one borrower on the loan must have a credit score.
- Fixed rate loans only with terms up to 30 years. ARM not permitted.
- High Balance loans not permitted.
- Manufactured homes must meet MH Advantage requirements.
- Maximum CLTV 105% if the subordinate lien is a Community Seconds loan.
- Maximum CLTV/HCLTV 95.01-97% if the subordinate lien is not a Community Seconds loan.
- Mortgage being refinanced must be owned by Fannie Mae.
- Per DU only
- Property is a 1-unit primary residence, and all borrowers must occupy

Ability to Repay/Qualified Mortgage

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:

- Compliance findings validating a pass of ATR
- Compliance findings validating a pass of QM, where applicable
- Automated Underwriting System (AUS) approval, where applicable
- Evidence of manual approval, where applicable
- Underwriting Analysis (e.g., Final 1008/Loan Transmittal, VA Loan Analysis, FHA Transmittal Summary)
- Income Worksheet

Additionally, all disclosures and documentation required under the ATR/QM provisions of the Dodd-Frank Act must be provided.

The Seller will comply with the verification standards of the applicable agency Seller's Guide.

- **Chapters B3-3 through B3-6 of the Fannie Mae Single Family Selling Guide.**

Affidavit of Identity

See **Fannie Mae Conforming Program Guidelines** "Affidavit of Identity" on page 51 for all requirements.

Age of Documents

See **Fannie Mae Conforming Program Guidelines** "Age of Documents" on page 51 for all requirements.

Appraisals

DU determines the level of appraisal on owner-occupied properties. If a reduced appraisal recommendation is received from DU, **it must be on the final DU**.

- Appraisals must be Uniform Appraisal Data (UAD) compliant and meet Fannie Mae's Appraiser Independence Requirements (AIR).
- All appraisals must be submitted to the UCDP by the AMC or independent appraiser. A copy of the Fannie Mae Submission Summary Report (SSR) and Freddie Mac Submission Summary Report that includes the Appraisal Finding Detail Report (AFDR) with a Document File Status of "Successful" and the 10-digit Doc File ID number or a copy of the XML file, must be provided.
- Appraisal must identify and address properties located within a declining market.
- A full appraisal must provide legible interior and exterior photos.
  - 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.
  - The interior photos, at minimum, must include:
    - Kitchen (free-standing stove/range or refrigerator not required)
    - Main living area
    - All bathrooms
    - Any physical deterioration and recent updates that materially impact the market value or marketability of the subject property (i.e., remodel, restoration, renovation)
- 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.).
- 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 AIR compliant.
- Properties located in a FEMA Disaster Declaration area will be subject to additional appraisal review. *See* "Chapter 8: Loan Purchasing" on page 576 for detailed requirements.

See Fannie Mae Selling Guide for complete appraisal requirements.

Assets

Documentation requirements per DU.

- 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:

    - The borrower customarily uses cash for expenses, and the amount of funds saved is consistent with the borrower's previous payment practice.
    - 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.
    - A written statement from the borrower that discloses the source of funds and states that the funds have not been borrowed.
    - 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.
- Sweat equity is an acceptable source of down payment for a HomeReady transaction. See Fannie Mae Selling Guide section B5-6-02 for complete requirements.

Reserves

- Per DU

Acceptable Sources of Reserves

- Checking/savings accounts
- Investments in stocks, bonds, mutual funds, certificates of deposit, money market funds, and trust accounts. For borrowers using this above stock options and mutual funds for assets:
    - When used for down payment or closing costs, evidence of the borrower's actual receipt of funds realized from the sale or liquidation must be documented in all cases.
    - When used for reserves, no more than 70% of the value of the asset must be considered, and liquidation is not required.
- Vested amount in retirement accounts
- Cash value of a vested life insurance policy

Unacceptable Sources of Reserves

- Cash on hand
- Funds that cannot be withdrawn under circumstances other than the account owner's retirement, employment termination or death
- Funds that have not been vested
- Interested party contributions
- Personal unsecured loans
- Stock held in an unlisted corporation
- Stock options and non-vested restricted stock

See **Fannie Mae Conforming Program Guidelines** "Assets" on page 53 for all requirements.

Assumptions

Planet follows Fannie Mae Guidelines.

AUS

DU "Approve/Eligible" results required. Manual underwriting is ineligible.

Available Markets

- **Delegated Sellers**
  - Planet will purchase loans underwritten and closed by the delegated Seller in **all** states.
- **Non-Delegated Sellers**
  - Planet will purchase loans from the non-delegated Sellers in all states on Fannie Mae products. All loans require Planet underwriting approval.
- Seller must receive approval from Planet Home Lending to deliver loans with properties located in Puerto Rico.
- The U.S. territories of Guam and the Virgin Islands are ineligible regardless of delegation.

Borrower Eligibility

Eligible Borrowers

- A natural person
- U.S. Citizens
- Non-occupant co-borrowers
- Permanent resident aliens:
  - 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.
- Revocable Inter-Vivos Trust that meets Fannie Mae guidelines
- Non-permanent resident aliens:
  - 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:
    - An unexpired Employment Authorization Document (EAD) by the USCIS (ncluding C-33 EAD/DACA), or
    - An unexpired visa. Eligible types are E-1, G series, H series, or TN.

    - 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.
- All borrowers are required to have a social security number.

Ineligible Borrowers

- Borrowers with diplomatic immunity and IMF employees
- Borrowers without a social security number
- Foreign Nationals

See **Fannie Mae Conforming Program Guidelines** "Borrower Eligibility" on page 59 for all requirements.

Chain of Title

See **Fannie Mae Conforming Program Guidelines** "Chain of Title" on page 60 for all requirements.

Community Seconds

Community Seconds are acceptable to the LTV/CLTV/HCLTV stated. CLTV ratios may exceed the limits stated up to 105% if:

- Fixed rate loan
- Purchase or Limited Cash-Out Refinance

NOTE: More than one Community Seconds is allowed.

Credit History

- Tradeline requirements per DU.
- Authorized user tradelines require underwriter review to ensure the tradelines are an accurate reflection of the borrower's credit history.

Credit Report/Scores

- Credit score per DU.
- All borrowers are required to have a credit score (*see* "Credit Exceptions/Non-Traditional Credit" on the next page).
- Planet will accept a credit report, in the Seller's name, from any Fannie Mae acceptable credit vendor.

- A tri-merged credit report is required for all borrowers.
- The representative credit score is determined as follows:
  - If there are three valid scores, the middle score is used. If two of the three scores are a duplicate, the duplicate score is used.
  - If there are two valid scores, the lower of the two is used.
  - If there is one valid score, that score is used.

The representative score for the loan is the lowest representative score of all borrowers.

- The borrower(s) must address **all** 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).
- Sellers are encouraged 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:
  - A "soft pull" credit report, or
  - A debt affidavit, signed by the borrower(s) (sample form is posted on the CORE Seller Portal at www.phlcorrespondent.com under **Forms and Resources**), or
  - A letter, written and signed by the borrower(s) stating no new credit was obtained.

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.

Credit Exceptions/Non-Traditional Credit

If one or more borrowers has a credit score and at least one borrower does not have a credit score, DU will apply the following:

- 1-unit, primary residence, and all occupants
- Purchase or LCOR transactions only
- Conforming loan amount only. High balance is ineligible.
- Reserves may be required as determined by DU
- If the borrower(s) with a credit score is contributing more than 50% of the qualifying income, the Seller is not required to document a nontraditional credit history of the borrower(s) without a credit score.

- If the borrower(s) with a credit score is contributing 50% or less of the qualifying income, the Seller must document a nontraditional credit history for each borrower without a credit score.

When no borrower has a credit score, all of the above requirements apply in addition to the following:

- All property types are permitted, with the exception of manufactured housing
- DTI must be less than 40%
- The maximum LTV, CLTV, and HCLTV ratios are 90%
- Fixed Rate mortgage
- 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 additional borrower(s) do not, all of the above requirements apply in addition to the following:

- 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
- If the borrower(s) with the credit score contributes > 50% of the qualifying income), there is no need to document a non-traditional credit history for borrower(s) without a credit score.

See **Fannie Mae Conforming Program Guidelines** "Credit Report/Scores" on page 62 for all requirements.

Down Payment

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.

The minimum required borrower contribution is dependent on the number of units, as noted in the table below:

Units	Minimum Down Payment		Minimum Borrower Contribution
Fixed Rate	Units	Minimum Down Payment	LTV/CLTV/HCLTV
	1	5%[1,3]	None
	2	15%	> 80% = 3%
	3-4	25%	

Units	Minimum Down Payment		Minimum Borrower Contribution
ARM			LTV/CLTV/HCLTV[2]
	1	10%	None
	2	25%	> 80% = 3%
	3-4	N/A	N/A

Footnotes:

1. A 3% down payment permitted for certain purchase transactions. *See* "95.01% — 97% LTV" on page 121 for details.
2. LTV/CLTV/HCLTV may not exceed limits stated in the ARM matrices.
3. A minimum 3% borrower contribution and minimum down payment of 5% is required if sweat equity is being used toward the down payment for one-unit HomeReady purchase transactions. *See* Fannie Mae Selling Guide for additional requirements.

DTI

- Per DU
- Business debt may only be excluded from the DTI calculation if satisfactory documentation of the following is provided:
  - The account in question does not have a history of delinquency.
  - The debt(s) are paid through the business verified with 12 months canceled business account checks.
  - A cash-flow analysis of the business took the payment obligation into consideration.
- 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.
- When a borrower is obligated on a **mortgage debt** but not the party repaying the debt, the full monthly housing expense may be excluded from the borrowers recurring monthly obligation if:
  - The party making the payment is obligated on the mortgage debt
  - No delinquencies in the most recent 12 months, and
  - Rental income from the applicable property is not being used to qualify
- The DTI ratio must account for the borrowers rental housing if the subject transaction is:
  - a second home
  - or investment or
  - includes a non-occupant co-borrower

File must evidence 12-month pay history from the party making the mortgage debt payments via canceled checks or bank statements.

See **Fannie Mae Conforming Program Guidelines** "DTI" on page 67 for all requirements.

Employment and Income

- Boarder income allowed subject to the following:
  - Rental payments that any borrower received from one or more individuals residing with the borrower (who may or may not be related to the borrower) may be considered. This applies to one-unit properties in an amount up to 30% of the total gross income used to qualify if the boarder:
    - Is not obligated on the mortgage loan and does not have an ownership interest in the property;
    - Has lived with the borrower for the last 12 months;
    - 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).
    - The boarder can demonstrate rental payments to the borrower (i.e., canceled checks) for:
    - The last 12 months, or
    - At least 9 of the most recent 12 months provided the rental income is averaged over a 12-month period.
    - Payment of rent by the boarder directly to a third party is not acceptable.
- Non-occupant Borrower:
  - Income considered as part of qualifying income and subject to income limits
  - Maximum LTV 95%

Income Limits

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.

On all 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.

- Income may not exceed 80% of the annual AMI for the property location.

NOTE: Non-borrower income is not considered qualifying income and is not applied to income limits.

Effective for loans closed on or before February 14, 2025, a $2,500 loan-level price adjustment credit for very low-income purchase borrowers (VLIP) is available to be used for down payment and/or closing costs. The following requirements must be met to be eligible for the $2,500 LLPA credit:

- The loan must be an eligible HomeReady purchase loan with "Approve/Eligible" DU findings.
  - **Manual underwriting is not permitted.**
- The applicant(s) must have total qualifying income less than or equal to 50% of the applicable area median income (AMI) limit for the subject property's location.
- The full $2,500 credit must be provided directly to the applicant, such as being applied to down payment and closing costs, including escrows and mortgage insurance premiums.
  - The credit may be used to satisfy the 3% minimum contribution for all loans secured by a one-unit property or loans secured by two- to four-unit properties with LTV ratios less than or equal to 80%. All additional funds must comply with the Fannie Mae HomeReady Guidelines for source of funds. For loans secured by two- to four-unit properties with LTV ratios greater than 80%, the credit may be applied to down payment after the 5% minimum contribution is met.
- All loans must be closed with Special Feature Codes 900 HomeReady loan, and 884 HomeReady VLIP LLPA Credit.

Rental Income

Planet follows Fannie Mae guidance regarding the use of rental income.

- One Unit with Accessory Dwelling
  - Additional living area independent of the primary dwelling and includes a fully functioning kitchen and bathroom.

  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.

- 2-4 Unit Principal Residence Properties — May be used as qualifying income per income guidelines.

NOTE: Seller is encouraged to use the Fannie Mae rental income worksheets when calculating rental income. The worksheets (Form 1037, 1038, and 1039) are located on the Fannie Mae website under Guide Forms & Legal Docs.

Escrow/Impound Account

- >80% LTV required unless prohibited by state law
- <80% LTV not required; refer to rate sheet for pricing adjustment

Escrowed Flood Insurance Premiums

Escrowed flood insurance premiums are required on all loans including, but not limited to, Higher Priced Mortgage Loans (HPML). When the subject property is in a special flood hazard area, the Seller must provide the following:

- Evidence that flood insurance premiums have been escrowed (regardless of any other fees and charges associated with the loan).
- Seller must use Standard Flood Hazard Determination Form (SFHDF) on all properties.

NOTE: Planet will not purchase loans with negative escrow balances.

Financed Properties

- **Planet will purchase a maximum of five loans to one borrower with an aggregate loan amount up to $2.5M.**
- The occupant borrower may not have more than 2 financed properties.

Homeownership Education

At least one borrower on the mortgage loan must complete pre-purchase homeownership education (prior to loan closing).

- If all borrowers are relying on non-traditional credit to qualify, regardless of the loan product or whether the borrowers are First Time Home Buyers (no change to current requirements);
- HomeReady purchase transactions when all occupying borrowers are First Time Home Buyers, regardless of the LTV ratio; or
- Purchase transactions with LTV, CLTV, or HCLTV ratios greater than 95% when all borrowers are First Time Home Buyers.
- Refinance transactions do not require homeownership education.

To satisfy the homeownership education requirement, Fannie Mae permits any qualified third-party provider, independent of the lender, to administer homeownership education. The provider's content must be aligned with NIS or HUD standards. The education may be delivered in various formats (in-person, Internet, telephone, or a hybrid format). Fannie Mae provides free online homebuyer education through HomeView.

In lieu of homeownership education, the borrower may receive housing counseling provided by a HUD-approved agency that meets HUD standards for the delivery of this service.

SFC 184 is required to be entered in the ULDD screen for the $500 LLPA credit to take place.

See Fannie Mae Selling Guide for complete details.

Manufactured Homes

This section is specific to Manufactured Homes. Sellers should follow the standard guidelines for topics not covered in this section.

NOTE: Project approval for mortgage loans secured by multi-width manufactured homes located on individual lots in subdivisions or in PUDs is generally not required, but Fannie Mae may choose to require project approval.

Eligible Properties

- 1 unit multi-wide dwelling classified as real property
- Existing or New construction
- PUDs
- REO/HUD REOs

Ineligible Properties

- 2-4 units
- Investment properties
- **Leaseholds**
- **Properties located in a 100-year flood zone**
- **Temporary buydowns**

Additional Requirements

- A full appraisal must be provided
- File must evidence
    - Copy of executed sales contract for both property and land (if purchased separate), and
    - Copy of the manufacturer’s invoice for new properties
    - Copy of the Appraisal Report (form 1004C).
    - Value conclusion based on the real property required and consisting of the
        - Manufactured home
        - Site improvements, and
        - Land on which the home is situated
        - Non-realty items are not allowed (i.e., insurance, warranties and furniture)
- **New Construction**

Properties not yet attached to land or not yet constructed the appraisal can be based on plans and/or specification or model home. When the required information is not available at time of inspection, the property must be appraised based on the appraiser's receipt and review of the items and completion of improvements as condition of the appraisal.

- Certification of completion is required prior to submission to Fannie Mae and must include:
  - Verification improvements were completed, and all other requirements/conditions have been satisfied
  - Previously unavailable information, and
  - Photographs of the completed improvements attached to the permanent foundation.

- **Site Requirements**
  - Opinion of value must be based on the characteristics of the subject property including site area.
  - Property must be compatible and conform to the manufactured homes in the neighborhood.
- **Comparable sales**
  - Two comparable sales of similar manufactured homes are required and must address the marketability and comparability of a manufactured home (example: multi-wide to multi-wide homes)
    - A third comparable sale can be either a site-built home or a different type of factory-built housing.

    NOTE: Explanation of use is required and evidenced in the file.

  - To establish a baseline for the sales comparison analysis when comparable sales are not available:
    - Older sales of similar manufactured homes can be used, or
    - Sales of similar manufactured homes in a competing neighborhood.
    - Comparable sales created using the subject property and vacant lots are not allowed.

The following additional sources may be used to develop a well-documented appraisal:

- NADA Manufactured Housing Appraisal Guide
- Marshall and Swift's Residential Cost Handbook

Additional Requirements

- Cash-out Transactions: ≤ 20-year term.
- Property must be at least 12 feet wide
- Minimum of 600 square ft. of living space, and

- Attached to a permanent foundation in accordance with the manufactured homes industry standards.
- Must be legally classified as real property under applicable state law.
- Permanently connected to a septic tank or sewage system and other utilities according with local and state requirements.
- Properties not situated on a publicly dedicated and maintained street:
  - Must be situated on a street that is community owned and maintained or
  - Privately owned and maintained.
- Must not have been previously installed or occupied at any other site or location, except from the Manufacturer's or the dealer's lot as a new unit.
- Running Gear, towing hitch must be removed (must assume the characteristics of site-built housing).
- Existing properties that need repairs or are in the renovation process are not eligible for purchase until the necessary work has been completed.
  - Exceptions may be considered for items that do not affect the ability to get an occupancy certification.
- Additions and/or modifications are allowed
  - File must evidence approved inspections of modifications certified by the state when required.
  - Inspections not required by the state must be done by a licensed professional engineer.
- File must evidence certification that the addition or structural changes were completed in accordance with the HUD Manufactured Home Construction Safety Standards.
- Borrower must own the land in fee simple.
- Must be built in compliance with the Federal Manufactured Home Construction and Safety Standards established June 15, 1976, as amended and in force at the time the home is manufactured; and
- Must be evidenced by the presence of both a HUD Data Plate and the HUD Certification Label (HUD seal or tag).

NOTE: If the original or alternative documentation cannot be obtained for both the Data Plate/Compliance Certificate and the HUD Certification Label, the loan is not eligible for delivery to Planet.

Down Payment

Borrower must provide 5% of their own funds unless:

- LTV/CLTV is ≤ 80%, or
- A 1-unit residence is being purchased, and meets the requirements to:
  - Use gift funds
  - Donated grant funds, or
  - Funds from employer to pay for some or all minimum borrower contributions.

The borrower's equity in the land is considered the borrower's own funds. If the borrower holds title to the land on which the manufactured home will be permanently attached, the value of the land may be credited toward the borrower's minimum down payment requirement.

The borrower's equity contribution will be the difference between any outstanding liens against the land and the market value of the land.

Determining the Value of the Land

Date of Land Purchase	Value of Land	Required Documentation
>12 months preceding the loan application	The current appraised value	N/A
<12 months preceding the date of the loan application	The Lesser of the sales price or the current appraised value	Borrower cash investment must be obtained and include: – Copy of settlement statement – Copy of the warranty deed showing no outstanding liens against the property, or – Copy of the release of any prior lien(s)
Land acquired at any time as a gift, inheritance, or other non-purchase transactions	The current appraised value	Documentation which verifies the acquisition and transfer of ownership of the land

Product

- Fixed Rate: 10-, 15-, 20-, and 30-year terms.
- **ARMS are not permitted.**

Transactions Type

- **Purchase Transactions**

  Proceeds must be used to finance the purchase of the manufactured home and/or the land. Land may be:

  - previously owned
  - Free of any mortgage, or
  - Subject to a mortgage that will be paid off with proceeds of new purchase money mortgage.
  - No Cash-back allowed
  - New Manufactured Homes
    - LTV must be based on the lower of the sales price plus:

- Lowest sales price which the land was sold during the 12-month period if the land was purchased within 12 months preceding the loan date, or
- The current appraisal value of the land if purchased more than 12 months preceding the loan application date.
- The "as completed" appraised value of the manufactured home and land.

- Existing Manufactured Homes
  - LTV must be based on the lower of:
    - The sales price and land
    - The current appraisal value and land, or
  - If property was built in the 12 months preceding the loan application date, the lowest price at which the property was sold during that 12 month period, plus the lower of
    - The current appraisal value of the land, or
    - The lowest sale prices at which the land was within that 12 month period.

- **Limited Cash-Out Refinance Transactions**
  - Proceeds may be used to:
    - Pay off the outstanding principal balance of an existing first lien mortgage secured by the property and land (or existing liens if the home and land were encumbered by separate first liens)
    - Pay off the outstanding principal balance of an existing subordinate mortgage or lien secured by the property and/or land, but only if it was used to purchase the property and/or land;
    - Finance closing costs (including prepaid expenses); and
    - Provide cash back to the borrower in an amount not to exceed the lesser of 2% of the balance of the new refinance mortgage or $2,000.
  - Maximum LTV must be based on the lower of the current appraised value and land; or
  - If property is owned by the borrower for < than 12 months on the loan application date, and
  - If the home and land are secured by separate liens, the lowest price at which the home was previously sold during that 12-month period plus:
    - The lower of the current appraised value of the land, or
    - The lowest sales price at which the land was sold during that 12-month period.
  - If the property and land are secured by a single lien, the lowest price at which the home and land were previously sold during that 12-month period.

- **Cash-Out Refinance Transactions**
  - Property and land must be owned for at least 12 months preceding the date of application.
  - 65% LTV/CLTV/HCLTV based on the appraised value of property and land.
  - No restriction on use of proceeds.
  - Loan term must be ≤ 20 years.
- **MH Advantage**

MH Advantage is designed to meet certain construction, architectural design, and energy efficiency standards that are more consistent with site-built homes. Examples of the physical characteristics for MH Advantage include:

- Specific architectural and aesthetic features such as distinctive roof treatments (eaves and higher pitch roofline).
- Lower profile foundation, garages or carports, porches, and dormers.
- Construction elements including durability features, such as durable siding materials, and
- Energy efficiency standards (minimum energy ratings apply).

Appraisals *(Standard valuation requirements for manufactured homes apply)*

- The purchase, conveyance, and financing (or refinancing) must be evidenced by:
  - A valid and enforceable first-lien mortgage or deed of trust that is recorded in the land records, and
  - Must represent a single real estate transaction under applicable state law.
  - A Copy of the Appraisal Report (form 1004C) and Completion Report 1004D (if applicable) is required.
- For new construction follow Fannie Mae standard appraisals requirements for:
  - Postponed Improvements
  - Factory-Built Housing:
    - Manufactured Housing for appraisals based on plans and specifications.
    - This will ensure site improvements that are not attached to the home, such as detached garages, are complete.
- Appraisal photos must evidence:
  - The presence of the MH Advantage Sticker (placed in proximity to the HUD Data Plate).
  - HUD Data Plate, and
  - HUD Certification Labels.

- Final inspection photo must show the presence of a driveway leading to the home, garage or carport (if one is available). The driveway must consist of:
    - Blacktop
    - Bricks
    - Cement
    - Concrete
    - Gravel, or
    - Pavers
    - The presence of a sidewalk connecting either the driveway, or a detached garage or carport, to a door or attached porch of the home. The sidewalk must consist of:
        - Blacktop
        - Bricks
        - Cement
        - Concrete
        - Flagstone, or
        - Pavers

Comparable Sales

- Must use other MH Advantage properties when available.
- Appraiser must supplement with the best and most appropriate sales if fewer than three MH Advantage sales are available.
- Site-built homes may be included in the comparable.
- Sales of new manufactured homes and land (often referred to as land/home sales) may be used as comparables provided both the land and home transpire as a single transaction, and the file evidences that the appraiser has adequately verified the physical attributes, conditions of sale, sales price, and concessions.
- Combining separate transactions of vacant land and purchase price to create a comparable sale is not permitted but may be used as additional support.

Appraisal Requirements for MH Advantage Homes in New Subdivisions *(Standard Fannie Mae appraisals requirements for new subdivisions apply)*

- One comparable sale from the subject subdivision or project and
- One comparable sale from outside the subject subdivision or project is required.
- A third comparable sale can be from inside or outside of the subject subdivision or project, provided it is a good indicator of value for the subject property.
- Two of the sales must be verifiable from reliable data sources, other than the builder.
- Two pending sales in the subject project or subdivision in lieu of one closed sale may be used,

in the event there are no closed sales inside a new subject project or subdivision because the subject property transaction is one of the first units to sell.

- When two pending comparable sales are used in lieu of a closed sale
  - At least three closed comparable sales from projects or subdivisions outside of the subject property's project or subdivision must be used.
- The appraiser may need to rely solely on the builder of the property he or she is appraising, as this data may not yet be available through typical data sources, in order to meet the requirements for using one comparable sale from the subject subdivision or project. A copy of the settlement statement from the builders file is acceptable.

Down Payment

Borrower must provide 5% of their own funds unless:

- The LTV/CLTV is ≤ 80%, or
- A 1-unit residence is being purchased, and meets the requirements to:
  - Use gift funds
  - Donated grant funds, or
  - Funds from employer to pay for some or all minimum borrower contributions.
- The property meets the MH Advantage requirements and the loan meets the requirements for LTV ratios of 95.01-97%.
  - In this case, the borrower must contribute a minimum down payment of 3%, from his or her own funds unless the loan meets the gift, grant, or funds from an employer policy referenced above.

The borrower's equity in the land is considered the borrower's own funds. If the borrower holds title to the land on which the manufactured home will be permanently attached, the value of the land may be credited toward the borrower's minimum down payment requirement.

The borrower's equity contribution will be the difference between any outstanding liens against the land and the market value of the land.

Mortgage Insurance

Follow standard Fannie Mae Guidelines for manufactured homes.

Product

- Fixed Rate: 10-, 15-, 20-, 25-, and 30-year term.
- **ARMS are not permitted.**

Site Requirements

- No minimum requirements for width, size, roof pitch, or any other specific construction details.

Transaction Type

- Purchase
- Limited Cash-Out

Ineligible Transactions

- Loans secured by on-frame modular construction.

Minimum Loan Amount

$40,000.00

Mortgage Insurance

- Loans with >80% LTV, mortgage insurance is required and are subject to MI guidelines.
- Eligible MI products:
  - Borrower paid mortgage insurance (BPMI). Monthly or single premium are eligible. The single premium may be financed. *See* "Chapter 4: Mortgage Insurance" on page 39 for detailed requirements.
  - Lender paid mortgage insurance (LPMI). Single premium only.
  - Split Premium.
- Eligible MI options:
  - Non-refundable
  - Refundable
  - Level/constant renewal type (as applicable)

Planet will accept mortgage insurance issued by MI companies that are Fannie Mae approved.

Mortgage insurance coverage is determined by LTV and loan term as detailed below:

Required MI Coverage				
Loan Term	**LTV**			
	80.01 - 85%	85.01 - 90%	90.01-95%	95.01 - 97%
Fixed Rate: ≤ 20 years	6%	12%	25%	25%
Fixed Rate and ARM*: >20 years	12%	25%	25%	25%
Manufactured Homes (excluding MH Advantage)	12%	25%	25%	N/A

*ARM maximum LTV 95%; ** > 95%. *See* "95.01% — 97% LTV" on page 121 for restrictions.

Occupancy

Primary residence only.

Ownership of Other Property

Occupancy Borrower(s)

- No limitations on ownership of other properties

Non-Occupancy Borrower(s)

- Permitted to a maximum of 95%
- No limitations on ownership of other properties

Products

Fixed Rate: 10-, 15-, 20-, and 30-years

ARM: The index used must be the SOFR (Secured Overnight Financing Rate).

- Caps:
  - 5/6- 2/1/5
  - 7/6 &10/6- 5/1/5
- Margin: 3.00
- Qualification:
  - 5/6 ARMs are qualified at the greater of the Note rate plus 2% or the fully indexed rate.
  - 7/6 and 10/6 ARMs are qualified at the Note rate.

Property Eligibility

NOTE: Additional restrictions apply to purchase transactions with LTV ratios of 95.01 — 97%.

Condo/PUDs and Project Standards

- Condominiums (attached/detached, live-work) that are Fannie Mae warrantable.
- PUDs (attached/detached)
  - Attached PUDs require a signed Condo/PUD Warranty form.
  - A Questionnaire is not required.
  - Detached PUDs **do not** require a Warranty form, a Questionnaire, or a project review.

Litigation

- Projects where the HOA is a party to litigation are eligible under the following circumstances:
    - Non-monetary litigation including, but not limited to, neighbor disputes or rights of quiet enjoyment
    - The insurance carrier has agreed to provide the defense, and the amount is covered by the HOA's insurance
    - 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
    - The anticipated damages and legal fees must not exceed expected to exceed 10% of the project's funded reserves
    - The HOA is named as the plaintiff in a foreclosure action or as a plaintiff in an action for past due HOA assessments

See Fannie Mae Selling Guide for complete requirements.

Eligible Project Types

- Established Condo projects
    - At least 90% of the total units have been sold and conveyed.
    - The project is 100% complete, including all units and common elements.
    - The project is not subject to additional phasing or annexation.
    - Control of the HOA has been turned over to the unit owners.

  A project may also be treated as an established project with less than 90% of the units sold to unit purchasers, provided the deficit is the result of the developer holding back units for rent. The following requirements must be met:

    - Projects < 90% sold can be treated as an established project if the deficit is a result of developers holding back units for rent.
    - Developer's share of holdback for rental is < 20% of total units.
    - HOA fees are paid current.
    - No active or pending special assessments in the project.
- 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 or 2-4 unit projects; 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: Max 70/75/75% LTV/CLTV/HCLTV

- Fannie Mae to Fannie Mae Limited Cash-Out Refinance projects: Project review not required on LTVs ≤ 80%.
- New condo:- < 90% of the total units must have been conveyed to unit purchasers (or 80% with exceptions).
- Detached condo: No project review required for new or established projects
- 2-4 unit condo projects: No project review required for new or established projects.
  - Each unit is evidenced by its own title and deed
  - No project review required for new or established project with ≤ 4 units
- PUDs

NOTE: Project review required on High LTV Refinance Options and DU Refi Plus projects.

See Fannie Mae Selling Guide for complete guidance on project standards.

Eligible Properties

- 2-4 units
- Manufactured Homes/Modular, prefabricated panelized or sectional housing (must have like comparables and property must be legally classified as real property)
- New Construction
- Properties without road access are allowed on a case-by-case basis with approval from the Credit Risk Officer
- Single-Family Residences

Ineligible Properties

- Agricultural-type properties
- Bed and Breakfast
- Boarding houses
- Builder bailout properties
- Commercial property
- Commercial Space and mixed-use allocation
- Condo Hotels or Timeshares
- Condo Projects listed as Unavailable in the Fannie Mae Condo Project Manager (CPM)
- **Cooperatives (Co-Ops)**
- Farms
- Incoming producing properties (e.g., adult care facilities, bed & breakfast, etc.)
- Industrial zoned property
- Kiddie Condos

- Live-Work Projects that do not meet Fannie's live-work requirements
- Log Homes
- Multi-family dwellings > 4 units
- New or newly converted condominium projects in Florida without a PERS approval
- Non-warrantable condominiums
- Orchards
- Properties located in the Hawaiian Islands in lava zones one or two
- Properties located on Tribal Lands Properties not suitable for year-round occupancy, regardless of location
- Properties with an Assignment of Contract
- Properties with problem drywall (aka Chinese drywall). Evidence of complete remediation must be provided if property previously contained Chinese drywall.
- Properties without road access not approved by Planet's Credit Risk Officer.
- Ranches
- Single-Entity ownership project
- **Single-width manufactured homes**
- Unique properties (geodesic domes, earth barn homes, log homes, etc.)
- Vacant land is ineligible for refinance transactions

Subordinate Financing

Per DU only.

- Meet all terms and requirements for Community Seconds; or
- Meet all terms and requirements of subordinate financing in the Fannie Mae Conforming Guidelines "Subordinate Financing" on page 95.
- Seller financed subordinate financing is ineligible.

Temporary Buydown

2-1 interest rate buydown is eligible for fixed rate and ARMs. 1-0 interest rate buydowns are eligible for only fixed rate. **3-2-1 interest rate buydowns are ineligible for fixed rate and ARM**.

The following requirements apply to temporary interest rate buydowns on HomeReady mortgages:

- Loans must be purchase transactions.
- Loans must be fixed-rate or 7- or 10-year ARMs.
- All other standard buydown policies apply.

See **Fannie Mae Conforming Program Guidelines**"Temporary Buydown" on page 96 for all requirements.

Transaction Eligibility

Eligible Transactions

- Purchase. The assignment of a purchase contract is not allowed.
- Limited cash-out refinance (rate/term)

Ineligible Transactions

- 1031 Exchange
- Any transaction without a DU "Approval/Eligible" Finding
- Cash-out refinance
- Community Land Trusts
- Fannie Mae My Community, Community Solutions, and Community Home Choice
- Interest-only
- Investment
- Land Contracts subject to Fannie Mae guidelines
- Lease option to purchase
- Loans with tutorship lien
- 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.
- Non-Arm's length transaction that involves new construction and the loan is secured by a second home or investment property
- Properties in the "Right of Redemption Period" as applicable state law allows
- Refinance transactions where the subject property is listed for sale at time of disbursement of the new loan
- Restructured mortgages that do not meet Fannie Mae guidelines
- Texas Section 50(a)(6) loans (aka Texas cash-out)
- 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.

Fannie Mae HomeStyle Renovation Program Grid

Owner-Occupied Primary Residence Fixed Rate[3,4]					
Transaction Type	**Units**	**LTV**	**CLTV**	**Loan Amount**	**Credit Score**
Purchase	1	97%[1]	97%[2]	*See* Loan Limits below	Per DU
		95%	95%		
	2	95%	95%		
	3-4	95%	95%		
Limited Cash-Out	1	97%	97%		
		95%	95%		
	2	95%	95%		
	3-4	95%	95%		
Owner-Occupied Primary Residence ARM[3]					
Transaction Type	**Units**	**LTV**	**CLTV**	**Loan Amount**	**Credit Score**
Purchase	1	95%	95%	*See* Loan Limits below	Per DU
	2	95%	95%		
	3-4	95%	95%		
Limited Cash-Out	1	95%	95%		
	2	95%	95%		
	3-4	95%	95%		
Second Homes Fixed Rate and ARM					
Transaction Type	**Units**	**LTV**	**CLTV**	**Loan Amount**	**Credit Score**
Purchase Limited Cash-Out	1	90%	90%	*See* Loan Limits below	Per DU
Investment (Non-Owner Occupied) Fixed Rate and ARM					
Transaction Type	**Units**	**LTV**	**CLTV**	**Loan Amount**	**Credit Score**

Purchase	1	85%	85%	*See* Loan Limits below	Per DU
Limited Cash-Out	1	75%	75%		
Owner-Occupied Manufactured Homes Fixed Rate					
Transaction Type	**Units**	**LTV**	**CLTV**	**Loan Amount**	**Credit Score**
Purchase Limited Cash-Out	1	95%	95%	*See* Loan Limits below	Per DU
2nd Home	1	90%	90%		
Second Home Manufactured Homes Fixed Rate					
Transaction Type	**Units**	**LTV**	**CLTV**	**Loan Amount**	**Credit Score**
Purchase Limited Cash-Out	1	90%	90%	*See* Loan Limits below	Per DU

Footnotes:

1. High Balance permitted to a maximum of 95% LTV/CLTV/HCLTV.
2. Up to 105% CLTV allowed when using a Community Seconds that meets Fannie Mae Guidelines except on Manufactured Homes.
3. The more restrictive requirements apply when combined with HomeReady.
4. LTV >95% subject to additional requirements. See "95.01% — 97%" on page 151 for details.

Fannie Mae Maximum Cost Conforming Loan Limits			
Contiguous States, District of Columbia, and Puerto Rico			**Alaska, Hawaii**
Unit	General	High Cost Area	General
1	$766,550	$1,149,825	$1,149,825
2	$981,500	$1,472,250	$1,472,250
3	$1,186,350	$1,779,525	$1,779,525
4	$1,474,400	$2,211,600	$2,211,600

See FHFA Limits for maximum loan amounts by county/metropolitan area.

Overview

- Borrower may purchase a property or refinance an existing home and include funds in the loan amount to cover the costs of:

- Repairs
- Remodeling
- Renovations, or
- Energy improvements to the property.

NOTE: DU will determine if a transaction is a HomeStyle Renovation mortgage when there is an amount entered in line B in the Alterations, Improvement repairs in the "Detail Transactions" section of the online application.

General Parameters

- No minimum dollar amount required for renovations.
- Any type of renovation or repair is eligible if the improvements are permanently affixed to the real property (either dwelling or land) with the exception of certain appliances installed with kitchen and utility room remodels
  - The purchase of appliances as part of the overall remodeling project is permitted.
  - The use of HomeStyle Renovation to purchase appliances as part of an overall remodeling project that includes substantial changes or upgrades is permitted.
- Completion of the final work on newly built homes are permitted when the home is 90% completed.
  - The remaining improvements must be related to completing non-structural items the original builder was unable to finish. Such work may include installation of buyer-selected items such as:
    - Flooring
    - Cabinets
    - Kitchen appliances
    - Fixtures, and
    - Trim
- Construction of various outdoor buildings and structures are permitted and according to local zoning regulations.
  - Examples of acceptable structures include, but are not limited to:
    - Accessory units
    - Garages
    - Recreation rooms, and
    - Swimming pools.

NOTE: Complete tear downs and reconstruction of the dwellings are not permitted.

- The renovation and contingency funds must be placed in an interest-bearing custodial account.
- Unused funds must be applied as a curtailment to the unpaid mortgage balance.
- **"Do it yourself" (DIY) or self-help is not allowed.**
- Renovations must be completed in 15 months.

Fannie Mae HomeStyle Renovation Program Guidelines

For topics not addressed in this guide, see "Fannie Mae Conforming Program Guidelines" on page 50 and Fannie Mae Selling Guide.

95.01% — 97%

30-year fixed rate only. For purchase transactions with LTV, CLTV, or HCLTV ratios 95.01 - 97% that combine HomeReady and HomeStyle Renovation are not required to have at least one borrower be a First-time Home Buyer. See HomeReady mortgage insurance guidelines requirements when HomeReady & Homestyle are combined on a loan.

Ability to Repay/Qualified Mortgage

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:

- Compliance findings validating a pass of ATR
- Compliance findings validating a pass of QM, where applicable
- Automated Underwriting System (AUS) approval, where applicable
- Evidence of manual approval, where applicable
- Underwriting Analysis (e.g., Final 1008/Loan Transmittal, VA Loan Analysis, FHA Transmittal Summary)
- Income Worksheet

Additionally, all disclosures and documentation required under the ATR/QM provisions of the Dodd-Frank Act must be provided.

The Seller will comply with the verification standards of the applicable agency Seller’s Guide.

- **Chapters B3-3 through B3-6 of the Fannie Mae Single Family Selling Guide.**

Appraisals

File must document an “as completed” appraised value that estimates the value of the property after completion of renovation work. *See* Fannie Mae Selling Guide for complete appraisal requirements.

An Appraisal Update and/or Completion Report (Form 1004D) as evidence of completion will be ordered once all renovation work is completed.

AUS

DU "Approve/Eligible" results required. Manual underwriting is ineligible. Special Feature Code 215 must be reflected in AUS results.

Available Markets

- **Delegated Sellers**

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

- **Non-Delegated Sellers**

  Planet will purchase loans from the non-delegated Seller in all states. **All** loans require Planet underwriting approval.

- The U.S. territories of Guam and the Virgin Islands are ineligible regardless of delegation. Purchase allowed in Puerto Rico with prior approval from Planet.

Borrower Eligibility

See **Fannie Mae Conforming Program Guidelines** "Borrower Eligibility" on page 59 for all requirements.

Certificate of Completion

- A *Certification of Completion* is required at the completion of the renovation and must be included in the Appraisal Update and/or a Completion report.
  - The Completion Report (Form 1004D) must confirm all "subject to" items listed on the appraisal were completed.
  - The Appraiser must note any deviations to the initial plans and any impact to the value of the subject property.
    - Follow the requirements for Unplanned Changes in Scope of Incomplete Work if the value has been impacted.
- A *Certificate of Occupancy* is required at the completion if it is required by local authorities for the type of renovation work that was completed.

Community Seconds

Community Seconds, meeting Fannie Mae requirements, are eligible for fixed-rate purchase or Limited Cash-out refinance of the 1-4-unit owner-occupied property. Manufactured Housing that is not MH Advantage are limited to the LTV, CLTV and HCLTV ratios stated in Fannie Mae Eligibility Matrix.

Contractor Requirements

All renovation work must be performed by a licensed contractor or subcontractor, unless contractor licensing is not applicable under state or local law for the specific trade or type of renovations being performed. **Self Help is not allowed.**

File must evidence the contractor was evaluated and able to perform the required duties. The Contractor must meet the following criteria:

- Must have a minimum of 3 years' experience as a Contractor and a minimum of 1 year in business.
- Have all appropriate credentials required by the state and local government.
- Financially able to perform the duties necessary to complete the renovation work in a timely manner, and
- Agrees to indemnify the borrower for all property losses or damages caused by its employees or subcontractors.
- File must evidence a completed contractor profile report (form 1202 or similar).
- Contractor Insurance Requirements:
  - Contractor must carry a builders all-risk insurance policy, without co-insurance, in an amount not less than 100% of the replacement cost of the work.
  - A General Liability insurance policy with limits of liability equal to at least $500,000 per occurrence.
  - A worker's compensation insurance policy as required by state law.

Contractor Validation

Seller must review the Contractor documents to establish contractor is qualified to complete the work described in the Work Write Up or Contractor Bid. The review must include contractors credentials, work experience and client references. The Seller also must ensure the contractor meets all jurisdictional licensing and bond requirements. The Seller may not choose the contractor or refer the borrower to any one specific contractor.

File must evidence contractor validation and bid acceptance.

Non-Delegated Sellers may submit a request for Planet Home Lending to validate the contractor prior to underwriting or locking the loan. Please refer to the Correspondent website at www.phlcorrespondent.com under **Resources & Forms** for required forms to be executed by the Contractor.

Credit Report/Scores

See **Fannie Mae Conforming Program Guidelines** "Credit Report/Scores" on page 62 for all requirements.

Escrow

Costs and Escrow Accounts

The costs of the renovations will be based on the plans and specifications for the work and on the contractor's bids for all work requested by the borrower.

Renovation costs may include:

- Architectural/Engineer Fees – as necessary per scope of work
- Construction Management Fee
- Contingency Reserve, minimum of 10%
- Draw Inspections – as determined by Consultant or Construction Manager
- Final Inspection (1004D)
- Mortgage Payment Reserve
- Permits – as determined by scope of work
- Review of Renovation Plans or Consultant Work Write Up – Designated Consultant Fee
- Title Updates – 1 per each inspection

An escrow for mortgage payments ≤ six monthly payments of PITI not to exceed the amount of time the property cannot be occupied during the renovation period. Planet will hold the funds in a renovation escrow account, and only apply them to payments that come due during the period in which the property cannot be occupied.

Contingency Reserve

- **A minimum of 10% Contingency Reserve is required for all loans.**
- The Seller may increase the contingency reserve to 15% if a higher reserve is appropriate.
- If the utilities are not on at the time of inspection, then 15% is required.

NOTE: The reserve may be considered as part of the total renovation costs or the borrower may fund it separately. If paid in cash by the borrower at closing, it must be listed separately and not included in the financed renovation portion of the loan.

- It may be released only if required, necessary, and unforeseen repairs or deficiencies are discovered during the renovation.
- Unused funds, unless they were paid in cash by the borrower, must be used to reduce the

outstanding balance of the renovation loan after all the renovation work has been completed and the certification of completion has been obtained.

The borrower may use the remaining funds to make additional improvements or repairs to the property, if:

- The work scheduled and described in the plans and specifications was completed and funds have already been reduced by any cost overruns
- The funds that are to be used for additional improvements or repairs are used to improve the real property
  - The improvements or repairs must be documented in the file including paid receipts from the borrower's own funds in the file, and
  - Inspections of the additional work or installations were completed by the appraiser who prepared the "as completed" value appraisal report.

Renovation Escrow Account

Renovation costs, the contingency reserve, mortgage payments (if applicable), and monies that the borrower provides from his or her own funds, must be deposited into an escrow account on the borrower's behalf.

- The renovation escrow account must meet the requirements shown in the following table at the time of delivery to Planet.

Account must meet the requirements of Renovation Mortgage Loans.
Funds must be used to complete the repair and renovation work and, if applicable, make any mortgage payments that come due during the renovation period. Note: Funds held for mortgage payments must be used for that purpose only and are not used for renovations or any other reason.
Repairs and renovations musts be completed in a timely manner and in accordance with the plans, specifications, and contractor estimated bids.
Funds must be released from this account only when any given renovation work has been completed, and then only in accordance with the agreed-upon schedule and after receipt of a specific request.
Funds must be disbursed using the following processes: • A check issued jointly to the borrower and the contractor; or • A wire transfer to the contractor after the written consent is from the borrower is to release the funds to the contractor. ▪ The written consent must be received prior to each disbursement, and specify the borrower's: ♦ Name

- Property address - Amount of funds to be disbursed - Contractor to which the funds are to be disbursed - Date of the consent
Upon completion of renovations, all funds remaining in this account, including any mortgage payment reserves, may be used to either: - reduce the unpaid principal balance of the loan (unless they represent funds deposited separately by the borrower), or - to make additional improvements or repairs to the property.

NOTE: Up to 50% of the planned materials cost can be advanced after closing to secure necessary materials for the project. An initial draw can be used to pay soft costs including:

- Permits
- Architect fees
- Design or planning expenses incurred during the initial project.

Any increase in costs during the renovation period, the borrower, or the Seller, must fund the amount of the increase. The loan amount may not be increased to offset any increase in costs.

Any additional funds must be obtained in a manner that will not affect the priority of Fannie Mae's lien.

Financed Properties

- **Planet will purchase a maximum of five loans to one borrower with an aggregate loan amount up to $2.5M.**

See **Fannie Mae Conforming Program Guidelines** "Financed Properties" on page 75 for all requirements.

Inspections and Draw Disbursements

Draw inspections, the rehabilitation escrow account, and approving the associated draws from the account must be managed by Planet. Permits will be required prior to the first draw. The mortgagee is fully responsible for authorizing draw inspections, managing the rehabilitation escrow account, and approving the associated draws from the account.

Interested Party Contributions

See **Fannie Mae Conforming Program Guidelines** "Interested Party Contributions" on page 76 for all requirements.

LTV Ratios

Purchase

The LTV ratio is determined by dividing the loan amount by the lesser of the “as completed” appraised value of the property or the sum of the purchase price of the property and the total renovation costs.

Refinance

The LTV ratio is determined by dividing the new loan amount by the “as completed” appraised value of the property.

Manufactured Homes

- **ARMs not permitted (including MH Advantage)**

Ineligible Properties

- 2-4 units
- **Condos**
- Investment properties
- **Leaseholds**
- **Properties located in a 100-year flood zone**
- **Singlewide**

See **Fannie Mae Conforming Program Guidelines** "Manufactured Homes" on page 78 for all requirements.

Maximum Renovation Cost

Purchase Transaction

Renovation cost must not exceed 75% of the lesser of:

- The sum of the purchase price of the property plus renovation costs, or
- The “as completed” appraised value of the property.

Refinance Transaction

Renovation cost must not exceed 75% of "as completed" appraised value of the property.

Manufactured Homes

Renovation cost must not exceed the lesser of

- $50,000 or
- 50% of the "as completed" appraised value.

Minimum Loan Amount

$40,000.00

Mortgage Insurance

Required based on the applicable LTV calculation.

- Standard Coverage per DU Approval.
- Reduced MI coverage allowed for HomeReady only.
- Borrower paid monthly and single premium; BPMI single premium may be financed.
- LPMI – single premium only.

Refundable and non-refundable options eligible.

Non-Arms' Length or Identify of Interest Transactions

See **Fannie Mae Conforming Program Guidelines** "Non-Arms' Length or Identity of Interest Transactions" on page 89 for all requirements.

Occupancy

- Owner-Occupied
  - An active-duty military borrower who is unable to occupy the primary residence prior to the delivery date due to military service will be considered an owner-occupied property mortgage. The borrower's military orders must verify that the borrower is temporarily unable to occupy the primary residence due to the military assignment.
- Second Home
- Investment (non-owner occupied)

Plans and Specifications

The plans and specifications must be prepared by a registered, licensed, or certified general contractor, renovation FHA 203(k) consultant, or architect and fully describe all work to be done and provide an indication of when various jobs or stages of completion will be scheduled (including both the start and completion dates). The loan file must document the plans quantity, quality and cost of work has been evaluated and to determine available financing. The appraiser must use the plans and specifications to develop his/her opinion of the "As Completed" value of the subject property.

Repairs under $50,000 and have no Structural Repairs

The Specification of Repairs/Bid can be prepared by the general contractor, or a renovation consultant.

- Must fully describe and itemize the specific work to be done.
- Material cost to be itemized with description of materials and labor for each repair.
- Describe what repairs require permits and cost associated.
- Provide a draw schedule establishing the schedule for completing the repairs including start and completion time frames.
- Identify work to be performed by Sub-Contractor.
- HUD Consultant is not required.
- Material draw allowed for no more than 50% of itemized material per Contractor Bid.
- Final Inspection (1004D) required by licensed appraiser prior to release of Holdback Funds.

Repairs $50,000 and over and/or proposed renovation work includes any Structural Repairs

- Planet requires the use of HUD Consultant or an approved construction management company to prepare the Specifications of Repairs or a Feasibility Report.
- HUD Consultant must be made aware that the loan being applied for is a Conventional Renovation Loan.
- HUD Consultant must provide Draw Schedule.
- HUD Consultant must perform the draw inspections.
- HUD Consultant must conduct an initial Property Assessment to determine if building components are substandard and/or present adverse conditions.
- Material cost must be itemized along with cost of labor on Specification of Repairs.
- Material draw allowed for no more than 50% of itemized material and including permits per Specification of Repairs and Consultant must be made aware if Lender disburses at closing.
- Final Inspection required by licensed appraiser (1004D) prior to release of Holdback Funds.

NOTE: Approved Construction Management Companies: Land Gorilla Construction Management, Granite Risk Management, Trinity Inspection Services LLC. Please reach out to your Regional Sales Manager if your company is not listed.

Pools and Accessories – Projects consisting of only a pool installation may follow reduced requirements below:

- Reduced documentation is only applicable when the project consists only of a pool, pool decking, and/or any fencing or netting immediately surrounding the pool.
- The lesser of $15,000 or 25% of the total project cost may be advanced at closing for material cost for items not yet paid for.
- All work to be performed must be fully described, bids are not required to separate labor and material cost.
- Permits must still be obtained and referenced, an itemized listing of all permits.
- Planet will fund each draw in its entirety and not withhold 10% of the draw.
- Final Inspection required by licensed appraiser (1004D) prior to release of Holdback Funds.

Before approving any change a borrower wants to make to the original plans and specifications, Planet will require the borrower to submit a HomeStyle Change Order Request (Form 1200) or a substantially similar document, that provides a detailed description of

- the changes
- the cost of the changes, and
- the estimated completion date(s)

Unplanned Changes in Scope or Incomplete Work

Planet will work with the borrowers and contractors to ensure renovations are completed as planned, within an acceptable timeframe. If unforeseen circumstances occur during the renovation work, such as property damage from a natural or man-made disaster, or a life altering event such as death or divorce, additional steps to evaluate the materiality of the change to any renovations in progress.

Planet must obtain an updated appraisal to determine whether the changes will impact the “as completed” value of the property, and must self-report any change in value by entering it into Loan Quality Connect. In some cases, the lender may be responsible for additional mortgage insurance or LLPAs. When the new LTV exceeds Fannie Mae’s eligibility criteria, or the changes result in a home that does not meet Fannie Mae’s general property standards and appraisal requirements, the Seller may be required to repurchase the loan.

Products

Fixed Rate: 15-, 20-, 25- and 30-year

ARM: The index used must be the SOFR (Secured Overnight Financing Rate).

- Caps:
    - 5/6 - 2/1/5
    - 7/6 and 10/6- 5/1/5
- Margin: 3.00
- Qualification:
    - 5/6 ARMs are qualified at the greater of the Note rate plus 2% or the fully indexed rate.
    - 7/6 and 10/6 ARMs are qualified at the Note rate.

Property Eligibility

The construction of an ADU in connection with a HomeStyle Renovation is acceptable.

ADUs are not permitted for 2–4-unit properties, second homes, or investment properties.

See Fannie Mae Selling Guide Chapter B2-3-04 for complete requirements for accessory dwelling units.

Condo/PUDs and Project Standards

See **Fannie Mae Conforming Program Guidelines** "Property Eligibility" on page 90 for all requirements.

Eligible Properties

- 1-4-unit primary residence
- 1 unit second home
- 1-unit investment properties
- Condo
    - Work limited to the interior of the unit, including the installation of fire wall in the attic.
    - The proposed renovation work must be permissible under the bylaws of the HOA.
    - File must evidence written HOA approval for renovation.
- Free and clear properties
    - The transaction must be a limited cash-out refinance. The borrower cannot receive any additional cash back outside of the allowable limit.
- Manufactured Home

- 1 unit multi-wide dwelling classified as real property
- Structural changes not permitted (such as adding a garage or other attached element).
- Allowed improvements include but are not limited to:
  - Kitchen
  - Bathrooms
  - Install of energy efficiency heating and cooling systems
  - Changes to address mobility and aging in place requirements
  - Installation of new windows, doors, siding, or roofing provided these changes do not alter the structure of the unit.

- PUD

Ineligible Properties

- **Cooperatives**
- **Manufactured homes located in 100-year flood plain**
- **Single-wide manufactured homes**

Property and Flood Insurance

File must evidence property and flood insurance via policy or declaration page. *See* Fannie Mae Selling Guide for complete details.

Renovation Contract

Sellers are encouraged to use the Fannie Mae Form 3730. Regardless of the renovation contract used, it must contain the following:

- Itemize the specific work that the contractor agrees to perform.
- Include the agreed-upon cost of the renovation.
- Identify all subcontractors and suppliers.
- Include an itemized description of the schedule for completing each stage of the work and the corresponding payments to be made to the contractor.

File must evidence an executed contract between the contractor and the borrower and requires the contractor to:

- Be duly licensed (if required by applicable law).
- Obtain all required insurance coverages.
- Completion of work must comply with the contract and all applicable government regulations.

- Obtain the necessary building permits (including a certificate of occupancy, upon completion of renovations, if required by local law).
- Provide for appropriate remedies for resolving disputes (including an agreement to indemnify the borrower for all property losses or damages caused by the contractor's employees or subcontractors).

NOTE: HomeStyle Renovation mortgages may be subject to a variety of laws and regulations, based on the type of transaction or the types of lenders originating the mortgages. Therefore, when Fannie Mae's model document is used, all appropriate, required changes must be made.

Renovation Cost (Fees and Charges)

Renovation-related costs that may be considered as part of the total renovation costs include:

- Architectural and engineering fees (as needed).
- Costs and fees for the title update (at minimum 2 or $125).
- Costs for required permits.
- Final Inspection 1004D.
- Independent consultant fees (as determined Construction Management vendor or 203(k) Consultant).
- Interim draw inspection fees (as determined Construction Management vendor or 203(k) Consultant).
- Other documented charges:
    - Project Plan Review by Construction Management vendor.
    - Construction Management Fees charged for processing renovation draws ($500 or 1.5% of renovation cost whichever is greater).
    - Up to six months payments (PITIA) if a principal residence property cannot be occupied during renovation.

NOTE: An amount for sweat equity may not be factored into the renovation costs.

Renovation Loan Agreement

The Renovation Loan Agreement (Fannie Mae form 3731) must include:

- The terms and conditions of the loan prior to the completion of the improvements.
- Events that constitute a borrower default and indicates the remedies available if the borrower defaults under the terms of either the renovation contract or other loan documents.
- Requires the contractor to have any license required by government regulations, and to obtain an all-risk insurance policy (with a physical loss form endorsement and a mortgagee's loss payable clause) equal to 100% of the full replacement cost of the:

- Improvements
- Public liability insurance
- Workmen's compensation insurance (as required by applicable state law)
- Automobile liability insurance

- Require that either the borrower or the contractor obtain all work permits required by government agency and comply with all applicable laws or government regulations.

See Fannie Mae Selling Guide for complete guidance.

Renovation Time Frame

Renovation time frame is limited by the scope of work. All renovations must be completed within 15 months of the Note Date.

Title and Insurance Updates

A title update is required through the date the renovation was completed and must be concurrent with the last disbursement. Planet requires a Title update per draw.

This will ensure:

- The continuance of Fannie Mae's first lien priority, and
- The absence of any mechanics' or materialmen's liens.

Transaction Type

Eligible Transactions

- HomeReady
- Limited Cash-Out Refinance transactions
- Purchase

HomeReady

The following requirements apply when HomeStyle Renovation and HomeReady are combined:

- The more restrictive requirements of HomeReady and HomeStyle must be applied.
- Primary residence transactions only
- LTV/CLTV/HCLTV ratios 95.01-97% do not require the borrower to be a first-time homebuyer.
- HomeReady insurance requirements will apply.

Ineligible Transactions

- Any transaction without a DU “Approval/Eligible” Finding
- Community Land Trusts
- Fannie Mae My Community, Community Solutions, and Community Home Choice
- Interest-only
- Lease option to purchase
- Loans with tutorship lien
- Properties in the “Right of Redemption Period” as applicable state law allows.
- Refinance transactions where the subject property is listed for sale at time of disbursement of the new loan.
- Restructured mortgages that do not meet Fannie Mae guidelines.
- 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.

HomeStyle Renovation Forms

- HomeStyle Renovation Mortgage Maximum Mortgage Worksheet – Form 1035
- HomeStyle Change Order Request (if applicable) – Form 1200
- Lien Waiver (if applicable) – 3739
- Renovation Contract – Form 3730
- Renovation Loan Agreement – Form 3731
- Homestyle Consumer Tips – 1204
- Rehabilitation Loan Rider to Security Instrument
- Investor Rider to the Security Instrument

Texas Loans require an Attorney to prepare the closing documents. The Attorney should be knowledgeable about Texas Property Code Chapter 53 Mechanic’s, Contractor’s, or Materialman’s Lien and provide the following documents in the closing package:

- Mechanic’s Lien Contract and Transfer of Lien – must include verbiage to create the Mechanic’s Lien and assignment to the Lender. Amount of renovation must match final contractor estimate.
- Renovation Loan Rider with Renewal and Extension language
- Contractor Affidavit of Compliance with Texas Law (Suggested)
- Renovation Loan Agreement
- Non-Commencement Affidavit (Suggested)

Fannie Mae RefiNow Program Grid

Owner-Occupied Primary Residence[2,5,6] Fixed Rate					
Transaction Type[3]	**Units**	**LTV**	**CLTV[1]**	**Loan Amounts**	**Credit Score**
Limited Cash-Out[4]	1	97%	97%	*See* Loan Limits Below	Per AUS

Footnotes:

1. Up to 105% allowed when using a Community Seconds that meets Fannie Mae guidelines.
2. First Lien must be owned or securitized by Fannie Mae.
3. Existing High LTV refinance transactions are not permitted.
4. High Balance loans are not permitted.
5. At least 12 months seasoning required from the note date of the existing loan to the note date of the new loan.
6. All transactions are subject to maximum incidental cash back of $250.00 ($0 in Texas).

Fannie Mae Conforming Loan Limits		
Contiguous States, District of Columbia, and Puerto Rico		**Alaska, Hawaii**
Unit	General	General
1	$766,550	$1,149,825

See FHFA Limits for maximum loan amounts by county/metropolitan area.

Fannie Mae RefiNow Program Guidelines

For topics not addressed in this guide, see **"Fannie Mae Conforming Program Guidelines" on page 50** **and Fannie Mae Selling Guide.**

4506-C

See **Fannie Mae Conforming Program Guidelines** "4506-C" on page 50 for all requirements.

95.01% -97% LTV

See **Fannie Mae Conforming Program Guidelines** "95.01% — 97% LTV" on page 50 for all requirements.

Ability to Repay/Qualified Mortgage

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:

- Compliance findings validating a pass of ATR
- Compliance findings validating a pass of QM, where applicable
- Automated Underwriting System (AUS) approval, where applicable
- Evidence of manual approval, where applicable
- Underwriting Analysis (e.g., Final 1008/Loan Transmittal, VA Loan Analysis, FHA Transmittal Summary)
- Income Worksheet

Additionally, all disclosures and documentation required under the ATR/QM provisions of the Dodd-Frank Act must be provided.

The Seller will comply with the verification standards of the applicable agency Seller's Guide.

- **Chapters B3-3 through B3-6 of the Fannie Mae Single Family Selling Guide.**

Affidavit of Identity

See **Fannie Mae Conforming Program Guidelines** "Affidavit of Identity" on page 51 for all requirements.

Age of Documents

See **Fannie Mae Conforming Program Guidelines** "Age of Documents" on page 51 for all requirements.

Appraisals

- A $500 credit will be provided to the lender at the time the loan is purchased if an appraisal was obtained for the transaction. The Seller must pass the credit to the borrower.
- All loans must be delivered using Special Feature Code (SFC) 868.
- For Appraisal Waivers use SFC 801.

See FNMA Conforming Program Guidelines for additional "Appraisals" on page 51 and "Value Acceptance (Appraisal Waivers)" on page 53 requirements.

Assets

- Documentation requirements per DU.
- Acceptable asset documentation includes one recent statement (monthly, quarterly, or annual) showing asset balance

Assumptions

Planet follows Fannie Mae Guidelines.

AUS

DU "Approve/Eligible" results required. Manual underwriting is ineligible.

Available Markets

- **Delegated Sellers**
  - Planet will purchase loans underwritten and closed by the delegated Seller in **all** states.
- **Non-Delegated Sellers**
  - Planet will purchase loans from the non-delegated Sellers in all states on Fannie Mae products. All loans require Planet underwriting approval.
- Seller must receive approval from Planet Home Lending to deliver loans with properties located in Puerto Rico.
- The U.S. territories of Guam and the Virgin Islands are ineligible regardless of delegation.

Borrower Benefits

- The refinanced loan must provide a reduction in the First Lien Mortgage Principal and Interest payment, and
- First Lien Mortgage must have an interest rate reduction of at least 50 bases points.

Borrower Eligibility

- Existing Borrowers only
- No additional borrowers can be added to the new loan.
- At least Borrower maybe removed if:
    - The remaining borrower meets FNMA payment history requirements and evidence is documented in the file.
    - Due to death of a borrower (must be documented in the file)
- Non-occupant borrowers allowed
    - A maximum LTV/CLTV/HCLTV of 95% applies to loans underwritten with DU. Community Seconds apply.

Chain of Title

See **Fannie Mae Conforming Program Guidelines** "Chain of Title" on page 60 for all requirements.

Community Seconds

Permitted.

See **Fannie Mae Conforming Program Guidelines** "Community Seconds" on page 60 for all requirements.

Credit Report/Scores

- Per AUS.
- Verification and consideration of recurring alimony and child support payments as a liability, if applicable, are required. Acceptable documentation includes a copy of the divorce decree, separation agreement, court order, or equivalent documentation confirming the amount of the obligation.

See **FNMA Conforming Program Guidelines** "Credit Report/Scores" on page 62 for all requirements.

DTI

65%.

See **Fannie Mae Conforming Program Guidelines** "DTI" on page 67 for all requirements.

Derogatory Credit

The borrower must comply with all applicable waiting periods following derogatory credit events, Significant Derogatory Credit Events- Waiting Periods and Re-establishing Credit.

See **FNMA Conforming Program Guidelines** "Credit Report/Scores" on page 62 > **Derogatory Credit** for all requirements.

Employment and Income

Verbal verification of employment (employment or self-employment) is required in accordance with the Selling Guide.

Income documentation requirements:

- Base Pay (non-variable): The borrower's most recent paystub
- Base Pay (variable with:
  - Tip
  - Bonus
  - Overtime recent one-year period Income Commission Income):
    - The borrower's most recent paystub and W2 covering the most recent one-year period.
- Military Income: Military Leave and Earnings Statement
- Self-employment: One year personal and business tax returns, unless the terms to waive business tax returns are met in accordance with the Selling Guide
- Alimony, Child Support, or Separate Maintenance: Copy of divorce decree, separation agreement, court order or equivalent documentation, and one month documentation of receipt.

Income Limits

Borrower’s income must be less than or equal to 100% of the applicable Annual Median Income (AMI) limit for the subject property location.

Financed Properties

Planet will purchase a maximum of five loans to one borrower with an aggregate loan amount up to $2.5M.

See **Fannie Mae Conforming Program Guidelines** "Financed Properties" on page 75 for all requirements.

Minimum Loan Amount

$40,000.00

Mortgage Insurance

- Coverage is not restricted to the current mortgage insurer on the existing loan.
- DU will identify the insurer that is currently providing coverage.

See **Fannie Mae Conforming Program Guidelines** "Mortgage Insurance" on page 87 for all requirements.

Occupancy

Owner-occupied

Payment History

- Most recent 12 months required
- No delinquencies in the most recent 6 months
- In months 7-12: No more than 1x30 delinquency, No delinquency > than 30 days.

Products

Fixed Rate: 10-, 15-, 20-, 25-, and 30-year term

Property Eligibility

Eligible Properties

- 1-unit primary residence.
- All eligible property types are permitted.

- All project review requirements will be waived for properties located in a condo or PUD project. The file must provide documented evidence that the property is neither of the above.
    - The Seller must confirm the project is not a condo hotel or motel, houseboat, timeshare, or segmented ownership project.
    - Confirmation of the appropriate property and flood insurance must be obtained.

Ineligible Properties

- Condo Hotel or Motel
- Condo Projects listed as Unavailable in the Fannie Mae Condo Project Manager (CPM)
- **Co-op**
- Houseboat
- Leasehold
- Manufactured Homes Condo
- Manufactured Homes built prior to 6/15/1976
- Mobile Homes
- Segmented Ownership Projects
- **Single Wide Manufactured Homes**
- Timeshares

See **Fannie Mae Conforming Program Guidelines** "Property Eligibility" on page 90 for all requirements.

Reserves

Per DU.

Refer to FNMA Conforming Program Guidelines for complete details.

Subordinate Financing

New subordinate financing is only permitted if it replaces existing subordinate financing, and:

- May not be satisfied with the proceeds of the new loan
- Loan amount cannot exceed the existing UPB
- Existing subordinate financing may remain in place if it is resubordinated to the new loan.

Temporary Buydown

Not permitted.

Transaction Types

Eligible Transactions

- Limited Cash-Out

Ineligible Transactions

- Texas 50(a)(6)
- HomeReady

Freddie Mac Conforming and Super Conforming Program Grid

FIXED RATE and ARM Owner-Occupied Primary Residence				
Transaction Type	**Units**	**LTV/TLTV/HTLTV**	**Loan Amount**	**Credit Score**
Purchase and No Cash-Out	1	95%[1]	*See* Loan Limits below	Per LPA
	2	85%[1]		
	3-4	80%		
Freddie Owned No Cash-Out	1-2	95%[1]		
	3-4	80%		
Cash-Out	1	80%		
	2-4	75%		
Second Home				
Transaction Type	**Units**	**LTV/TLTV/HTLTV**	**Loan Amount**	**Credit Score**
Purchase and No Cash-Out	1	90%[1]	*See* Loan Limits below	Per LPA
Freddie Owned No Cash-Out	1	95%[1]		
Cash-Out	1	75%		
Investment (Non-Owner Occupied)				
Transaction Type	**Units**	**LTV/TLTV/HTLTV**	**Loan Amount**	**Credit Score**
Purchase and No Cash-Out	1	85%[1]	*See* Loan Limits below	Per LPA
	2-4	75%		
Freddie Owned No Cash-Out	1	85%[1]		
	2-4	75%		
Cash-Out	1	75%		
	2-4	70%		

Texas 50(a)(6)				
Transaction Type	**Units**	**LTV/TLTV**	**Loan Amount**	**Credit Score**
Cash-Out	1	80%	*See* Loan Limits below	Per LPA
Texas 50(f)				
Transaction Type	**Units**	**LTV/TLTV**	**Loan Amount**	**Credit Score**
No Cash-Out	1	80%	*See* Loan Limits below	Per LPA
Manufactured Homes[2]				
Transaction Type	**Units**	**LTV/TLTV**	**Loan Amount**	**Credit Score**
Purchase and No Cash-Out	1	≤95%[1]	Conforming Loan Limits	Per LPA
Cash-Out	1	65%		

Footnotes:

1. 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. *See* "Mortgage Insurance" on page 208 for additional information.
2. Second Home Allowed; *See* "Manufactured Homes" on page 205 for complete details.

Maximum Conforming & Super Conforming Loan Limits			
Units	**Contiguous States, District of Columbia**		**Alaska, Hawaii**
	Conforming	Super Conforming	Conforming
1	$766,550	$1,149,825	$1,149,825
2	$981,500	$1,472,250	$1,472,250
3	$1,186,350	$1,779,525	$1,779,525
4	$1,474,400	$2,211,600	$2,211,600

See FHFA Limits for maximum loan amounts by county/metropolitan area.

Freddie Mac Conforming and Super Conforming Program Guidelines

Planet Home Lending follows Freddie Mac Selling Guide for topics not addressed in this guide.

4506-C

- Signed 4506-C is required no later than the Note Date for both personal and business tax returns (if applicable).
- Signed 4506-C is required at application and closing for both personal and business tax returns (if applicable) for Non-Delegated Sellers.
- Tax transcripts are processed per LPA; W-2 transcripts with complete income information for previous year in lieu of W-2s are permitted.
- 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 the information that would be included on the tax returns.
- When applicable, file must evidence a signed consent release from the borrower, prior to tax documentation disclosure to a third party for all borrowers.

Ability to Repay/Qualified Mortgage

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:

- Compliance findings validating a pass of ATR
- Compliance findings validating a pass of QM, where applicable
- Automated Underwriting System (AUS) approval, where applicable
- Evidence of manual approval, where applicable
- Underwriting Analysis (e.g., Final 1008/Loan Transmittal, VA Loan Analysis, FHA Transmittal Summary)
- Income Worksheet

Additionally, all disclosures and documentation required under the ATR/QM provisions of the Dodd-Frank Act must be provided.

The Seller will comply with the verification standards of the applicable agency Seller's Guide.

- **Section 5102 through 5500 of the Freddie Mac Single-Family Seller/Servicer Guide.**

Age of Documents

- All credit, employment, income, and asset documentation must be dated within 120 days as of the Note date.
- The title commitment should be <= to 120 days from Note Date and should be unexpired as of the date of the note date.
- Appraisal documents must have an effective date within 2 months as of the Note date.
- With the exception of desktop appraisals, if the effective date of the appraisal report is more than 120 days, but not more than 12 months before the Note Date, an appraisal update is required. The effective date of an appraisal update must be no more than 120 days before the Note Date.
  - If the effective date of the appraisal report is more than 12 months before the Note Date, a new appraisal with an interior and exterior inspection is required.
  - For desktop appraisals, if the effective date of the appraisal report is more than 120 days before the Note Date, a new desktop appraisal is required.
- A verbal verification of employment (VVOE) is required within 10 business days prior to the Note date for salaried borrowers and within the 120 calendar days prior to the Note date for self-employed borrowers.
- 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.

Appraisals

- LPA determines the level of appraisal on owner-occupied properties. If a reduced appraisal recommendation is received from LPA, it must be on the final LPA. Appraisals must be Uniform Appraisal Data (UAD) compliant and meet Freddie Mac's Appraiser Independence Requirements (AIR).
- A Freddie Mac Submission Summary Report and a Fannie Mae Submission Report (SSR) is required on all appraisals.
- If an applicable law, regulation, or Planet policy requires more than one appraisal be obtained, the single most accurate appraisal must be used for underwriting and submission to the Uniform Collateral Data Portal (UCDP).
- A full appraisal must provide legible interior and exterior photos.
  - 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.
  - The interior photos, at minimum, must include:
    - Kitchen (free-standing stove/range or refrigerator not required)
    - Main living area
    - All bathrooms

        - Any physical deterioration and recent updates that materially impact the market value or marketability of the subject property (i.e., remodel, renovation, restoration)

    - The appraisal report must include at least one clear photograph that shows the front of each comparable sale. The appraiser must include additional photographs, as needed, to show the improvements, amenities or external influences that materially impact market value or marketability. Copies of MLS photographs are acceptable.

- Comparable sales must consist of a minimum of 3 comparable sales and should generally be used from sales closed within the last 12 months. Older sales may be used with justification for use evidenced in the file.
    - For properties in established subdivisions, PUDs or established condo projects, the comparable sale must come from within the subject subdivision or project. Properties in new subdivisions, PUDs, or recently converted new or new condo projects the comparable sales must meet the following requirements:
        - Can be a sale by the builder or developer (only one comparable sale allowed).
        - If there are no closed sales from within the subject subdivision or project, contract sales may be used. This must be in addition to the three closed sales obtained outside the subject subdivision or project.
        - If a contract or closed sale is not available; outside comparable may be used with justification for use evidenced in the file.
    - One comparable sale must be from outside the subject subdivision or project, and
    - The third comparable sale may be from inside or outside the subdivision or project.
    - Resales from inside the subdivision or project are preferable as they provide an accurate market value.
    - At a minimum, at least two comparable sales must be sales in which the builder or developer of the subject property is not involved in the sale transaction.
    - 1-unit property with Accessory unit — legal or legal nonconforming zoning compliance:
        - At least one comparable with one accessory unit required. Accessory unit must comply with zoning and land use requirements.
        - If a comparable sale with an accessory unit is not available in the subject neighborhood, the appraiser can use a comparable sale in the subject neighborhood without an accessory unit as long as the appraiser can justify and support such use in the appraisal report.
    - 1-unit property with Accessory unit — illegal zoning compliance:
        - At least two comparable with one accessory unit required. Accessory unit must be non-compliant with zoning and land use requirements.

NOTE: The appraiser is always allowed to provide more than three comparable sales to support the property value.

- 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.
- Appraisal must identify and address properties located within a declining market.
- If the appraiser notes that additions or alterations were made without required permits, the appraisal report should contain comments on the quality and appearance of the work. The appraiser should note special energy-efficient items and adverse environmental conditions.
- Modular/Prefabricated homes: The appraiser must address the marketability of the property.
- 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.
- 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.
- A transferred appraisal is acceptable when the following is provided:
  - 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,
  - An appraisal transfer letter, and
  - Confirmation that the appraisal is AIR compliant.
- With the exception of desktop appraisals, if the effective date of the appraisal report is more than 120 days, but not more than 12 months before the Note Date, an appraisal update is required. The effective date of an appraisal update must be no more than 120 days before the Note Date.
  - If the effective date of the appraisal report is more than 12 months before the Note Date, a new appraisal with an interior and exterior inspection is required
  - For desktop appraisals, if the effective date of the appraisal report is more than 120 days before the Note Date, a new desktop appraisal is required
- Appraisal waivers received based on the ACE, including mortgages secured by Condominium units, will be accepted per Freddie Mac guidelines. ACE+Property Data Report (PDR) and Form 70H, Uniform Residential Appraisal Report (Hybrid) are eligible for sale to Planet. The appraisal must be offered on the final submission to LPA to be eligible.

- Properties located in a FEMA Disaster Declaration area will be subject to additional appraisal review. *See* "Chapter 8: Loan Purchasing" on page 576 for detailed requirements.

Assets

Documentation per LPA.

- All funds used to close the transaction must be disclosed on the 1003 and input into LPA.
- When an earnest money deposit for a purchase transaction is used to qualifying the borrower for the mortgage transaction, evidence must be obtained that the earnest money cleared the borrower's bank account (e.g., copy of the canceled check, asset account statement or written statement from the EMD holder verifying receipt of the funds).
- When the earnest money is needed to meet the minimum contribution from the borrower's personal; funds, the following is required:
  - Verify and document that the source of the earnest money is an eligible asset type.
  - Provide account statements or a direct account verification that covers the period up to and including the date the earnest money funds cleared the account.
  - The earnest money cannot be counted twice in the evaluation of the mortgage (i.e., deducted from the funds to close and counted in assets).
- Business funds are eligible for qualifying the borrower.
  - Documentation of large deposits is not required if the Seller:
    - Reviews a minimum of the most recent 2 months business account statements, and
    - Determine the deposits are typical for the borrower's business.
  - Withdrawals of assets from the business may have a negative impact on the ability of the business to continue operating. When business assets are being used for down payment, closing costs and/or reserves, the withdrawal must not have a negative effect on the business. In addition to a review and analysis of the personal and business tax returns, the current financial statement and/or the last three months of the business bank statements may be analyzed to confirm the deposits, withdrawals and balances are supportive of a viable business and are aligned with the level and type of income and expenses reported on the business tax returns.
    - The factors contributing to the determination that the withdrawal will not negatively impact the business must be included in the written analysis of the income source and amount.
- Cash on hand, unsecured borrowed funds or unverified funds are ineligible sources for assets.
- The cash value of a life insurance policy (not the face value) is eligible with documentation from the life insurance company verifying the following:

  - The policy owner(s),
  - The period covered and current cash value, and
  - Any outstanding loans.
  - When the cash value of the life insurance policy is needed for closing, evidence of liquidation is required.
- Proceeds from the sale or refinance of the borrower's real property (including a 1031 exchange or a bridge loan) are eligible and require the following:
  - The settlement/Closing Disclosure Statement or an alternative form required by law verifying the proceeds from the sale or refinance of the borrower's real property, and/or
  - An executed buy-out agreement that is part of an employer relocation plan that takes responsibility for the outstanding mortgage(s).
  - For refinance mortgages, the cash-out proceeds from the subject cash-out refinance transaction and any money back received on the subject "no cash-out" refinance transaction are not eligible sources of funds for reserves.
- The source of funds for any "large deposit" if the deposit is needed to qualify the borrower for the mortgage transaction.
  - Large deposits are considered a single deposit exceeding 50% of the sum of:
    - The total monthly qualifying income of the mortgage and
    - The amount derived from the asset calculation for establishing the debt payment-to-income ratio, if applicable.
  - When a single deposit consists of both verified and unverified portions, the unverified amount may be used when determining whether the deposit is a large deposit, as described above.
  - When a large deposit is not verified and is not needed to qualify the borrower, the funds used for qualification must be reduced by the amount of unverified deposits. The reduced amount of the asset must be entered unto LPA.
  - When the source of funds can clearly be identified (e.g., direct payroll reposits or tax refund), additional documentation is not required.
- When the source of funds needed for closing is, or otherwise originates from, assets located outside of the United States and its territories:
  - Funds must be transferred into a United States or State regulated financial institution and verified in U.S. dollars prior to the closing of the mortgage transaction, or
  - Combined value of assets must be at least 20% greater than the amount from these assets needed for closing.
- Gift funds are eligible with the following documentation:
  - A gift letter signed by the donor and must:

- State the donor's name and the funds are given by a related person
- Include the donor's mailing address and telephone number
- State the actual or maximum amount of the gift funds or gift of equity
- Establish the gift funds or gift of equity are a gift that does not have to be repaid

- The loan file must include evidence of one of the following:
  - Transfer of funds from the donor's account in a financial institution to the borrower's account (copies of bank statements from the donor and the borrower's account, a copy of a canceled gift check, or a copy of a donor's withdrawal slip and the borrower's deposit slip), OR
  - Transfer of funds from the donor's account in a financial institution to the settlement or closing agent (a copy of a cashier's check or wire transfer confirmation).
  - Funds transferred using a third party money transfer application or service are acceptable only when the documentation included in the mortgage file evidence that the funds were transferred using the application or service directly from the donor's bank account to the borrower's bank account or the settlement/closing agent.
- A gift of equity must be reflected on the Settlement/Closing Disclosure.
- Investment properties: gift funds or gift of equity are not an eligible source of funds.
- Second homes with LTV/CLTV greater than 80%: Minimum 5% borrower contribution from personal funds when gift funds or grants are used.
- Gift funds received as a wedding gift require the following documentation:
  - A copy of the marriage license or certificate, and
  - A verification of the gift funds in the borrower's depository account.
  - The gift funds must be deposited into the borrower's depository account within 90 days of the date of the marriage license or certificate.
- A gift or grant from an agency is acceptable when documentation supporting the gift or grant is provided. Acceptable documentation includes copies of grant program materials, award letters or terms and conditions provided to the borrower. The following documentation is required:
  - Establish that the funds were provided by an Agency,
  - Establish that the organization has an established gift or grant program,
  - Establish that the funds are a gift or grant that does not have to be repaid,
  - Provide evidence that the funds were received by the borrower or by the seller on the borrower's behalf, and
  - Identify the donor's mailing address.

    - Gift funds received as a graduation gift from unrelated persons and/or related persons are an eligible source of funds for a mortgage secured by a primary residence. The gift must be on deposit in the borrower's bank account within 90 days of the date of graduation. The following must be provided:
        - Evidence of graduation from an educational institution (e.g., diploma or transcripts) that supports the date of graduations.
        - A verification of the gift funds in the borrower's depository account.
- Marijuana/Cannabis
    - Assets derived from employment in the marijuana or cannabis industry is not an eligible source of assets, regardless of state law.
- An Employer Assisted Homeownership (EAH) Benefit may be used as a source of funds to qualify the Borrower for the Mortgage transaction if the terms of the EAH Benefit comply with the following:
    - The EAH Benefit is provided to an employee from the employer pursuant to an established, ongoing and documented employer benefit program, provided (i) the employer is not an interested party (as described in Section 5501.5) and (ii) the funds were not obtained from an interested party either directly or through a third party.
    - The Mortgage is secured by a 1- to 4-unit Primary Residence.
    - *See* Section 5501.4 of the Freddie Mac Selling Guide for complete details.
- Assets that will be used by the borrower for the repayment of their monthly obligation may be used to qualify the borrower for the mortgage, provided that all of the following are met:
    - Mortgage eligibility:
        - The mortgage is secured by a 1–2-unit primary residence or 1 unit second home
        - The mortgage is secured by either a purchase or "no cash-out" refinance.
        - A maximum LTV/CLTV of 80%
    - When determining the amount used to establish the debt payment-to-income ratio, divide the net eligible assets by 240 months, regardless of the loan term.
        - Net eligible assets are calculated by subtracting the following assets from the total eligible assets:
            - Any funds paid by the borrower to complete the transaction (i.e., down payment & closing costs),
            - Gift funds, and borrowed funds, and
            - Any portion of assets pledged as collateral for a loan or otherwise encumbered.

See Freddie Mac Selling Guide, Chapter 5307.1- Assets as a basis for repayment of obligations.

Reserves

- Per LPA Feedback. All reserves entered into LPA must be verified.
- 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.
    - Primary residence 1-unit: reserves not required
    - Primary residence 2-4 units: 6 months for the subject property.
    - Second home properties: 2 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.
    - 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.
- Reserve requirements when converting a principal residence are subject to Freddie Mac Selling Guide, Chapter 5501.2.

Acceptable Sources of Reserves

- Checking/savings accounts
- Investments in stocks, bonds, mutual funds, certificates of deposit, money market funds, and trust accounts. For borrowers using this above stock options and mutual funds for assets:
    - When used for down payment or closing costs, evidence of the borrower’s actual receipt of funds realized from the sale or liquidation must be documented in all cases.
    - When used for reserves, no more than 70% of the value of the asset must be considered, and liquidation is not required.
- Vested amount in retirement accounts
- Cash value of a vested life insurance policy

Assumptions

Planet follows agency guidelines.

AUS

LPA "Eligible/Accept" results required. Manual underwriting is ineligible.

Available Markets

- **Delegated Sellers**

  - Planet will purchase loans underwritten and closed by the delegated Seller in all states.
- **Non-Delegated Sellers**
  - Planet will purchase loans from non-delegated Sellers in all states on Freddie Mac products. All loans require Planet underwriting approval.
- Sellers must receive approval from Planet Home Lending to deliver loans with properties located in Puerto Rico.
- The U.S. territories of Guam and the Virgin Islands are ineligible regardless of delegation.

Borrower Eligibility

Eligible Borrowers

- A natural person
- U.S. Citizens
- Permanent resident aliens:
  - 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.
- Non-permanent resident aliens:
  - Non-permanent resident aliens are temporary residents who are eligible to live/work in the United States for a specific period. Acceptable documentation of their work authorization is:
    - An unexpired Employment Authorization Document (EAD) by the USCIS, or
    - An unexpired visa. Eligible types are E-1, G series, H series, L-1A, L-1B or TN.
  - 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.
- Revocable Inter Vivos Trust that meets Freddie Mac guidelines. Trusts are eligible on:
  - 1 unit owner-occupied or second home only.
  - A Power of Attorney is ineligible with an inter vivos trust.
- All borrowers are required to have a social security number.
- A borrower may be considered an occupying borrower if the property is occupied as a primary residence by an individual(s) who:
  - Is the borrower's parent(s), or
  - Has a disability, and
  - The borrower is the individual's legal guardian.

Ineligible Borrowers

- Foreign Nationals
- Borrowers with diplomatic immunity
- Borrowers without a social security number or a number that cannot be validated with the Social Security Administration
- Borrowers with non-traditional credit
- Borrowers that receive Government/Public Assistance Income (Section 8 income)

Borrower Types

Co-Borrower: An individual, who applies jointly with the borrower, 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.

Non-Occupant Co-Borrower: An individual, who applies with the borrower, 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. A non-occupying borrower cannot be an interested party to the transaction (i.e., the builder, property seller, real estate agent or broker).

Co-Signer: 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.

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.

NOTE: Community property states: Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin.

Down Payment and Qualifying Ratio Requirements

When a co-signer is on the loan, the occupying borrower must make a minimum 5% of the down payment from their own funds unless:

- The LTV/TLTV ratio is ≤ 80%, and
- The occupying borrower is purchasing a 1-unit principal residence and meets the requirements of gifts to pay for some or all the borrower's minimum contribution.

Chain of Title

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). If more than one transfer in previous 12 months **or** property has significant increase in value since prior transfer, an appraisal addendum addressing all transfers is required.

Construction-to-Perm

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.

- 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.
- 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. 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.
- Units in a condo project are not eligible for construction-to-permanent financing.

Single-Closing Transactions (Integrated Documentation)

- Single-closing transactions may be closed as either a purchase or limited cash-out refinance.
- Transactions structured as a purchase: The borrower is not the owner of record of the lot prior to the loan application. Purchase LTV/TLTV limits apply.
- Transactions structured as a rate/term refinance: The borrower is the owner of record of the lot prior to applying for the interim construction financing. No cash-out (rate/term) LTV/TLTV limits apply.
- Must use additional due diligence to ensure the most recent information is obtained to help ensure any disruption to borrower's employment (or self-employment and or income) does not negatively impact the borrower's ability to repay the loan.

Two-Closing Transactions

- Two-closing construction-to-permanent transactions use 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.

- The borrower is underwritten based on the terms of the permanent mortgage.
- Transactions are subject to the no cash-out and cash-out refinance maximum LTV/TLTV/HTLTV ratios, as applicable.
- 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.
- All other standard cash-out refinance eligibility and underwriting requirements apply.

See Freddie Mac Selling Guide, Chapter 4602.4 - Construction Conversion and Renovation Mortgages for complete guidelines.

Credit History

- Tradeline requirements per LPA Feedback Certificate.
- Authorized user tradelines require underwriter review to ensure the tradelines are an accurate reflection of the borrower's credit history.

Credit Report/Scores

Per LPA

- At least one borrower on the loan must have a usable credit score.
- When not all the borrowers have a usable credit score, all the following applies:
  - The transaction must be a purchase or no cash-out refinance mortgage
  - The property securing the loan must be a 1-4 unit primary residence
  - The borrower(s) with the usable credit score must contribute more than 50% of the total monthly income
  - The borrower(s) without a credit score are not self-employed

NOTE: Any debt not reported on the credit report requires documentation that it has been paid satisfactorily for the most recent 12 months.

- A tri-merged credit report is required for all borrowers.
- The representative credit score is determined as follows:
  - If there are three valid scores, the middle score is used. If two of the three scores are a duplicate, the duplicate score is used.
  - If there are two valid scores, the lower of the two is used
  - If there is one valid score, that score is used
  - Borrowers with frozen credit may have no more than one national credit repository's information frozen

The representative score for the loan is the lowest representative score for all borrowers.

- When the credit reports reflect inquiries made within the previous 90 days, the loan file must evidence verification if new debt was granted, and the debt must be used to qualify the borrower.
- The credit report must be dated within 120 days of the Note date.
- Sellers are encouraged 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:
  - A "soft pull" credit report within 10 business days of the Note date , or
  - A debt affidavit, signed by the borrower(s) (sample form is posted on the CORE Seller Portal at www.phlcorrespondent.com under Forms and Resources), or
- A letter, written and signed by the borrower(s) stating no new credit was obtained.

Authorized user accounts are allowed per LPA with the below documentation:

- Document another borrower on the mortgage owns the trade line in question, or
- Document the trade line is owned by the borrower's spouse, or
- Document the borrower has been making the payments on the account for the last 12 months, or
- Document the authorized user account has an insignificant impact on the borrower's overall credit history.

*See*Freddie Mac Selling Guide for complete details on Credit Reports and Scores.

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

For Accept and A-Minus mortgages, LPA has assessed the borrower's credit reputation and determined that the credit reputation is acceptable.

If the borrower has derogatory credit that is not reflected on the credit report and is not read by LPA, the loan must be downgraded to a manual underwrite and is ineligible for sale to Planet Home Lending.

NOTE: **Manually underwritten loans are ineligible**.

See Freddie Mac Selling Guide for complete requirements for derogatory credit requirements.

Judgments and Tax Liens

Must be paid prior to close.

Delinquent Child Support

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

Down Payment Assistance

Per Freddie Mac Selling Guide.

DTI

Per LPA with an "Eligible/Accept" Feedback Certificate.

All debts must be run through LPA to ensure accurate LPA Feedback Certificate.

Installment Debt

- When a monthly payment on an installment debt, other than a student loan, is not reported on the credit report or listed as deferred or in forbearance, documentation verifying the monthly payment amount must be obtained.
- For installment debts being omitted from the DTI ratio with less than 10 months of payment remaining, the information on the credit report or other documentation must show that there are less than 10 payments remaining.
- Installment debt with ≤ 10 months remaining will be considered as a recurring monthly debt obligation if it significantly affects the borrower's ability to meet their credit obligations.

NOTE: Monthly lease payments, regardless of the number of payments remaining, must be included in the borrower's monthly debt.

IRS Installment Agreements

- When a borrower is obligated under an IRS installment agreement approved by the IRS for payment of past-due taxes, the following must be met:
  - The payment associated with the installment agreement must be included in the calculation of the borrower's debt payment-to-income ratio if there are more than 10 months of payments remaining under the agreement.
  - A copy of the installment agreement approved by the IRS verifying the payment terms, including the monthly payment amount and balance must be included in the loan file.
  - Verification that the borrower is not past due under the terms of the installment agreement must be obtained and included in the loan file.

    - There must be no indication, and the Seller must have no knowledge, that the IRS has filed a Notice of Federal Tax Lien for the taxes owed under the installment agreement.
- When the Borrower has applied for an installment agreement with the IRS that is pending IRS approval, the following requirements must be met:
    - A copy of the application for the installment agreement reflecting the amount of taxes owed and requested payment terms must be included in the Mortgage file,
    - The greater of the monthly payment amount requested by the Borrower or the amount of taxes owed divided by 72 must be included in the Borrower's monthly debt payment-to-income ratio, and
    - There must be no indication, and the Seller must have no knowledge, that the IRS has filed a Notice of Federal Tax Lien for the taxes owed by the Borrower.

Revolving or Open-End Accounts

- If the monthly payment is not included on the credit report, and there is no documentation indicating the monthly payment, 5% of the outstanding balance will be considered to determine the monthly payment.
- Monthly payments on open-end accounts (accounts which require the balance to be paid in full monthly) are not required to be included in the DTI ratio if the borrower has sufficient verified funds to pay off the outstanding balance. The funds must be in addition to any funds used to qualify the borrower.

Student Loans

- Student loans in repayment, deferment or forbearance:
    - In all cases, an amount greater than zero must be included in the monthly debt payment-income ratio for all student loans.
    - If the monthly payment amount reported on the credit report is greater than 0, use the monthly payment amount reported on the credit report, unless other documentation in the mortgage file supports a different current payment amount, or
    - If the monthly payment amount reported on the credit report is 0, use 0.5% of the outstanding loan balance, as reported on the credit report, unless other documentation in the mortgage file supports a different amount.
- For student loans in income-driven repayment plans:
    - The monthly payment amount, as described above, may be used for qualifying, unless documentation in the Mortgage file indicates the Borrower must recertify their income and/or the Borrower's payment will increase prior to or on the first Mortgage payment due date.
    - When documentation in the Mortgage file indicates the Borrower must recertify their income and/or that the Borrower's payment will increase prior to or on the first Mortgage payment due date, the Seller must include in the monthly debt payment-to-income ratio:

    - The greater of the current payment or 0.5% of the outstanding loan balance, or
    - The documented future payment amount if greater than the current payment, or
    - The future payment amount that is less than or equal to the current payment, provided that the Mortgage file contains documentation that the Borrower has recertified their income and the future payment amount has been approved. The future payment amount must be greater than zero.

- Student loan forgiveness, cancellation, discharge and employment-contingent repayment programs:
  - The student loan payment may be excluded from the DTI ratio if the mortgage file contains documentation that indicates the following:
    - The student loan has 10 or less monthly payments remaining until the full balance of the student loan is forgiven, canceled, discharged or in the case of an employment—contingent repayment program, paid, or
    - The monthly payment on a student loan is deferred or is in forbearance and the full balance of the student loan will be forgiven, canceled, discharged or in the case of employment-contingent repayment program, paid, at the end of the deferment or forbearance period, AND
    - The borrower is eligible or approved, as applicable, for the student loan forgiveness, cancelation, discharge, or employment-contingent- repayment program, and the Seller is not aware of any circumstances that will make the borrower ineligible in the future. Evidence of eligibility or approval must come from the student loan program or the employer, as applicable.

Alimony/Child Support/Separate Maintenance Payments

- If there are more than 10 months of payments remaining the monthly payment amount must be documented with a copy of the signed court order, legally binding separation agreement and/or final divorce decree, or equivalent.
  - The payments must be deducted from the borrower's monthly stable income.
    - For payments being omitted from the DTI ratio due to 10 or fewer months of payment remaining, documentation must be provided that shoed there are 10 or fewer months of payments remaining.

Contingent Liabilities

Contingent liabilities may be excluded from the monthly debt ratio when the following requirements below are met:

- Revolving, Monthly Lease Payment, Installment (not including mortgages)
  - File must indicate a party other than the borrower has been making timely payments for the most recent 12 months.

    - The party making the payments is not an Interested party to the subject property or mortgage transaction.
- Mortgages
    - File must indicate a party other than the borrower has been making timely payments for the most recent 12 months.
    - Party making the payments is obligated on the Note
    - The party making the payments is not an Interested party to the subject property or mortgage transaction.

Self-Employed Borrower

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:

- The debt has been paid timely by the borrower's business for no less than the most recent 12 months, and
- The tax returns must evidence that the business expenses associated with the debt (interest, lease payments, taxes, insurance has been reported and support that the debt has been reported and support that the debt has been paid by the business.

Court Ordered Assignment of Debt

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.

Employment and Income

- A 2-year employment history is required for both wage earner and self-employed borrowers.
- A VVOE is required within 10-**business** days **prior** to the Note date for salaried borrowers and within the 120 calendar days **prior** to the Note date for self-employed borrowers.
    - 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 verbal verification of employment (VVOE).
    - *See* Freddie Mac Selling Guide Chapter 5302 for alternative methods for employment verification.
- For 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.
- When a Borrower has less than a two-year history of primary employment, the Seller must provide its justification for determining that the employment is stable. When making this determination, the

Seller must take into consideration factors such as income and/or employment characteristics and the overall layering of risk factors, including the Borrower's demonstrated ability to repay obligations.

See Freddie Mac Selling Guide Chapter 5302, for complete employment requirements.

Income documentation is determined by LPA unless detailed below.

- Amended tax returns are allowed with an exception from an Underwriting Manager, subject to the following requirements:
  - Original and amended tax returns are required. Tax transcripts for the amended tax returns must be obtained and be provided from the IRS. Borrower obtained tax transcripts for amended tax returns are not allowed.
  - Tax returns must be amended prior to the application date. Tax returns amended after the application date are not allowed.
  - Amended tax returns must be accepted by the IRS.
  - If the borrower owes taxes to the IRS, the full amount must be paid in full. Installment agreements for taxes are allowable if Agency guidelines are met.
  - An explanation for the amended tax returns is required to be obtained from the borrower if the income is being used to qualify.

Wage Earner Borrowers

At minimum, a current paystub with YTD earnings and the most recent W-2 is required.

Income Commencing After the Note Date

Income commencing after the note may be considered a stable source of qualifying income provided either all Option 1 or Option 2 requirements met as outlined below. *See* Freddie Mac Income section 5303.1 for complete requirements.

- **Option 1**
  - Income must be from new primary employment or a future salary increase with the current primary employer,
  - Income is non-fluctuating and salaried (e.g., hourly earnings are not permitted), and
  - The employer must not be a family member or an interested party to the real estate or mortgage transaction
  - The start date of the new employment or future salary increase:
    - Must be no later than 90 days after the Note Date
    - May be before or after the delivery Date
  - Permitted on 1- unit primary properties
  - Purchase and no cash-out refinance transactions only

- Verification of Additional Funds:
  - In addition to funds required to be paid by the borrower and borrower reserves, Sellers must verify additional funds in the Borrower's depository and/or securities account(s) that equal or exceed the amount of the monthly housing expense and other monthly liabilities due between the Note Date and the start date of the new employment/future salary increase, plus one additional month. A partial month is counted as one month for the purpose of this calculation.
  - The amount of the required additional funds may be reduced by the amount of verified gross income that any borrower on the mortgage is expected to earn during the period described above, whether or not this income is used to qualify for the Mortgage or is expected to continue after the start date of the new employment/future salary increase.
- The following documentation is required:
  - A copy of the employment offer letter, employment contract or other evidence of the future salary increase from the current employer that:
    - Is fully executed and accepted by the borrower
    - Is non-contingent or provide documentation, such as a letter or e-mails from the employer verifying all contingencies have been cleared, and
    - Includes the terms of employment, including employment start date and annual income based on non-fluctuating earnings
  - For a future salary increase provided by the current employer, the above documentation must indicate that the increase is fully approved and is explicitly granted to the borrower.
  - A 10-day pre-closing verification (PCV) is required verifying the terms of the employment offer letter, contract or future salary increase have not changed (refer to Section 5302.2(d)).

Option 2

- Income must be from new primary employment,
- Non-fluctuating and salaried (e.g., hourly earnings are not permitted), and
- The employer must not be a family member or an interested party to the real estate or Mortgage transaction.
- As of the delivery date, the income must be no less than that used to qualify the borrower.
- The start date of the new employment or future salary increase:
  - No limit on the number of days after the Note Date, however it must be before the delivery Date

- Permitted on:
  - 1-4 Primary residence
  - 1 unit Second homes, and
  - 1-4 unit Investment properties
- Purchase, cash-out, no cash-out transactions
- Verification of Additional funds
  - In addition to funds required to be paid by the Borrower and Borrower reserves, Sellers must verify additional funds in the Borrower's depository and/or securities account(s) that equal or exceed the amount of the monthly housing expense and other monthly liabilities due between the Note Date and the start date of the new employment/future salary increase, plus one additional month. A partial month is counted as one month for the purpose of this calculation.
  - The amount of the required additional funds may be reduced by the amount of verified gross income that any Borrower on the Mortgage is expected to earn during the period described above, whether or not this income is used to qualify for the Mortgage or is expected to continue after the start date of the new employment/future salary increase.
- The following documentation is required:
  - A copy of the employment offer letter or employment contract that:
    - Is fully executed and accepted by the borrower, and
    - Includes the terms of employment, including employment start date and annual income based on non-fluctuating earnings, and
    - Annual income based on non-fluctuating earnings
    - Paystubs, written verification of employment (VOE) or a third-party employment verification supporting the income for qualifying the borrower.

Borrowers with Business Ownership Interest(s) Less Than 25%

For use of ordinary income (loss) or guaranteed payments for services reported on IRS Schedule K-1 as stable monthly qualifying income, the following must be met:

- "Self-Employed Borrowers" on the next page requirements, or
- All requirements of employed income must be met, and
  - The borrower should not have an ownership interest of 25% or more in any business.
  - When using employed income for qualification, the historical cash distributions must be reasonably consistent with the ordinary business income reported on the K-1s.

The following documentation must be obtained:

- Schedule K-1s for the most recent two calendar years for Partnerships and S Corporations
- Documentation of all YTD income, if available (e.g., most recent YTD paystub or equivalent). If YTD information is not available (e.g., due to year-end payment structures), the underwriter may document and justify the income stability without this information.
- The Schedule K-1(s) must evidence less than 25% ownership interest for the individual borrower
- Verification of current existence of business.

For ordinary business income, a two-year consecutive history is required.

For guaranteed payments for services, a two-year history is required; however, in certain instances, a shorter history may still be considered stable if the underwriter provides a written analysis and sufficient supporting documentation justifying the determination of stability (e.g., recently changed from an employee of the same firm to a partner with a nominal ownership interest). In no event may the history be less than 12 months.

All income must be likely to continue for at least the next three years.

To calculate the income, the average must be based on the documented history of receipt and support a consistent level of income.

The Seller must determine of additional information and/or documentation is required to support and justify the monthly income based on the individual circumstances.

Self-Employed Borrowers

- Self-employed borrowers are individuals who have 25% or greater ownership interest in a business. The business may be a sole proprietorship, a Partnership (general or limited), and S Corporations or a corporation.
  - The ownership interest percentage must be verified by a review of the federal income tax returns for the business, including the IRS Schedule K-1 or IRS Form 1125-E, Compensation of Officers. If these documents do not provide this information, the ownership interest percentage must be verified with a letter from the accountant for the business or similar documents.
  - If the applicant has an ownership interest in one or more businesses, but the ownership interest is not 25% or more for any business, see "Borrowers with Business Ownership Interest (s) Less Than 25%" on the previous page.
- An income analysis must be completed for self-employed borrowers
- If LPA allows for 1 year of tax returns, the following is required:
  - The borrower must have 5 full years of self-employment in the same business, and
  - 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.

If the borrower does not qualify for 1 year of tax returns or LPA requires 2 years, the following applies:

- Copy of the most recent 2 years signed federal individual and business tax returns with all schedules.
- If LPA requires business returns, business tax transcripts will be required. The requirement for business tax returns may be waived if:
  - The borrower is using personal funds for down payment and closing costs
  - The borrower has been self-employed in the same business for a – minimum of 5 years
  - The borrower's individual tax returns show an increase in self-employment income over the past 2-years.
- When self-employment income is disclosed in the file but not used to qualify the borrower, no additional documentation or evaluations are required for borrower who have a:
  - A primary source of income other than self-employment used to qualify, and
  - Is self-employed and the income is a secondary source of income.

Income Reported on IRS Form 1099

For borrowers receiving IRS Form 1099(s) for services performed; this pay structure is often referred to in terms such as contractor or contingent worker. For this income type, Sellers must use either:

- The requirements and guidance for self-employed income, or
- The guidance in this section.

Income received on IRS Form 1099 for services performed may be reported on Schedule C and may represent a sole proprietorship. If the Seller determines that the borrower is a sole proprietor, refer to the requirements and guidance in Freddie Mac Selling Guide Chapter 5304. Factors the Seller may consider when determining whether income reported on Schedule C is representative of a sole proprietorship include, but are not limited to, the principal business or profession, gross receipts or sales, cost of goods sold, and the type and level of expenses reported.

The following documentation must be obtained:

- All 1099s for the most recent 2-year period,
- YTD paystubs or YTD earnings statements received by the borrower,
- Complete federal individual income tax returns covering the most recent 1-year period, and
- The Seller must determine if more information and documentation is needed for determining stable monthly income.

A two-year history of receipt is required. However, in certain instances, a shorter history of no less than 12 months documented on the tax returns may be considered stable if a written analysis and sufficient supporting documentation is provided.

IRS Schedule C must evidence all of the following:

- Gross receipts or sales are equal to the total amount(s) reported on IRS Form 1099(s).
- Total expenses are ≤5% of gross receipts or sales after deducting non-cash expenses (e.g., depreciation).
- The cost of goods sold is $0.
- A 12-month history of 1099 and reported expenses.

Marijuana/Cannabis

Income derived from employment in the marijuana or cannabis industry is not an eligible source of income, regardless of state law.

Temporary Leave

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:

- Borrower's employment and income meet standard eligibility requirements
- Borrower must provide written confirmation of the intent to return to work and indicate the return date
- Documentation must be provided verifying the borrower's pre-leave income (i.e., regular base pay, commission, bonus income, etc., as applicable)
- 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 third-party vendor.
- Borrower must demonstrate their ability to repay the mortgage and all other monthly obligations.
- The following documentation is also required for borrower's returning to work after the first mortgage payment is due:
    - 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
    - Documentation that substantiates and verifies any liquid assets used to supplement the reduced income due to the leave, and
    - A written statement from the underwriter explaining the analysis used to determine the qualifying income.

Calculation of the income is as follows:

- Borrower **returning to work** prior to or on the first mortgage payment due date, the borrower's pre-leave gross monthly income is used for qualifying
- Borrower **is not returning to work** by the first mortgage payment due date:
  - Borrower's temporary leave income that will be received for the duration of the leave, or
  - 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.
  - The total qualifying income cannot exceed the borrower's pre-leave gross monthly income amount.

NOTE: Assets required for down payment, closing/financing costs, prepaids/escrows, and reserves are ineligible to use for qualification.

Other Sources of Income

- Other sources of income are eligible for qualifying the borrower. LPA determines the documentation, verification, and continuation requirements for other sources of income.
- 2-year consecutive history of receipt, with 3 years likely continuance, on the following types of income when used for qualifying:
  - Automobile allowance
  - Bonus
  - Commission
  - Dividend and interest documented by signed individual federal tax returns
  - Foster care
  - Overtime
  - Tip income
  - Income from a second/additional job and seasonal employment requires 2-year consecutive history **and** must be likely to continue for a minimum of 3 years.
- The following sources of income require one or more evidence of source, benefit type, payment amount, payment frequency and documented receipt per Freddie Mac Selling Guide:
  - Retirement Income (Social Security, Pension, Annuity)
  - Survivor and dependent benefit income
  - Long-term disability and, if there is a pre-determined expiration, it must continue for a minimum of 3 years.
- Rental income is eligible subject to Freddie Mac Selling Guide Chapter 5306
- Borrowers with offers of or employment contracts where work has not begun are eligible subject to Freddie Mac guidelines and the following:
  - Eligible for 1-unit primary residence transaction only, and
  - Employment offer must be non-contingent and the offer letter, which includes salary information, must be included in the loan file, and

  - Borrower's written acceptance of the employment offer must be included in the loan file, and
  - Borrower's previous employment and income history must be documented, and
  - Borrower's employment must begin within 90 days of the Note date, and
  - Borrower must have a minimum of 3 months PITIA reserves in addition to any other reserve requirements, and
- 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.

See Freddie Mac Selling Guide for complete income requirements.

Escrow/Impound Account

- >80% LTV required unless prohibited by state law
- <80% LTV not required; refer to rate sheet for pricing adjustment

Escrowed Flood Insurance Premiums

Escrowed flood insurance premiums are required on all loans including, but not limited to, Higher Priced Mortgage Loans (HPML). When the subject property is in a special flood hazard area, the Seller must provide the following:

- Evidence that flood insurance premiums have been escrowed (regardless of any other fees and charges associated with the loan).
- Seller must use Standard Flood Hazard Determination Form (SFHDF) on all properties.

Condominium Flood Insurance

- The condominium homeowners association must maintain building coverage for the lower of:
  - (1) 80% of the building's replacement cost, or
  - (2) The maximum coverage amount available from NFIP per unit.
- If the association's coverage meets the above requirements but the unit allocation is less than 1-4 units coverage requirement, the borrower must maintain supplemental coverage for at least equal to the difference between:
  - The condo association's building coverage allocated to the unit, and
  - The amount required for a 1-4 unit property.

NOTE: Planet will not purchase loans with negative escrow balances.

Exclusionary List

Seller is responsible for checking all parties on the transaction against Freddie Mac's Exclusionary List and LDP/GSA (SAM).

Financed Properties

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 10 1-4 unit financed properties, including the subject property and the Borrower's Primary Residence. The LPA must:

- Have an Accept/Eligible result
- A FICO of 720 when the number of 1-4 unit financed properties is > six

Examples of financed properties that do not have to be counted in the limitation include:

- Commercial real estate
- Multifamily (five or more units) real estate
- Timeshares
- Undeveloped land
- Manufactured homes not titled as real property (Chattel Lien); the property is situated on the land that is titled as real property
- 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.

Planet will purchase a maximum of five loans to one borrower with an aggregate loan amount up to $2.5M.

Higher-Priced and High-Cost Loans

- Higher priced mortgage loans (HPML) are eligible subject to the following:
  - Establishment of an escrow account for taxes and insurance on primary residence transactions, and
  - Loan must meet all applicable and/or federal compliance requirements, and
  - Loan must be fixed rate
- High-cost loans are **ineligible**.

Inspections

- Septic inspections are only required when the appraiser indicates there is evidence the septic system is failing.

- Termite inspections are only required when the purchase contract requires one, or the appraiser indicates there is evidence of active infestation.
- Well inspections are only required when state or local regulations require or if there is an indication the well may be contaminated.

Interested Party Contributions

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:

- Seller
- Builder/developer
- Real estate agent
- Broker, or
- Any affiliate of the above that will benefit from the sale of the property and/or at the highest possible sales price.

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 the closing costs for the transaction

IPCs 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%

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

  They may also include:

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

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.

Investment Property Requirements

Per LPA investment properties must meet the following requirements:

- Must be a fixed-rate mortgage
- Must not be an A-minus mortgage
- Borrower does not have an ownership interest in, is not an employee of, or affiliated with or related to the builder, developer or property seller of newly constructed homes that are purchase transactions

- Borrower must not own and be obligated on more than ten 1-4 unit financed properties, including the subject property and borrower's primary residence (*see* Servicing Guide for examples of financed properties that do not have to be counted).
- Monthly housing expenses related to the borrower's current primary residence may be used in calculating the borrower's monthly housing expense-to-income ratio
- Reserves requirement must be met
- Aggregated negative rental income from all rental properties must be treated as an obligation and considered in calculating monthly debt payment-to-income ratio
- Gifts/grants are not allowed
- 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.
- See Section 5306.4 of the Freddie Mac Selling Guide for additional requirements.

See Section 4201.16 of the Freddie Mac Selling Guide for complete details.

Manufactured Homes

NOTE: This section is specific to Manufactured Homes. Sellers should follow the standard guidelines for topics not covered in this section.

- Conforming loan amounts only
- Fixed rate: 15-, 20-, and 30-year term (Cash-Out≤ 20-year term)
  - **ARMs not permitted for manufactured homes.**
  - **25-year terms are not permitted.**
- *See* Chapter 5703.4 in the Freddie Mac Selling Guide for guidance determining the LTV/CLTV/HCLTV for new and existing manufactured housing.

Appraisals

- The Appraiser must:
  - Have adequate experience and previously completed real property appraisals for Manufactured Homes,
  - Must understand the unique features that affect the quality of a manufactured home and factory construction techniques,
  - Understand the manufactures' and federal, state, and local requirements for installation,
  - Be knowledgeable concerning the local manufactured home market, and
  - Have access to the appropriate data sources to establish an opinion of value.
  - At minimum perform a complete visual inspection of the interior and exterior areas of the subject property.

  - Inspect the neighborhood.
  - Inspect each comparable sale from at least the subject property street.
  - Non-realty items must be excluded from value conclusion.
  - Manufactured Appraisal Report (form 70B) required and must be completed in its entirety.
- At least 2 comparable manufactured home sales of similar configuration are required.
  - Site built housing and different types of factory-built housing may be used for a third comparable sale if explanation for use provided.
  - The specific number of comparable sales, the listings and price ranges must be included in the appraisal analysis.
- If the manufactured home is a new installation, the loan file must contain evidence that the manufactured home was installed in compliance with applicable HUD Codes. An appraisal report completed on an existing manufactured home can serve as evidence the installation was in compliance with HUD Codes and the foundation was designed for the site conditions and home design features and meets local, state and federal codes, as applicable.
- Loan file must include the following documentation:
  - A complete copy of the sales contract for the home and land or separate contract for each, if applicable.
  - If the borrower has owned the land 12 months or more, a copy of the executed land contract is not required.
  - A copy of manufacture's invoice and purchase agreement when:
    - The manufactured home is new and is a purchase transaction; or
    - The mortgage is a conversion mortgage and is either a purchase or a no cash-out refinance transaction.
  - The Seller must provide a copy of the Certificate of installation or comparable state-specific forms and any additional applicable information along with the completion report or appraisal update on homes installed after October 20, 2008.
  - Evidence the manufactured home is properly titled, and the lien has been properly created and perfected.

Eligible Properties

- 1-unit multi-wide dwelling
- Cash-Out 1-unit properties only
- Condominiums
- HUD REOs
- Primary Residences
- PUDs

- Second Homes
- Texas 50(a)(6) transactions allowed

Ineligible Properties

- 2-4 units
- A seasoned mortgaged property
- **ChoiceHome**
- Contract for deed
- Investment property
- Land contract
- **Leaseholds**
- Other types of factory-built housing not subject to the National Manufactured Construction and Safety Standards act.
- Previously occupied property relocated from its originally installed permanent foundation
- **Properties located in a 100-year flood zone**
- Seller owned modified or converted properties
- **Singlewide manufactured home**

Manufactured Homes Titled as a Condo

Condominium projects that contain Manufactured Homes must meet the requirements for Established Condominium Projects, or be approved through the Fannie Mae Project Eligibility Service (PERS) process.

Additional Requirement

- Legally classified as real property.
- Anchoring system must be incompliance with HUD codes.
  - Anchoring system of properties installed prior to October 2008 must comply with the manufactures design or designed by a licensed (registered professional engineer).
- Home must have been constructed on or after June 15, 1976 and on a permanent chassis in compliance with the Federal Manufactured Home Construction and Safety Standards (MHCSS).
- For an existing manufactured home, the HUD Certification Label or HUD Data Plate must be present and legible. If both are present, the completion report must include both. For a new manufactured home, both the HUD Certification Label and the HUD Data Plate are required.
  - The HUD Data Plate section of the Manufactured Home Appraisal Report (Form 70B) must be completed with the information from both sources.
  - In the event the HUD Certification or Data Plate are not available, Planet will accept the following:

    - A "HUD Label Verification Letter", with the same information contained on the HUD certification label, from the Institute for Building Technology and Safety (IBTS)
    - A copy of the Data Plate or substitute performance verification certificate from the IBTS, or
    - A copy of the Data Plate from the In-Plate Primary Inspection Agency (IPIA) or the manufacturer.

- The permanent foundation must be designed in accordance with the manufacturer's instructions or a design by a licensed and registered professional engineer. Must meet all local, state, or federal codes, as applicable.
- Home must be at least 12 feet wide with a minimum of 600 square feet of living area.
- Wheel, axles, and towing hitch must be removed.
- The land must be owned by the borrower in fee simple.
  - May be located on an individual lot, subdivision, or Planned Unit Development.
- Utility hook-ups (electrical, gas, water, sewage, etc.) for manufactured homes are subject to HUDs standard guidelines regarding utilities.
- Temporary Buydowns not allowed.
- Mortgage Insurance required per Freddie Mac’s standard guidelines in section 4701.1.
  - Borrower paid mortgage insurance premiums allowed.
- Mortgages secured by Manufactured Homes using proceeds to pay the outstanding balance of a land contract or contract for deed are eligible.

See Freddie Mac Selling Guide, Chapter 5703.1 for complete requirements.

Maximum Loan Amount

The maximum loan amount is determined by county. *See* Federal Housing Finance Agency high-cost area summary.

Minimum Loan Amount

$40,000.00

Mortgage Insurance

- Loans with >80% LTV require mortgage insurance and are subject to MI guidelines.
- Eligible MI products:
  - Borrower Paid Mortgage Insurance (BPMI). Monthly, single, or split premium are eligible. *See* "Chapter 4: Mortgage Insurance" on page 39 for detailed requirements.
  - Lender Paid Mortgage Insurance (LPMI). Single premium only.

- Eligible MI options:
  - Non-refundable
  - Refundable
  - Level/constant renewal type (as applicable)

Planet will accept mortgage insurance issued by MI companies that are Freddie Mac approved.

Mortgage insurance coverage is determined by LTV and loan term as detailed below:

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 > 20 year, and ARMs	12%	25%	30%

LPMI Adjustments (No Single Premium BPMI Allowed)				
LTV and Coverage				
Fixed Rate	80.01 - 85%	85.01 - 90%	90.01 - 95%	95.01 - 97%
	12%	25%	30%	35%
ARMs	12%	25%	30%	

Mortgage/Rental History

Per LPA

- If delinquencies are allowed, a satisfactory explanation is required and is subject to underwriter review
- Current mortgage must be current for the month closing
- To verify the monthly payment amount, third-party documentation is required if the credit report does not provide the monthly housing payment.
- 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.

Non-Arms' Length or Identity of Interest Transactions

- 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

- Non-ARM's length transactions are eligible for resale properties on all occupancy types
- When a non-ARMs 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.
- 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 transactions are eligible on owner-occupied transactions; however, an additional review will be required to ensure validity of the transaction, value, etc. Additional documentation and/or a desk review or second appraisal may be required at underwriter discretion.

Occupancy

- Owner-Occupied
  - An active-duty military borrower who is unable to occupy the primary residence prior to the delivery date due to military service will be considered an owner-occupied property mortgage. The borrower's military orders must verify that the borrower is temporarily unable to occupy the primary residence due to the military assignment.
- Second Home
- Investment (non-owner occupied)

Power of Attorney

The following requirements apply to all transactions when a Power of Attorney(POA) is utilized:

- Use of the POA must meet all applicable state, federal and agency guidelines.
- The attorney in fact must be an eligible person (the following are examples of ineligible persons: real estate agent, seller or a person related to the seller, any employee of the lender, any employee of the title company, title agent or settlement agent, or any other party with a financial interest in the transaction (other than a relative of the borrower).
- The POA must be signed and notarized.
- For a Texas 50(a)(6) transaction, there must be proof in the file that the POA met all 50(a)(6) signing requirements.
- A trustee of a trust cannot sign using a POA.

Prepayment Penalty

Not permitted.

Products

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

- 25-year term available for Conforming loan amounts only

ARM: The index used must be the SOFR (Secured Overnight Financing Rate).

- Caps:
  - 5/6 - 2/1/5
  - 7/6 & 10/6 - 5/1/5
- Margin: 3.00
- Qualification:
  - 5/6 ARMs are qualified at the greater of the note rate plus 2% or the fully indexed rate.
  - 7/6 and 10/6 ARMs are qualified at the greater of the note rate or the fully indexed rate.
- Investment Property: If the borrower owns more than one financed investment property, the investment property mortgage sold to Freddie Mac must be a 7/6 or 10/6 ARM.

Property Eligibility

Condominiums

- For established projects and streamlined reviews, the Project review must be completed within one year prior to the Note date. Warranty must be provided by Seller.
- For new condo projects, the project review must be completed within 180 days prior to the Note date.

See Section 5701.2 Condominium project review and general condominium eligibility requirements in the Freddie Mac Selling Guide for complete details.

- 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.
- Freddie Mac Streamlined Review are eligible for established projects subject to Freddie Mac guidelines. When a Streamlined Review is performed, the following LTV restrictions (**all states except Florida**) apply:
  - Owner occupied maximum LTV 90%
  - Second home maximum LTV 75%
  - Investment properties maximum LTV 75%
- Projects where the HOA (or developer if not turned over to the HOA) is a party to litigation, arbitration, mediation, or other dispute that relates to safety, structural soundness, functional use or habitability of the project, the project is eligible if the litigation is limited to one of the following:
  - The litigation amount is known, the insurance company has committed to providing defense, and the litigation amount is covered by the insurance policy, or
  - The litigation/arbitration involves non-monetary neighbor disputes regarding the rights of

enjoyment, or

- The matter involves one of the following:
  - A non-monetary neighbor dispute or right of quiet enjoyment, or
  - The HOA is the plaintiff in a foreclosure action or action for past due HOA assessments, or
  - 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 condo project.
- The valid estimation of or known litigation amount is not expected to exceed 10% of the project's funded reserves, provided that this value does not violate the applicable jurisdiction's laws and regulations.

Florida Specific:

- New condo projects require PERS approval
- Established Project Review is eligible for established projects
- Streamlined Review for established condo project eligible as follows:
  - Maximum 75/90/90% > LTV/TLTV/HTLTV for owner-occupied
  - Maximum 70/75/75% > > LTV/TLTV/HTLTV for second home
  - Maximum 70/75/75% > LTV/TLTV/HTLTV for investment properties

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. *See* "Appraisals" on page 177 for additional comparable sales requirements.

Eligible Properties

- 1-unit, Single family residences (attached/detached)
- 2-4 units
- Condo conversions per Freddie Mac Selling Guide.
- Condominiums, low and high-rise (attached/detached) Freddie Mac warrantable or Fannie Mae warrantable with PERS approval or CPM acceptance.
- Leaseholds meeting Freddie Mac guidelines (Freddie Mac Ground Lease Analysis (Form 461 required) eligible on a case-by-case basis subject to Planet's review and approval. The lease term must extend a minimum of 5 years from the mortgage maturity date.
- Manufactured Homes/Modular/prefabricated properties 1-unit only. Factory built but **not** 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.

- PUDs (attached/detached)
- Rural properties

Ineligible Properties

- Agricultural-type properties, farms, orchards, ranches
- Builder bailout properties
- Commercial property
- Condo Hotels (projects managed or operated as hotel/motel, hotel/motel conversions)
- Condominium conversions with characteristics of a Hotel/Motel
- **Cooperative projects**
- Incoming producing properties (e.g., adult care facilities, bed & breakfast, etc.)
- Industrial zoned property
- Land Trust
- Manufactured homes that include an accessory unit
- Manufactured homes located in a 100-year flood zone
- Mobile homes
- New condominium projects in Florida without a PERS approval
- Non-warrantable condominiums
- Properties located in the Hawaiian Islands in lava zones one or two
- Properties not suitable for year-round occupancy, regardless of location
- Properties with an Assignment of Contract
- Properties with problem drywall (aka Chinese drywall). Evidence of complete remediation must be provided if property previously contained Chinese drywall.
- Properties zoned for agricultural use (Texas 50 (a)(6) and Texas 50(f) loans are eligible)
- Property currently in litigation (except as noted above in the Properties Eligible-Condominiums) topic
- Timeshares
- Transient Housing
- Unimproved/vacant land
- Unique properties (geodesic domes, earth berm homes, log homes, etc.)

Property Flips

Property flips are subject to:

- Appraisal must support any value increases. Additional documentation may be required and a desk review or second appraisal may be required at underwriter discretion.
- Borrower has excellent credit history, employment history, savings pattern, etc.

Properties with an Accessory Unit

1-, 2-, or 3-unit properties that have one ADU are eligible. An ADU is an additional living area that:

- Includes a kitchen,
- Includes a bathroom,
- Includes a separate entrance,
- Is independent of the primary dwelling unit,
- Is subordinate in living area, and
- Contributes less to the value of the property than the primary dwelling unit.

ADUs are not permitted for 4-unit properties, second homes, or investment properties.

See Freddie Mac Selling Guide Section 5601.2 for complete requirements for accessory dwelling units.

Purchase Agreements Amended/Renegotiated

- Not eligible if the sales price was increased **after** the original appraisal was completed if:
  - The appraised value is higher than the originally contracted sales price that was provided to the appraiser, and
  - The new purchase agreement and/or addendum to the purchase agreement is dated after the appraisal, and
  - The only change to the purchase agreement was the sales price.
- If the purchase agreement was renegotiated after the completion of the appraisal, the LTV would be based on the **lower** of the original purchase price or the appraised value, unless:
  - The re-negotiation was only for seller paid closing costs and/or pre-paid where the seller paid closing/pre-paids costs are common and customary for the area and are supported by the comparables, or
  - 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.
- Assignment of the purchase contract is not allowed.

Seller Contribution

See "Interested Party Contributions" on page 203 for Seller contribution limits.

Temporary Buydown

2-1 and 1-0 interest rate buydowns are eligible. **3-2-1 interest rate buydown is ineligible.** Temporary buydowns are not allowed for manufactured homes and for Texas 50 (a)(6) transactions.

Buydown plans are not permitted for mortgages with the following characteristics:

- Cash-out refinance mortgages
- “No cash-out” refinance mortgages with a buydown plan funded from lender credit derived from an increase in the interest rate
- Investment property mortgages
- Mortgages secured by manufactured homes

For any mortgage with a buydown plan, the initial interest rate may not be more than 2 percentage points below the note rate. The buydown plan may not extend for more than 2 years after the first scheduled payment date.

For a Limited Buydown Mortgage, the initial interest rate is:

- Temporarily reduced to no more than 2 percentage points below the note rate.
- Increased by no more than 1 percentage point annually for no more than 2 years.

Property Type	Fixed-Rate, 7/6 ARM, and 10/6 ARM	5/6 ARM
1-unit primary residence and second home	Yes	Yes
2-unit primary residence	Yes	Yes
3- to 4-unit primary residence	Yes	No

To qualify the borrower:

- For fixed-rate mortgages, the borrower must be qualified using monthly payments calculated at the note rate. The qualifying rate must, at a minimum, equal the maximum interest rate that may apply during the first five years after the date on which the first regular periodic payment will be due, based on the loan amount over the loan term.
- For ARMs, the borrower must be qualified using the monthly payment calculation. *See* "Products" on page 210 for payment calculations.
- If reserves are required, the reserves must be calculated using the note rate.

The borrower must agree in writing that the buydown funds in the buydown account will be automatically applied each month to reduce the monthly payment of principal and interest to the extent provided under the subsidy buydown agreement. The buydown agreement must provide that the borrower will not be relieved of the obligation to make the full monthly mortgage payments required by the terms of the note if, for any reason, the buydown funds are not available or the buydown funds are not paid.

The loan file must contain a copy of the executed buydown agreement and must clearly show the Seller's calculations of the total cost of the temporary subsidy buydown, any interested party contribution and the annual percentage increase in the borrower's monthly principal and interest payment.

Each subsidy buydown must be fully funded at origination. The funds must be held in a custodial account. The buydown agreement must state that the borrower will not assign, transfer or close the account, or withdraw buydown funds, except as permitted by the terms of the buydown agreement.

No references to the buydown plan are permitted in the note and security instruments.

The interest rate and monthly payments shown in the note must be calculated without reference to the temporary buydown subsidy. In no event may the temporary subsidy buydown agreement change the terms of the note or mortgage.

Transaction Eligibility

Eligible Transactions

- Cash-Out Refinance
- Freddie Mac Home Possible (*see* Freddie Mac Home Possible Program Guidelines)
- Freddie Mac HomeOne (*see* Freddie Mac HomeOne Program Guidelines)
- Freddie-Owned No Cash-Out
- No Cash-Out Refinance
- Purchase

Ineligible Transactions

- Any transaction without an LPA "Accept" Feedback Certificate
- Community Land Trusts
- Freddie Mac Open Access
- High-Cost Loans
- Illinois Land Trust
- Interest-Only
- Loans with tutorship lien
- Manual underwrites

- Non-Arm's length transaction that involves new construction and the loan is secured by a second home or investment property
- Non-Traditional Credit
- Properties in the "Right of Redemption Period" as applicable state law allows
- Refinance transactions where the subject property was listed for sale at the time of loan disbursement
- Restructured mortgages that do not meet Freddie Mac guidelines
- 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.

Refinance Transactions

Per LPA if:

- At least one borrower is a borrower on the existing mortgage, and
- Borrower held title to and resided in subject property for the most recent 12 months. Mortgage file must indicate:
  - Timely mortgage payments for the most recent 12 months; or
  - New borrower must be related to the borrower on the existing mortgage, or
  - Property is inherited by or awarded to a borrower on the refinanced mortgage.

No cash out refinance transactions: Eligible subject to the following:

- Proceeds can be used to:
  - Pay off the principal and interest due, including a balance deferred under a loss mitigation plan, for the first Mortgage, regardless of its age, used to acquire the property.
  - Pay off the principal and interest due, including a balance deferred under a loss mitigation plan, for the first Mortgage, originated as a refinance transaction, with a Note Date no less than thirty days prior to the Note Date of the "no cash-out" refinance Mortgage, as documented in the Mortgage file (e.g., on the credit report or the title commitment.
  - Pay off any costs or fees associated with the satisfaction and release of the first Mortgage (e.g., late fees, prepayment penalties, etc.)
  - Pay off or pay down any junior liens secured by the Mortgaged Premises, that were used in their entirety to acquire the subject property. Any remaining balance must be subordinated to the refinance Mortgage. ▪ Pay related Closing Cost
- Cash to the borrower cannot exceed the greater of 1% of the loan amount or $2,000.00. *See* Section 4301.4 of the Freddie Mac Selling Guide for complete details.

Cash-out refinance transactions:

- When proceeds of a cash-out refinance mortgage are used to pay off a first lien mortgage, the first lien mortgage being refinanced must be seasoned for at least 12 months (i.e., at least 12 months must have passed between the Note Date of the mortgage being refinanced and the Note Date of the cash-out refinance Mortgage), as documented in the loan file (e.g., on the credit report or title commitment). The seasoning requirement does not apply when:

- The cash-out refinance mortgage is a special purpose cash-out refinance mortgage (e.g., the owner of a property uses the proceeds of the refinance transaction to buy out the equity of a co-owner), or
- The first lien mortgage being refinanced is a HELOC.

- If none of the borrowers have been on title for at least six months, the following requirements apply:
  - At least one Borrower on the refinance Mortgage inherited or legally awarded the subject property, or meet all of following conditions:
    - The executed CD from the original purchase transactions reflects that no financing secured by the subject property was used to purchase the property, and
    - 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, and
    - The source of the funds used to purchase the subject property must be fully documented, and
    - If funds were borrowed to purchase the subject property, those funds must be repaid and reflected on the CD for the refinance transaction, and
    - 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), and
    - There must have been no affiliation or relationship between the buyer and seller of the purchase transaction (non-arm’s length purchase ineligible), and
    - An “Accept” Feedback Certificate from LPA is required and the transaction must meet all other cash-out eligibility requirements.
  - Properties must not be currently listed for sale.
  - Cash-out transactions where the property was listed for sale in the 6 months prior to the application date:
    - Borrower(s) must provide written confirmation of their intent to occupy the property as for primary residence transactions.
    - The transaction is limited to the less of 70% LTV/TLTV or the maximum LTV for product/occupancy/property type.
  - Non-occupant co-borrowers are not permitted when the cash-out transaction is for a primary residence.

Texas 50(a)(6)

NOTE: This section is specific to Texas 50(a)(6) Transactions. Planet follows Freddie Mac guidelines for any topic not addressed in this section.

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:

- Borrower Types
  - Unmarried co-borrowers are permitted, must take title to the property and is legally liable for the debt.
  - Non-borrowing spouse is permitted.
- Borrower Eligibility
  - Owner-occupied properties only.
  - No power of attorney permitted.
  - Inter-vivos revocable transactions must meet the qualifying trust requirements under Texas law for purposes of owning residential property that qualifies for the homestead exemption.
- Collateral Eligibility
  - 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.
  - Full appraisal with both interior and exterior inspection is required.
  - Max 80.00% LTV/CLTV.
  - Property must be borrower's Urban Homestead (Rural Homesteads are not allowed).
  - Property must be residential in nature and zoning, not a farm or ranch.
  - Property site must not exceed 10 acres (actual size of property; larger parcels may not be valued considering only 10 acres).
  - 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
- Transaction Details
  - A full appraisal is required
  - An existing Texas Section 50(a)(6) first or second mortgage on the homestead must have a minimum of 365 days 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:
  - Baird Law, PLLC
  - Black, Mann & Graham
  - Dorsett Johnson & Swift, LLP
  - Carolyne K. Davis, P.C.
  - Glast, Phillips & Murray
  - Gregg & Valby
  - Matt Haddock, PLLC
  - Kubik Law Firm, PLLC
  - MRG — Mortgage Resource Group
  - McGlynchey, Stafford
  - Pierson & Patterson
  - Polunsky Beitel Green, Attorneys at Law
  - Rich Karlseng, LLC
  - Robertson Anschutz Vetters
  - Sandler Law Group
  - Schwartz and Manente
  - Shanks & Associates, P.C., Attorneys At Law

NOTE: There are no exceptions to the Attorney list 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
  - Appraisal fees paid to a third-party appraiser (AMC is not excluded)
  - Discount Points (if bona fide and documented)
  - Flood Insurance

- Hazard Insurance
- HOA Maintenance Fees/Dues
- Late Charges
- 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:
    - Prepaid Per Diem Interest
    - Property Tax
    - 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:

        - Excludes coverage for a title defect that arises because financed origination expenses are held not to be "reasonable costs necessary to refinance", or
        - 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.
        - 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**
        - Texas Home Equity Note (Fixed Rate - First Lien) — Uniform Instrument Form 3244.1 01/01 (rev. 1/18)
    - Security Instrument
        - Texas Home Equity Security Instrument (First Lien) — Fannie Mae/Freddie Mac UNIFORM INSTRUMENT Form 3044.1 01/01 (rev. 01/18)
    - Borrower Affidavit

  - Texas Home Equity Affidavit and Agreement (First Lien) — Fannie Mae/Freddie Mac UNIFORM INSTRUMENT Form 3185 01/01 (rev. 01/18).

    NOTE: The affidavit must be recorded together with the Security Instrument and any applicable riders.

- Condominium Rider
  - Texas Home Equity Condominium Rider — Fannie Mae/Freddie Mac UNIFORM INSTRUMENT Form 3140.44 01/01
- Planned Unit Development (PUD) Rider
  - Texas Home Equity Planned Unit Development Rider — Fannie Mae/Freddie Mac UNIFORM INSTRUMENT Form 3150.44 01/01
- 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
  - Per Texas Law, all borrowers must receive a copy of the signed 12-day notice, and
  - Loan cannot close until the 13th day of application submission date.
- Texas Home Equity Receipt of Copies
- Texas Home Equity Election Not to Rescind
  - Document must be signed 3-business days after rescission date has expired
- Acknowledgment as to Fair Market Value of Homestead Property
  - This document must accompany the appraisal
- Texas Home Equity Loan/HELOC Closing Instructions Addendum
- File must evidence a copy of closing instructions and acknowledgment receipt.
- Texas Home Equity Certificate from Originating Lender Regarding Compliance with Section 50 (a)(6) Article XVI of the Texas Constitution.
- Owner's Affidavit Acknowledging Lender's Compliance with Constitutional Requirements to Provide Owner Early Final Itemized Disclosure of Actual Fees and Charges
- Owner's Affidavit of Compliance

See State of Texas Constitution for complete Texas 50(a)(6) laws.

Texas 50(f) Rate/Term Refinance

Texas borrowers may refinance an existing Texas 50(a)(6) loan to a Non-Equity refinance product if the following criteria is met:

- 365 days seasoning at closing is evidenced in the file
- Borrower receives no-cash-out at closing
- No additional advances allowed with the exception of refinancing the existing lien and actual closing costs and reserves.
- CLTV does not exceed 80%
- Borrower must sign the Notice of Refinance of Texas Home Equity within 3 business days of loan application (12-day notice).
- Texas Home Equity Refinance Affidavit executed at closing
- A full appraisal is required

NOTE: *See* Refinance Transactions for conventional refinance requirements.

See State of Texas Constitution for complete Texas 50(a)(6) laws.

Financing Real Estate Taxes – the following applies when real estate taxes are financed:

- No Cash-Out Refinance: A loan is **ineligible** as no cash-out refinance and must be considered a cash-out transaction when:
  - Borrower finances the payment of real estate taxes for the subject property in the loan amount but does not establish an escrow account, or
  - Borrower finances the payment of real estate taxes that are more than 60 days delinquent for the subject property in the loan amount.
- Cash-Out Refinance:
  - 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 **not** established, the loan is **ineligible**.

Secondary Financing or Affordable Seconds

First Lien mortgages with secondary financing under the terms of the purchase documents are acceptable.

New Secondary Financing requirements:

- 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.
- The scheduled payments must be sufficient to meet interest and may not accrue.

- Amount of monthly payment may be excluded from the monthly housing expense-to-income and debt payment-to-income ratios if:
  - EAH benefit and the payment of principal and interest or interest only begins on or after the 61st monthly payment under the first lien, or
  - If repayment of the principal is due only upon sale or default.
- CD evidencing the fee and costs paid by the borrower at closing; HELOC agreement must be included in the mortgage file.

Affordable Seconds requirements under section 4204.2 of the Freddie Mac Selling Guide apply in addition to the following:

- 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.
- 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,
- The term must not require a balloon payment due before the maturity or payment in full of the First Lien.
- 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.
- Affordable Seconds cannot be a HELOC.

Existing Secondary Financing requirements:

- Evidence of the subordination must be included in the mortgage file and payments must be sufficient to meet interest due.

Freddie Mac Guidelines and Resources

- Freddie Mac guidelines may be accessed at Freddie Mac under **Access the Guide**.
- Additional resources are available by selecting "The Learning Center" from the menu on the left side of the page.
- The Loan Product Advisor Documentation Matrix provides information for documenting an LPA loan.

Freddie Mac Choice Renovation Program Grid

Standard Conforming and Super Conforming					
Owner-Occupied Primary Residence Fixed Rate					
Transaction Type	**Units**	**LTV**	**CLTV**	**Loan Amount**	**Credit Score**
Purchase No Cash-Out	1	95%	95%	*See* Loan Limits Below	Per LPA
	2	85%	85%		
	3-4	80%	80%		
Second Home Primary Residence Fixed Rate					
Transaction Type	**Units**	**LTV**	**CLTV**	**Loan Amount**	**Credit Score**
Purchase No Cash-Out	1	90%	90%	*See* Loan Limits Below	Per LPA
Investment (Non-Owner Occupied) Fixed Rate					
Transaction Type	**Units**	**LTV**	**CLTV**	**Loan Amount**	**Credit Score**
Purchase No Cash-Out	1	85%	85%	*See* Loan Limits Below	Per LPA
Home Possible					
Standard Conforming - Owner-Occupied Primary Residence Fixed Rate					
Transaction Type	**Units**	**LTV**	**CLTV**	**Loan Amount**	**Credit Score**
Purchase No Cash-Out	1	97%[1,3]	105%[2, 3]	*See* Loan Limits Below	Per LPA
	2-4	95%	95%		
Super Conforming - Owner-Occupied Primary Residence Fixed Rate[4]					
Transaction Type	**Units**	**LTV**	**CLTV**	**Loan Amount**	**Credit Score**
Purchase No Cash-Out	1	95%[1]	105%[2]	*See* Loan Limits Below	Per LPA
	2	85%	80%		
	3-4	80%	80%		

Footnotes:

1. Standard 35% Mortgage Insurance is required when LTV exceeds 95%.
2. CLTV of 105% is permitted with an Affordable Second that meets Freddie Mac requirements;

otherwise, max CLTV is limited is 97% for Conforming loan amounts and 95% for Super Conforming loan amounts. *See* Freddie Mac Selling Guide for complete details.

3. Transactions with a Manufactured Home permitted to a maximum LTV/CLTV of 95%. Affordable Seconds are permitted within these parameters.
4. Manufactured homes are ineligible.

Freddie Mac Maximum Cost Conforming Loan Limits			
Contiguous States, District of Columbia, and Puerto Rico			**Alaska, Hawaii**
Unit	Conforming	Super Conforming	Conforming
1	$766,550	$1,149,825	$1,149,825
2	$981,500	$1,472,250	$1,472,250
3	$1,186,350	$1,779,525	$1,779,525
4	$1,474,400	$2,211,600	$2,211,600

See FHFA Limits for maximum loan amounts by county/metropolitan area.

Program Overview

Borrower may purchase a property or refinance an existing home and include funds in the loan amount to cover the costs of:

- Repairs
- Remodeling
- Renovations, or
- Energy improvements to the property.

General Parameters

- No minimum dollar amount required for renovations.
- Any type of renovation or repair is eligible if the improvements are permanently affixed to the real property (either dwelling or land), except for certain appliances installed with kitchen and utility room remodels.
  - The purchase of appliances as part of the overall remodeling project is permitted.
- Completion of the final work on newly built homes are permitted when the cost to complete the incomplete items does not exceed 15% of the "as completed" value.
  - The remaining improvements must be related to completing non-structural items the original builder was unable to finish. Such work may include installation of buyer-selected items such as:

        - Flooring
        - Cabinets
        - Kitchen appliances
        - Fixtures, and
        - Trim

- Construction of various outdoor buildings and structures are permitted and according to local zoning regulations.
    - Examples of acceptable structures include, but are not limited to:
        - Accessory units
        - Garages
        - Recreation rooms, and
        - Swimming pools.

- Choice Renovation loans can be used to repair damages from a natural disaster and to install preventative items such as:
    - Storm Surge barriers
    - Foundation Retrofitting
    - Hazardous brush and trees in fire zones
    - Retaining walls to address mud or water flow
    - Items specifically need to repair or prevent damages from environmental hazards like hurricanes and earthquakes.

NOTE: Complete tear downs and reconstruction of the dwellings are not permitted.

- The renovation and contingency funds must be placed in an interest-bearing custodial account.
- Unused funds must be applied as a curtailment to the unpaid mortgage balance.

Freddie Mac Choice Renovation Program Guidelines

For topics not addressed in this guide, *see* "Freddie Mac Conforming and Super Conforming Program Guidelines" on page 176 **and Freddie Mac Selling Guide.**

Ability to Repay/Qualified Mortgage

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:

- Compliance findings validating a pass of ATR
- Compliance findings validating a pass of QM, where applicable
- Automated Underwriting System (AUS) approval, where applicable
- Evidence of manual approval, where applicable
- Underwriting Analysis (e.g., Final 1008/Loan Transmittal, VA Loan Analysis, FHA Transmittal Summary)
- Income Worksheet

Additionally, all disclosures and documentation required under the ATR/QM provisions of the Dodd-Frank Act must be provided.

The Seller will comply with the verification standards of the applicable agency Seller's Guide.

- **Section 5102 through 5500 of the Freddie Mac Single-Family Seller/Servicer Guide.**

Appraisals

File must document an "as completed" appraised value that estimates the value of the property after completion of renovation work.

Type of Appraisal report required per Loan Product Advisor (LPA) minimum Assessment Feedback (MAF). Appraisals must meet UAD & AIR requirements.

Appraisal waivers are not allowed.

File must document the Seller provided the appraiser with the cost estimates, plans and specifications for the renovations.

If, after the appraiser provides the "as completed" value, changes are made to the original plans and specifications, the Seller must notify the appraiser of the changes and provide change documentation to the appraiser. The appraiser must provide a revised appraisal to reflect the changes and account for the impact on the "as completed" value.

Upon completion of the renovations, the appraiser must perform a final inspection of the property and complete an Appraisal Update and/or Completion Report (Form 442). The completion report must document that all renovations were completed in accordance with the plans and specifications and must include photographs of the completed renovations.

AUS

All CHOICE Renovation Mortgages must be submitted to LPA and must receive a Risk Class of Accept.

If the Mortgage receives an LPA evaluation status of invalid, ineligible or incomplete, it is ineligible for sale to Planet.

Available Markets

- **Delegated Sellers**

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

- **Non-Delegated Sellers**

  Planet will purchase loans from the non-delegated Seller in all states. **All** loans require Planet underwriting approval.

- The U.S. territories of Guam and the Virgin Islands are ineligible regardless of delegation. Purchase allowed in Puerto Rico with prior approval from Planet.

Certificate of Completion

- A *Certification of Completion* is required at the completion of the renovation and must be included in the Appraisal Update and/or a Completion report.
  - The Completion Report (Form 442) must confirm all "subject to" items listed on the appraisal were completed.
  - The Appraiser must note any deviations to the initial plans and any impact to the value of the subject property.
    - Follow the requirements for Unplanned Changes in Scope of Incomplete Work if the value has been impacted.

- A *Certificate of Occupancy* is required at the completion if it is required by local authorities for the type of renovation work that was completed.

Contractor Requirements

All renovation work must be performed by a licensed contractor or subcontractor, unless contractor licensing is not applicable under state or local law for the specific trade or type of renovations being performed. **Self Help is not allowed.**

File must evidence the contractor was evaluated and able to perform the required duties. The Contractor must meet the following criteria:

- Must have a minimum of 3 years' experience as a Contractor and a minimum of 1 year in business.
- Have all appropriate credentials required by the state and local government.
- Financially able to perform the duties necessary to complete the renovation work in a timely manner, and
- Agrees to indemnify the borrower for all property losses or damages caused by its employees or subcontractors.
- File must evidence a completed contractor profile report (form 1202).
- Contractor Insurance Requirements:
  - Contractor must carry a builders all-risk insurance policy, without co-insurance, in an amount not less than 100% of the replacement cost of the work.
  - A General Liability insurance policy with limits of liability equal to at least $500,000 per occurrence.
  - A worker's compensation insurance policy as required by state law.

Contractor Validation

Seller must review the Contractor documents to establish contractor is qualified to complete the work described in the Work Write Up or Contractor Bid. The review must include contractors credentials, work experience and client references. The Seller also must ensure the contractor meets all jurisdictional licensing and bond requirements. The Seller may not choose the contractor or refer the borrower to any one specific contractor.

File must evidence contractor validation and bid acceptance.

Non-Delegated Sellers may submit a request for Planet Home Lending to validate the contractor prior to underwriting or locking the loan. Refer to the Correspondent website at www.phlcorrespondent.com under **Resources and Forms** for required forms to be executed by the Contractor.

Contractor Experience

- Must have a minimum of 3 years' experience as a Contractor and a minimum of 1 year in business.

Contractor Insurance Requirements – Contractor must carry:

- A builder's all risk insurance policy, without co-insurance, in an amount not less than 100% of the replacement cost of the work.
- A public liability insurance policy with limits of liability equal to at least $500,000 per occurrence.
- A workers' compensation insurance policy as required by state law.
- An automobile liability insurance policy with limits of liability equal to at least $300,000 per occurrence for each vehicle that will be used in providing the work.
- Other insurance policies as appropriate for the work being performed.

Owner's Insurance

- Owner will be responsible for purchasing and maintaining Owner's liability insurance and other reasonably appropriate insurance.

Credit Report/Scores

- Credit score per LPA.
- A tri-merged credit report is required for all borrowers.
- The representative credit score is determined as follows:
  - If there are three valid scores, the middle score is used. If two of the three scores are a duplicate, the duplicate score is used.
  - If there are two valid scores, the lower of the two is used.
  - If there is one valid score, that score is used.
- The representative score for the loan is the lowest representative score of all borrowers.
- The borrower(s) must address all 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).
- 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:
  - A "soft pull" credit report, or
  - A letter, written and signed by the borrower(s) stating no new credit was obtained.
  - Verification must be completed within 10 days from the Note date.

Credit Report - Fraud Alert

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:

- A letter of explanation from the borrower, and
- A copy of the identity theft report, and
- An additional form of identity verification, and
- 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.

Escrow

Costs and Escrow Accounts

The costs of the renovations will be based on the plans and specifications for the work and on the contractor's bids for all work requested by the borrower.

Renovation costs may include:

- Architectural/Engineer Fees – as necessary per scope of work
- Permits – as determined by scope of work
- Title Updates – 1 per each inspection
- Draw Inspections
- Contingency Reserve, minimum of 10%
- Final Inspection - Per AMC
- Energy Reports- determined by Inspection
- Review of Renovation Plans or Consultant Work Write Up – Designated Consultant Fee
- Construction Management Fee – 1.5% of renovation cost or $500, whichever is greater.
- Closing Doc Prep Fee of $250; in Texas, an additional $150 Fee applied for the Mechanic's Lien
- An escrow for mortgage payments ≤ six monthly payments of PITI not to exceed the amount of time the property cannot be occupied during the renovation period.
- Sweat Equity may not be factored into the renovation costs.

Planet will hold the funds in a renovation escrow account, and only apply them to payments that come due during the period in which the property cannot be occupied.

NOTE: A separate escrow account for the mortgage payments in lieu of including the funds in the renovation escrow account may be set up by Planet.

Contingency Reserve

The minimum contingency reserve amount must be greater than or equal to the 10% of the total renovation costs, except if the utilities are not operable as referenced in the contract and/or plans and specifications, then the minimum contingency reserve amount must be greater than or equal to 15% of the total renovation costs.

The reserve may be considered as part of the total renovation costs or the borrower may fund it separately.

- It may be released only if required, necessary, and unforeseen repairs or deficiencies are discovered during the renovation.
- Unused funds, unless they were received directly from the borrower, must be used to reduce the outstanding balance of the renovation loan after all the renovation work has been completed and the certification of completion has been obtained.

The borrower may use the remaining funds to make additional improvements or repairs to the property, if:

- The work scheduled and described in the plans and specifications was completed and funds have already been reduced by any cost overruns
- The funds that are to be used for additional improvements or repairs are used to improve the real property
  - The improvements or repairs must be documented in the file including paid receipts from the borrower's own funds in the file, and
  - Inspections of the additional work or installations were completed by the appraiser who prepared the "as completed" value appraisal report.

Renovation Escrow Account

Renovation costs (less any draws made at closing), the contingency reserve, mortgage payments (if applicable), and monies that the borrower provides from his or her own funds, must be deposited into an escrow account on the borrower's behalf.

- The renovation escrow account must meet the requirements shown in the following table at the time of delivery to Freddie Mac.

Account must meet the requirements of Renovation Mortgage Loans.	Funds must be released from this account only when any given renovation work has been completed, and then only in accordance with the agreed-upon schedule and after receipt of a specific request.
Funds must be used to complete the repair and renovation work and, if applicable, make any	Funds must be disbursed using the following processes:

mortgage payments that come due during the renovation period. **Note:** Funds held for mortgage payments must be used for that purpose only and are not used for renovations or any other reason.	• A check issued jointly to the borrower and the contractor; or
	• A wire transfer to the contractor after the written consent is from the borrower is to release the funds to the contractor.
	  ▪ The written consent must be received prior to each disbursement, and specify the borrower's:
	    ◆ Name
	    ◆ Property address
	    ◆ Amount of funds to be disbursed
	    ◆ Contractor to which the funds are to be disbursed
	    ◆ Date of the consent

Repairs and renovations musts be completed in a timely manner and in accordance with the plans, specifications, and contractor estimated bids.	Upon completion of renovations, all funds remaining in this account, including any mortgage payment reserves, may be used to either: • reduce the unpaid principal balance of the loan (unless they represent funds deposited separately by the borrower), or • to make additional improvements or repairs to the property.

NOTE: Up to 50% of the planned materials cost can be advanced after closing to secure necessary materials for the project. An initial draw can be used to pay soft costs including:

- Permits
- Architect fees
- Design or planning expenses incurred during the initial project.

Any increase in costs during the renovation period, the borrower, or the Seller, must fund the amount of the increase. The loan amount may not be increased to offset any increase in costs.

Any additional funds must be obtained in a manner that will not affect the priority of Freddie Mac's lien.

Financed Properties

Planet will purchase a maximum of five loans to one borrower with an aggregate loan amount up to $2.5M.

Geographic Restrictions

The following states are NOT eligible: territories of Guam and the Virgin Islands

Texas loans must be in compliance with Texas Construction Laws. Contractor must execute the following documents:

- Mechanics Lien
- Home Improvement Rider
- Residential Construction Contract Disclosure Statement
- Contractors List of Sub Contractors and Suppliers
- Notice of Right to Rescind Mechanic's Lien Contract
- Assignment of Mechanics Lien Note

Texas – Appliances cannot be free-standing, they must be built-in.

Inspections and Draw Disbursements

Draw inspections, the rehabilitation escrow account, and approving the associated draws from the account must be managed by Planet. The mortgagee is fully responsible for authorizing draw inspections, managing the rehabilitation escrow account, and approving the associated draws from the account.

LTV Ratios

The value used to determine the LTV, TLTV, and HTLTV ratios must be established as follows:

Purchase Transaction	No Cash-Out Refinance
Value is the lesser of: • The purchase price of the Mortgaged Premises prior to the renovations plus the renovation costs (costs of demolition and reconstruction), or • Appraised value of the Mortgaged Premises, as completed	Value is the appraised value of the Mortgaged Premises, as completed

Loan Application

The Seller must code the Purpose of Loan on Form 65, Uniform Residential Loan Application, as either Purchase or Refinance (as applicable) and not as Construction or Construction-Permanent.

The Seller must code the Loan Purpose on Form 1077, Uniform Underwriting and Transmittal Summary, as either Purchase or No Cash-Out Refinance (as applicable) and not as Home Improvement. The Seller must indicate in the Underwriter Comments if the Mortgage is a CHOICE Renovation Mortgage.

Maximum Renovation Cost

Purchase Transaction

Renovation cost must not exceed 75% of the lesser of:

- The sum of the purchase price of the property plus renovation costs, or
- The "as completed" appraised value of the property.

No Cash-Out Refinance Transaction

Renovation cost must not exceed 75% of "as completed" appraised value of the property.

Manufactured Homes

Renovation cost must not exceed the lesser of

- $50,000 or
- 50% of the "as completed" appraised value.

Minimum Loan Amount

$40,000.00

Mortgage Insurance

Required based on the applicable LTV calculation.

- Standard Coverage per LPA Approval.
- Reduced MI coverage not permitted.
- Borrower paid monthly and single premium; BPMI single premium may be financed.
- LPMI – single premium only.

Refundable and non-refundable options eligible.

Occupancy

- Owner-Occupied
    - An active-duty military borrower who is unable to occupy the primary residence prior to the delivery date due to military service will be considered an owner-occupied property mortgage. The borrower's military orders must verify that the borrower is temporarily unable to occupy the primary residence due to the military assignment.
- Second Home
- Investment (non-owner occupied)

Plans and Specifications

The plans and specifications must be prepared by a registered, licensed, or certified general contractor, renovation FHA 203(k) consultant, or architect and: Fully describe all work to be done and provide an indication of when various jobs or stages of completion will be scheduled (including both the start and completion dates). file must document the plans quantity, quality and cost of work has been evaluated and to determine available financing. Plans and specification must be used by the appraiser to develop his/her opinion of the "as completed" value of the subject property.

Repairs under $50,000 and have no Structural Repairs

- The Specification of Repairs/Bid can be prepared by the FHA 203(k) Consultant or a registered, licensed General Contractor or Architect.
- Must fully describe and itemize the specific work to be done.
- Material cost to be itemized with description of materials and labor for each repair.
- Describe what repairs require permits and cost associated.
- Provide a draw schedule establishing the schedule for completing the repairs including start and completion time frames.
- Identify work to be performed by Sub-Contractor.
- HUD Consultant is not required.
- Material draw allowed for no more than 50% of itemized material per Contractor Bid.
- One Interim Inspection at $150
- Final Inspection (1004D) required by licensed appraiser prior to release of Holdback Funds.

Repairs over $50,000 and/or proposed renovation work includes any structural repairs

- Planet requires the use of HUD Consultant or an approved construction management company to prepare the Specifications of Repairs or a Feasibility Report.
- HUD Consultant must be made aware the loan being applied for is a Conventional Renovation Loan

- HUD Consultant must provide Draw Schedule.
- HUD Consultant must perform the draw inspections.
- HUD Consultant must conduct an initial Property Assessment to determine if building components are substandard and/or present adverse conditions.
- Material cost must be itemized along with cost of labor on Specification of Repairs.
- Material draw allowed for no more than 50% of itemized material and including permits per Specification of Repairs and Consultant must be made aware if Lender disburses at closing.
- Final Inspection required by licensed appraiser (1004D) prior to release of Holdback Funds.

NOTE: Approved Construction Management Companies: Land Gorilla Construction Management, Granite Risk Management, Trinity Inspection Services LLC. Please reach out to Regional Sales Manager if your company is not listed.

Pools – Projects consisting of only a pool installation may follow reduced requirements below:

- Reduced documentation is only applicable when the project consists only of a pool, pool decking, and/or any fencing or netting immediately surrounding the pool.
- The lesser of $15,000 or 25% of the total project cost may be advanced at closing for material cost for items not yet paid for.
- All work to be performed must be fully described, bids are not required to separate labor and material cost.
- Permits must still be obtained and referenced, an itemized listing of all permits.
- Planet will fund each draw in its entirety and not withhold 10% of the draw.
- Final Inspection required by licensed appraiser (1004D) prior to release of Holdback Funds.

Changes to Plans and Specifications

If any changes are made to the plans and specifications and/or the estimated time of completion for the renovations, the changes must be agreed upon via a change order by the Borrower and the contractor and approved by the Lender. Documentation evidencing the change order must be signed by the Borrower and the contractor and must include the following, as applicable:

- Detailed description of the changes
- Updated itemized renovation costs
- Updated total cost of the renovations
- Any changes to the estimated completion date

The Lender may not approve changes to the plans and specifications if such changes impact the loan-to-value (LTV)/total LTV (TLTV)/Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratio or the property such that either the Mortgage:

- Would not have been eligible for sale under the terms of the Lender's Purchase Documents in effect on the Settlement Date, or
- Would have been eligible for sale but under different terms.

Unplanned Changes in Scope or Incomplete Work

Planet will work with the borrowers and contractors to ensure renovations are completed as planned, within an acceptable timeframe.

If unforeseen circumstances occur during the renovation work, such as property damage from a natural or man-made disaster, or a life altering event such as death or divorce. Additional steps to evaluate the materiality of the change to any renovations in progress.

- File must evidence an updated appraisal determining whether the changes will impact the "as completed" value of the property, and
- Any change in value must be submitted to the Choice Renovation mailbox.

Products

Amortization Type

- Standard Fixed Rate: 10-, 15-, 20-, 25- and 30- year
- Super Conforming Fixed Rate: 15-, 20-, and 30- year
- Home Possible Fixed Rate: 10-, 15-, 20-, 25- and 30- year

Products

- Standard Conforming
- Super Conforming
- Home Possible

Ineligible Products/Features

- Affordable Merit Rate® Mortgages
- Energy Efficient (Green Choice)
- A-minus Mortgages
- Seasoned Mortgages
- Financed Permanent Buydown Mortgages
- Seller-Owned Modified Mortgages and Seller-Owned Converted Mortgages
- Mortgages with capitalized balances
- Special Purpose Cash Out Refinance Mortgages
- FHA and VA Mortgages

- Section 502 GRH Mortgages
- Section 184 Native American Mortgages
- Freddie Mac Relief Refinance Mortgages – Same Servicer and Freddie Mac Relief Refinance Mortgages – Open Access
- Freddie Mac Enhanced Relief Refinance Mortgages
- Community Land Trust Mortgages

Property Eligibility

Eligible Properties

- 1-4-unit primary residence
- 1 unit second home
- 1-unit investment properties
- Single Family residence (SFR)
- Planned Unit Development (PUD)
  - Renovations must comply with all applicable project conditions, covenants and restrictions.
- Warrantable Condo
  - Renovations must comply with all applicable project conditions, covenants and restrictions and have HOA approval.
- Manufactured Home (Doublewide only)
  - The renovation of manufactured homes is allowed provided the improvements do not include structural changes (such as adding a garage or other attached element).
  - Eligible, non-structural improvements include but are not limited to improvements to kitchens and bathrooms; installing energy efficient heating and cooling systems; changes to address mobility and aging in place requirements; and installation of new windows, doors, siding, or roofing provided these changes do not alter the structure of the unit.
  - Total financed renovation costs for Manufactured Homes (purchase and refinance transactions) must not exceed the lesser of $50,000 or 50% of the “as completed” value of the property as determined by the appraiser.

Ineligible Properties

- Manufactured Condos
- Manufactured homes built prior to 6/15/1976
- Mobile Homes that are Singlewide or not real property
- Leaseholds
- Co-Ops
- Condotels

- Non-Warrantable Condos
- Working Farms

Accessory Dwelling Units (ADU)

The construction of an ADU in connection with a CHOICERenovation is acceptable. ADUs are not permitted for 4-unit properties, second homes, or investment properties. *See* Freddie Mac Selling Guide Section 5601.2 for complete requirements for accessory dwelling units.

Property and Flood Insurance

File must evidence property and flood insurance via policy or declaration page. *See* Freddie Mac Selling Guide for complete details.

Renovation Contract

The renovation contract must:

- Itemize the specific work that the contractor agrees to perform.
- Include the agreed-upon cost of the renovation.
- Identify all subcontractors and suppliers.
- Include an itemized description of the schedule for completing each stage of the work and the corresponding payments to be made to the contractor.

File must evidence an executed contract between the contractor and the borrower and requires the contractor to:

- Be duly licensed (if required by applicable law).
- Obtain all required insurance coverages.
- Completion of work must comply with the contract and all applicable government regulations, covenants and restrictions.
- Obtain the necessary building permits (including a certificate of occupancy, upon completion of renovations, if required by local law).
- Provide for appropriate remedies for resolving disputes (including an agreement to indemnify the borrower for all property losses or damages caused by the contractor's employees or subcontractors).

NOTE: File must include a copy of the Freddie Mac Renovation Homeowner Contract agreement. Choice Renovation mortgages may be subject to a variety of laws and regulations, based on the type of transaction or the types of lenders originating the mortgages. Suggested Forms are the FNMA 3730 or Freddie Mac Renovation Contract.

Renovation Cost (Fees and Charges)

Renovation-related costs that may be considered as part of the total renovation costs include:

- Property inspection fees
- Costs and fees for the title update
- Architectural and engineering fees
- Independent consultant fees
- Costs for required permits
- Final Inspection 1004D.
- Other documented charges:
  - Fees for energy reports
  - Appraisals
  - Review of renovation plans, and
  - Fees charged for processing renovation draws
  - Up to six months payments (PITIA) if a principal residence property cannot be occupied during renovation.

NOTE: An amount for sweat equity may not be factored into the renovation costs.

Renovation Loan Agreement

The Renovation Loan Agreement must include:

- The terms and conditions of the loan prior to the completion of the improvements.
- Events that constitute a borrower default and indicates the remedies available if the borrower defaults under the terms of either the renovation contract or other loan documents.
- Requires the contractor to have any license required by government regulation.
- To obtain an all-risk insurance policy (with a physical loss form endorsement and a mortgagee's loss payable clause) equal to 100% of the full replacement cost of the:
  - Improvements
  - Public liability insurance
  - Workmen's compensation insurance (as required by applicable state law)
  - Automobile liability insurance
- Require that either the borrower or the contractor obtain all work permits required by government agency and comply with all applicable laws or government regulations.

Renovation Time Frame

Renovation time frame is limited by the scope of work. All renovations must be completed within 15 months of the Note Date.

Subordinate Financing

Secondary financing must comply with the guideline requirements for the specific mortgage product or offering.

Title and Insurance Updates

A title update is required through the date the renovation was completed and must be concurrent with the last disbursement. Planet requires a Title update per draw.

This will ensure:

- The continuance of Freddie Mac's first lien priority, and
- The absence of any mechanics or materialmen's liens.

Transaction Eligibility

Eligible Transactions

- No Cash-Out Refinance transactions
- Purchase

Ineligible Transaction

- Any transaction without an LPA "Accept" Finding
- Community Land Trusts
- Freddie Mac Green Choice Program
- Interest-only
- Lease option to purchase
- Loans with tutorship lien
- Properties in the "Right of Redemption Period" as applicable state law allows
- Refinance transactions where the subject property is listed for sale at time of disbursement of the new loan
- Restructured mortgages that do not meet Freddie Mac guidelines
- Third party originated (TPO)

- 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.

No Cash-Out Refinance Transactions

Loan originated as a no cash-out refinance may include:

- Amount required to satisfy existing first lien mortgage.
- Amount required to satisfy the outstanding subordinate liens used to acquire the property.
- Closing cost
- Prepaid fees and points
- Total renovation cost including allowable renovation-related cost for the home improvements up to the maximum permitted LTV and CLTV ratios.
  - Any excess funds existing after renovations are completed may be applied to the loan balance as a curtailment or used for additional renovations pursuant to the requirements within these guidelines.
  - Value of sweat equity may not be reimbursed.

A CHOICE Renovation Mortgage secured by a property previously owned free and clear by the Borrower is considered a "no cash-out" refinance Mortgage if the proceeds are used only to finance the eligible renovations. At least one Borrower must have been on the title to the subject property for at least six months prior to the Note Date, except as specified below:

- At least one Borrower on the refinance Mortgage inherited or was legally awarded the subject property (for example, in the case of divorce, separation or dissolution of a domestic partnership)

OR all of the following:

- The Settlement/Closing Disclosure Statement or an alternative form required by law from the purchase transaction must reflect that no financing secured by the subject property was used to purchase the subject property. A recorded trustee's deed or equivalent documentation may be used when a Settlement/Closing Disclosure Statement or an alternative form required by law was not used for the purchase transaction.
- The preliminary title report for the refinance transaction must reflect the Borrower as the owner of the subject property and must reflect that there are no liens on the property.
- The source of funds used to purchase the subject property must be fully documented.
- If funds were borrowed to purchase the subject property, those funds must be repaid and reflected on the Settlement/Closing Disclosure Statement for the refinance transaction.
- There must have been no affiliation or relationship between the buyer and seller of the purchase transaction.

Choice Renovation Forms

- Freddie Mac Choice Renovation Homeowner Contractor Agreement – FNMA 3730
- Rehabilitation Loan Agreement – FNMA 3731
- Renovation Maximum Mortgage Worksheet
- Investor Rider to Security Instrument (if Investment Property)
- Renovation Loan Rider to Security Instrument
- Renovation Mortgage Consumer Tips (CORR288)

Texas Loans require an Attorney to prepare the closing documents. The Attorney should be knowledgeable in Texas Law regarding renovation lending and provide the following documents in the closing package:

- Mechanic's Lien Contract and Transfer of Lien – must include verbiage to create the Mechanic's Lien and assignment to the Lender. Amount of renovation must match final contractor estimate.
- Financing Rider – to show loan proceeds that are part purchase of the property and renewal and extension of the Mechanic's Lien Contract. If the loan is a refinance the Financing Rider will show renewal and extension of the existing lien(s) and of the Mechanic's Lien Contract.
- Rehabilitation Loan Agreement
- Non-Commencement Affidavit

Freddie Mac ChoiceReno eXPress Program Grid

Standard Conforming and Super Conforming					
Owner-Occupied Primary Residence Fixed Rate					
Transaction Type	**Units**	**LTV**	**CLTV**	**Loan Amount[1]**	**Credit Score**
Purchase No Cash-Out	1	95%	95%	*See* Loan Limits Below	Per LPA
	2	85%	85%		
	3-4	80%	80%		
Manufactured Home Primary Residence Fixed Rate					
Purchase No Cash-Out	1	95%	95%	*See* Loan Limits Below	Per LPA
Second Home Primary Residence Fixed Rate					
Transaction Type	**Units**	**LTV**	**CLTV**	**Loan Amount[1]**	**Credit Score**
Purchase No Cash-Out	1	90%	90%	*See* Loan Limits Below	Per LPA
Investment (Non-Owner Occupied) Fixed Rate					
Transaction Type	**Units**	**LTV**	**CLTV**	**Loan Amount[1]**	**Credit Score**
Purchase No Cash-Out	1	85%	85%	*See* Loan Limits Below	Per LPA
Home Possible					
Standard Conforming - Owner-Occupied Primary Residence Fixed Rate					
Transaction Type	**Units**	**LTV**	**CLTV**	**Loan Amount[1]**	**Credit Score**
Purchase No Cash-Out	1	97%[2]	105%[1,2]	*See* Loan Limits Below	Per LPA
	2	95%	95%[1]		
	3-4	95%	95%[1]		
Super Conforming - Owner-Occupied Primary Residence Fixed Rate[3]					
Transaction Type	**Units**	**LTV**	**CLTV**	**Loan Amount**	**Credit Score**
Purchase No Cash-Out	1	95%	105%[1]	*See* Loan Limits Below	Per LPA
	2	85%	85%		

	3-4	80%	80%		

Footnotes:

1. CLTV of 105% is permitted with an Affordable Second that meets Freddie Mac requirements; otherwise, max CLTV is limited is 97% for Conforming loan amounts and 95% for Super Conforming loan amounts. See Freddie Mac Selling Guide for complete details.
2. Transactions with a Manufactured Home permitted to a maximum LTV/CLTV of 95%. Affordable Seconds are permitted within these parameters.
3. Manufactured homes are ineligible.

Freddie Mac Maximum Cost Conforming Loan Limits			
Contiguous States, District of Columbia, and Puerto Rico			Alaska, Hawaii
Unit	Conforming	Super Conforming	Conforming
1	$766,550	$1,149,825	$1,149,825
2	$981,550	$1,472,250	$1,472,250
3	$1,186,350	$1,779,525	$1,779,525
4	$1,474,400	$2,211,600	$2,211,600

See FHFA Limits for maximum loan amounts by county/metropolitan area.

Program Overview

Borrower may purchase a property or refinance an existing home and include funds in the loan amount to cover the costs of:

- Repairs
- Remodeling
- Renovations, or
- Energy improvements to the property.

General Parameters

- No minimum dollar amount required for renovations.
- Any type of renovation or repair is eligible if the improvements are permanently affixed to the real property (either dwelling or land), except for certain appliances installed with kitchen and utility room remodels such as washer and dryers or refrigerators.
    - The purchase of appliances as part of the overall remodeling project is permitted.
- Completion of the final work on newly built homes are permitted when the cost to complete the incomplete items does not exceed 15% of the "as completed" value.

    - The remaining improvements must be related to completing non-structural items the original builder was unable to finish. Such work may include installation of buyer-selected items such as:
        - Flooring
        - Cabinets
        - Kitchen appliances
        - Fixtures, and
        - Trim
- Construction of various outdoor buildings and structures are permitted and according to local zoning regulations.
    - Examples of acceptable structures include, but are not limited to:
        - Accessory units
        - Garages
        - Recreation rooms, and
        - Swimming pools.
- ChoiceReno eXPress loans can be used to repair damages from a natural disaster and to install preventative items such as:
    - Storm Surge barriers
    - Foundation Retrofitting
    - Hazardous brush and trees in fire zones
    - Retaining walls to address mud or water flow
    - Items specifically need to repair or prevent damages from environmental hazards like hurricanes and earthquakes.

NOTE: Complete tear downs and reconstruction of the dwellings are not permitted.

- The renovation and contingency funds must be placed in an interest-bearing custodial account.
- Unused funds must be applied as a curtailment to the unpaid mortgage balance.

Freddie Mac ChoiceReno eXPress Program Guidelines

For topics not addressed in this guide, *see* "Freddie Mac Conforming and Super Conforming Program Guidelines" on page 176 , "Freddie Mac Choice Renovation Program Guidelines" on page 228 and Freddie Mac Selling Guide.

Ability to Repay/Qualified Mortgage

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:

- Compliance findings validating a pass of ATR
- Compliance findings validating a pass of QM, where applicable
- Automated Underwriting System (AUS) approval, where applicable
- Evidence of manual approval, where applicable
- Underwriting Analysis (e.g., Final 1008/Loan Transmittal, VA Loan Analysis, FHA Transmittal Summary)
- Income Worksheet

Additionally, all disclosures and documentation required under the ATR/QM provisions of the Dodd-Frank Act must be provided.

The Seller will comply with the verification standards of the applicable agency Seller's Guide.

- **Section 5102 through 5500 of the Freddie Mac Single-Family Seller/Servicer Guide.**

Appraisals

See **Freddie Mac Choice Renovation Program Guidelines** > "Appraisals" on page 228.

AUS

All CHOICE Renovation Mortgages must be submitted to LPA and must receive a Risk Class of Accept.

If the Mortgage receives an LPA evaluation status of invalid, ineligible or incomplete, it is ineligible for sale to Planet.

Available Markets

- **Delegated Sellers**

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

- **Non-Delegated Sellers**

  Planet will purchase loans from the non-delegated Seller in all states. **All** loans require Planet underwriting approval.

- The U.S. territories of Guam and the Virgin Islands are ineligible regardless of delegation. Purchase allowed in Puerto Rico with prior approval from Planet.

Certificate of Completion

See **Freddie Mac Choice Renovation Program Guidelines** > "Certificate of Completion" on page 229.

Contractor Requirements

All contractors and/or tradespersons chosen by the borrower to complete the renovation must:

- Have entered into an executed, binding renovation contract with the borrower to complete the renovations within a reasonable time period after the Note date, not to exceed 180 days. The contractor must include an indemnification provision requiring the contractor to indemnify the borrower for any property loss or damages caused by the contractor, its employees, or its subcontractors.
- Be licensed and insured as required by local and/or state requirements, and
- Be financially able to perform the duties necessary to complete the renovation work in a timely manner.
- **Self Help and/ or the borrower acting as the general contractor is not allowed.**

Renovations Purchase from a Home Improvement Store

Up to 100% of the renovation costs identified in the renovation contract (including labor costs) may be paid to a home improvement store at closing in lieu of such funds being deposited into the completion escrow account or Custodial account.

If the Borrower chooses a home improvement store to have the renovation work completed and the home improvement store’s renovation **program requires payment-in-full at the point of purchase**, up to 100% of the renovation costs identified in the renovation contract (including labor costs) may be paid to a home improvement store at closing in lieu of such funds being deposited into the completion escrow account or Custodial account provided the following requirements are met:

- The ChoiceReno eXPress Mortgage is a "no cash-out" refinance.
- The Seller must review the home improvement store's renovation program to determine that the following requirements are met:
  - The home improvement store is financially able to perform the duties necessary to have the renovation work completed in a timely manner and pay the contractors and/or tradespersons chosen by the home improvement store to complete the renovations. A contractor and/or tradesperson may not require payment directly from the borrower.
  - The home improvement store has a robust contractor approval process that is managed, maintained, and updated regularly.
  - The contractors and/or tradespersons chosen by the home improvement store to complete the renovations is licensed and insured as required by local and/or State requirements, and they must be approved under the home improvement store's contractor approval process during the course of the renovations. In the event a contractor and/or tradesperson becomes unapproved or is unable to complete the renovation work in a timely manner, the home improvement store must choose other approved contractors and/or tradespersons to complete the renovations. A copy of the license and insurance for the contractor, and proof they are approved by the home improvement store is required to be retained in the loan file.
- The borrower may not be chosen by the home improvement store to complete the renovations, even if the borrower is a licensed contractor and/or is licensed and qualified to complete the renovations.
- The home improvement store must have entered into an executed, binding renovation contract with the borrower to complete the renovations within a reasonable time period after the Note Date, not to exceed 180 days.
- The contract must include an indemnification provision requiring the home improvement store to indemnify the borrower for any property loss or damage caused by the contractors and/or tradespersons chosen by the home improvement store to complete the renovations. This product requires the use of FNMA Form 3730.

Contractor Validation

See **Freddie Mac Choice Renovation Program Guidelines** > "Contractor Validation" on page 230.

Credit Report/Scores

See **Freddie Mac Choice Renovation Program Guidelines** > "Credit Report/Scores" on page 231.

Credit Report - Fraud Alert

See **Freddie Mac Choice Renovation Program Guidelines** > "Credit Report - Fraud Alert" on page 232.

Escrow

Costs and Escrow Accounts

See **Freddie Mac Choice Renovation Program Guidelines** > "Escrow" on page 232.

Contingency Reserve

A contingency reserve is not required with the ChoiceReno eXPress program, but underwriter may determine one is needed. If a contingency reserve is financed in the loan, the amount must be less than or equal to 15% of the total renovation costs identified in the renovation contracts. If the borrower funded the contingency reserve with their own funds, the borrower may receive those unused funds back or can complete additional repairs with the funds.

Renovation Escrow Account

Planet will manage the renovation funds in the Rehabilitation Escrow account.

Financed Properties

Planet will purchase a maximum of five loans to one borrower with an aggregate loan amount up to $2.5M.

Geographic Restrictions

The following states are NOT eligible: territories of Guam and the Virgin Islands

Texas loans must be in compliance with Texas Construction Laws. Contractor must execute the following documents:

- Mechanics Lien
- Home Improvement Rider
- Residential Construction Contract Disclosure Statement
- Contractors List of Sub Contractors and Suppliers
- Notice of Right to Rescind Mechanic's Lien Contract
- Assignment of Mechanics Lien Note

Texas – Appliances cannot be free-standing, they must be built-in.

Inspections and Draw Disbursements

All renovation projects must be completed within 180 days of closing. ChoiceReno eXPress mortgages allow for initial disbursement at closing as follows:

- For contractor(s) and/or tradespersons chosen by the Borrower to complete renovations, up to 50% of the cost of materials may be advanced to the contractor(s) and/or tradespersons.
- For renovations purchased from a home improvement the contractor can receive up to 100% of the cost of materials as long as the transaction is a No-Cash Out Refinance and meets the requirements in the Contractor Requirements section of this document.
- If the mortgage proceeds are insufficient to cover the contracted cost of the renovations, the borrower must deposit sufficient funds to pay the remaining amount into the completion escrow account or custodial account for renovation funds.
- Permits must be obtained prior to first draw

Draw inspections, the rehabilitation escrow account, and approving the associated draws from the account must be managed by Planet. Planet is fully responsible for authorizing draw inspections, managing the rehabilitation escrow account, and approving the associated draws from the account.

If 100% disbursed to Home Improvement store at closing, Planet will request final Title Update and 1004D to confirm repairs are complete and close out the rehabilitation escrow account.

Disbursements Made by Seller Prior to Purchase by Planet

The Seller has the option to disburse the initial draw at closing. Initial draws disbursed by the Seller must be reflected on the CD.

- Planet must be notified if Seller disburses draws outside of closing.
- Seller must provide required documentation to support draw disbursement including Executed Draw Request, Lien Waivers, Invoices, copy of disbursement check and other supporting documents.
- A completed Renovation Escrow Validation Form to be completed prior to purchase of the loan by Planet. A sample Renovation Escrow Validation Form is available on the Core Seller Portal at www.phlcorrespondent.com under **Forms and Resources**.

LTV Ratios

See **Freddie Mac Choice Renovation Program Guidelines** > "LTV Ratios" on page 235.

Loan Application

See **Freddie Mac Choice Renovation Program Guidelines** > "Loan Application" on page 236.

Maximum Loan Amount

The maximum loan amount is determined by county. *See* Federal Housing Finance Agency high-cost area summary.

Maximum Renovation Cost

Purchase Transaction

- The maximum financed renovation costs for ChoiceReno eXPress purchase transactions not secured by a manufactured home cannot exceed:
  - 15% of the purchase price of the subject property plus the total renovation cost or the As-Completed Value, whichever is less for properties located in designated Duty to Serve high-needs areas, or
  - 10% of the purchase price of the subject property plus the total renovation cost or the As-Completed Value, whichever is less for properties not located in a designated Duty to Serve high-needs area.

No Cash-Out Refinance Transaction

- The maximum financed renovation costs for ChoiceReno eXPress "no cash-out" refinance transactions not secured by a manufactured home cannot exceed:
  - 15% of the "As-Completed" value for properties located in designated Duty to Serve high-needs areas, or
  - 10% of the "As-Completed" value for properties not located in a designated Duty to Serve high-needs area.

Manufactured Homes

- The maximum financed renovation costs for ChoiceReno eXPress purchase and "no cash-out" refinance transactions secured by a manufactured home cannot exceed the lesser of $50,000 or:
  - 5% of the "As completed" value for properties located in designated Duty to Serve high-needs areas, or
  - 10% of the "As-Completed" value for properties not located in a designated Duty to Serve high-needs area.

Minimum Loan Amount

$40,000.00

Mortgage Insurance

See **Freddie Mac Choice Renovation Program Guidelines** > "Mortgage Insurance" on page 236.

Occupancy

- Owner-Occupied
- Second Home
- Investment (non-owner occupied)

Plans and Specifications

The loan file must document the plans quantity, quality, and cost of work. The Seller must review and evaluate to determine available financing. Plans and specification must be used by the appraiser to develop their opinion of the "as completed" value of the subject property.

See "Maximum Renovation Cost" on the previous page for the allowable maximum financed renovation costs.

Changes to Plans and Specifications

See **Freddie Mac Choice Renovation Program Guidelines** > "Plans and Specifications" on page 237.

Unplanned Changes in Scope or Incomplete Work

Planet will work with the borrowers and contractors to ensure renovations are completed as planned, within 180 days.

If unforeseen circumstances occur during the renovation work, such as property damage from a natural or man-made disaster, or a life altering event such as death or divorce. Additional steps to evaluate the materiality of the change to any renovations in progress.

- Planet will request an updated appraisal to determine whether the changes will impact the "as completed" value of the property, and
- Notify Freddie Mac of the circumstance and request approval of the change.

Products

Amortization Type

- Standard Fixed Rate: 15-, 20-, 25- and 30- year
- Super Conforming Fixed Rate: 15-, 20-, and 30- year

ARMs are ineligible.

Ineligible Products/Features

- Affordable Merit Rate® Mortgages
- Energy Efficient (Green Choice)
- A-minus Mortgages
- Seasoned Mortgages
- Financed Permanent Buydown Mortgages
- Seller-Owned Modified Mortgages and Seller-Owned Converted Mortgages
- Mortgages with capitalized balances
- Special Purpose Cash Out Refinance Mortgages
- FHA and VA Mortgages
- Section 502 GRH Mortgages
- Section 184 Native American Mortgages
- Freddie Mac Relief Refinance Mortgages – Same Servicer and Freddie Mac Relief Refinance Mortgages – Open Access
- Freddie Mac Enhanced Relief Refinance Mortgages
- Community Land Trust Mortgages

Property Eligibility

Eligible Properties

- 1-4-unit primary residence
- 1 unit second home
- 1-unit investment properties
- Single Family residence ("SFR")
- Planned Unit Development ("PUD")
  - Renovations must comply with all applicable project conditions, covenants and restrictions.
- Warrantable Condo
  - Renovations must comply with all applicable project conditions, covenants and restrictions and have HOA approval.
- Manufactured Home (**Doublewide only**)
  - The renovation of manufactured homes is allowed provided the improvements do not include structural changes (such as adding a garage or other attached element).
  - Eligible, non-structural improvements include but are not limited to improvements to kitchens and bathrooms; installing energy efficient heating and cooling systems; changes to address mobility and aging in place requirements; and installation of new windows, doors, siding, or roofing provided these changes do not alter the structure of the unit.

- Total financed renovation costs for Manufactured Homes (purchase and refinance transactions) must not exceed the lesser of $50,000 or 50% of the “as completed” value of the property as determined by the appraiser.

Ineligible Properties

- Condotels
- **Co-Ops**
- **Leaseholds**
- Manufactured homes built prior to 6/15/1976
- Manufactured homes that are not real property
- Mobile Homes that are Singlewide
- Non-Warrantable Condos
- Properties located in a 100-year flood plain
- Working Farms

Property and Flood Insurance

File must evidence property and flood insurance via policy or declaration page. *See* Freddie Mac Selling Guide for complete details.

Renovation Contract

See **Freddie Mac Choice Renovation Program Guidelines** > "Renovation Contract" on page 241.

Renovation Cost (Fees and Charges)

See **Freddie Mac Choice Renovation Program Guidelines** > "Renovation Cost (Fees and Charges)" on page 242.

Renovation Loan Agreement

See **Freddie Mac Choice Renovation Program Guidelines** > "Renovation Loan Agreement" on page 242.

Renovation Time Frame

Renovation time frame is limited by the scope of work. All renovations must be completed within 180 days of the Note Date.

Subordinate Financing

Secondary financing must comply with the guideline requirements for the specific mortgage product or offering.

Title and Insurance Updates

A title update is required through the date the renovation was completed and must be concurrent with the last disbursement. Planet requires a Title update per draw.

This will ensure:

- The continuance of Freddie Mac’s first lien priority, and
- The absence of any mechanics or materialmen’s liens.

Transaction Eligibility

Eligible Transactions

- No Cash-Out Refinance transactions
- Purchase

Ineligible Transaction

- Any transaction without an LPA "Accept" Finding
- Community Land Trusts
- Freddie Mac Green Choice Program
- Interest-only
- Lease option to purchase
- Loans with tutorship lien
- Properties in the "Right of Redemption Period" as applicable state law allows
- Refinance transactions where the subject property is listed for sale at time of disbursement of the new loan
- Restructured mortgages that do not meet Freddie Mac guidelines
- Third party originated (TPO)
- 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.

No Cash-Out Refinance Transactions

See **Freddie Mac Choice Renovation Program Guidelines** > "Transaction Eligibility" on page 243.

Choice Renovation Forms

- Freddie Mac Choice Renovation Homeowner Contractor Agreement – FNMA 3730
- Rehabilitation Loan Agreement – FNMA 3731
- Renovation Maximum Mortgage Worksheet
- Investor Rider to Security Instrument (if Investment Property)
- Renovation Loan Rider to Security Instrument
- Renovation Mortgage Consumer Tips (CORR288)

Texas Loans require an Attorney to prepare the closing documents. The Attorney should be knowledgeable in Texas Law regarding renovation lending and provide the following documents in the closing package:

- Mechanic's Lien Contract and Transfer of Lien – must include verbiage to create the Mechanic's Lien and assignment to the Lender. Amount of renovation must match final contractor estimate.
- Financing Rider – to show loan proceeds that are part purchase of the property and renewal and extension of the Mechanic's Lien Contract. If the loan is a refinance the Financing Rider will show renewal and extension of the existing lien(s) and of the Mechanic's Lien Contract.
- Rehabilitation Loan Agreement
- Non-Commencement Affidavit

Freddie Mac HomeOne Program Grid

FIXED RATE Owner-Occupied Primary Residence				
Transaction Type	**Units**	**LTV/TLTV/HTLTV[1,2,3]**	**Loan Amount**	**Credit Score**
Purchase and No Cash-Out	1	97%/105%/97%	*See* Loan Limits below	Per LPA
	2-4	Not Eligible		

Footnotes:

1. Up to 105% TLTV allowed provided subordinate lien is an Affordable Second. Subordinate financing that is not an Affordable Second is limited to 97% TLTV.
2. Standard 35% Mortgage Insurance coverage is required when LTV exceeds 95%.
3. LTV/TLTV > 95% subject to additional requirements, including refinance must pay off a Freddie Mac owned loan. *See* "Transaction Types" on page 270 and refer to the Freddie Mac Selling Guide for complete details.

Maximum Conforming Loan Limits		
Units	**Contiguous States, District of Columbia**	**Alaska, Hawaii**
	General	General
1	$766,550	$1,149,825

See FHFA Limits for maximum loan amounts by county/metropolitan area.

Freddie Mac HomeOne Program Guidelines

For topics not addressed in this guide, *see* "Freddie Mac Conforming and Super Conforming Program Guidelines" on page 176 **and Freddie Mac Selling Guide.**

4506-C

See **Freddie Mac Conforming and Super Conforming Program Guidelines** "4506-C" on page 176.

Ability to Repay/Qualified Mortgage

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:

- Compliance findings validating a pass of ATR
- Compliance findings validating a pass of QM, where applicable
- Automated Underwriting System (AUS) approval, where applicable
- Evidence of manual approval, where applicable
- Underwriting Analysis (e.g., Final 1008/Loan Transmittal, VA Loan Analysis, FHA Transmittal Summary)
- Income Worksheet

Additionally, all disclosures and documentation required under the ATR/QM provisions of the Dodd-Frank Act must be provided.

The Seller will comply with the verification standards of the applicable agency Seller's Guide.

- **Section 5102 through 5500 of the Freddie Mac Single-Family Seller/Servicer Guide.**

Age of Documents

See **Freddie Mac Conforming and Super Conforming Program Guidelines** "Age of Documents" on page 177.

Appraisals

See **Freddie Mac Conforming and Super Conforming Program Guidelines** "Appraisals" on page 177.

Assets

See **Freddie Mac Conforming and Super Conforming Program Guidelines** "Assets" on page 180.

Reserves

Per LPA Feedback. All reserves entered into LPA must be verified. Reserve requirements when converting a principal residence are subject to the Freddie Mac Selling Guide.

Assumptions

Planet follows agency guidelines.

AUS

LPA "Eligible/Accept" results required. Manual underwriting is ineligible.

Available Markets

- **Delegated Sellers**
  - Planet will purchase loans underwritten and closed by the delegated Seller in all states.
- **Non-Delegated Sellers**
  - Planet will purchase loans from non-delegated Sellers in all states on Freddie Mac products. All loans require Planet underwriting approval.
- Sellers must receive approval from Planet Home Lending to deliver loans with properties located in Puerto Rico.
- The U.S. territories of Guam and the Virgin Islands are ineligible regardless of delegation.

Borrower Eligibility

Eligible Borrowers

- A natural person
- U.S. Citizens
- Permanent resident aliens:
  - 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.
- Non-permanent resident aliens:

  - 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:
    - An unexpired Employment Authorization Document (EAD) by the USCIS, or
    - An unexpired visa. Eligible types are E-1, G series, H series, L-1A, L-1B or TN.
  - 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.
- Revocable Inter Vivos Trust that meets Freddie Mac guidelines. Trusts are eligible on:
  - 1 unit owner-occupied or second home only.
  - A Power of Attorney is ineligible with an inter vivos trust.
- All borrowers are required to have a social security number.

Ineligible Borrowers

- Borrowers that receive Government/Public Assistance Income (Section 8 income)
- Borrowers with diplomatic immunity
- Borrowers with non-traditional credit
- Borrowers without a social security number or a number that cannot be validated with the SSA
- Foreign Nationals
- Non-occupant co-borrowers and co-signers

Borrower Types

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.

NOTE: Community property states: Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington and Wisconsin.

Chain of Title

See **Freddie Mac Conforming and Super Conforming Program Guidelines** "Chain of Title" on page 187.

Credit History

- Tradeline requirements per LPA Feedback Certificate.
- Authorized user tradelines require underwriter review to ensure the tradelines are an accurate reflection of the borrower's credit history.
- 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:
  - A "soft pull" credit report within 10 business days of the Note date, or
  - An affidavit, signed by the borrower(s) (sample form is posted on the CORE Seller Portal at www.phlcorrespondent.com under **Forms and Resources**), or
  - A letter, written and signed by the borrower(s) stating no new credit was obtained.

Credit Report/Scores

Per LPA

- At least one borrower on the loan must have a usable credit score as determined by LPA.

NOTE: Any debt not reported on the credit report requires documentation that it has been paid satisfactorily for the most recent 12 months.

- A tri-merged credit report is required for all borrowers.
- The representative credit score is determined as follows:
  - If there are three valid scores, the middle score is used. If two of the three scores are a duplicate, the duplicate score is used.
  - If there are two valid scores, the lower of the two is used
  - If there is one valid score, that score is used
  - Borrowers with frozen credit may have no more than one national credit repository's information frozen.

The representative score for the loan is the lowest representative score for all borrowers.

- When the credit reports reflect inquiries made within the previous 90 days, the loan file must evidence verification if new debt was granted, and the debt must be used to qualify the borrower.
- The credit report must be dated within 120 days of the Note date.

See Freddie Mac Selling Guide for complete details on Credit Reports and Scores.

Derogatory Credit

See **Freddie Mac Conforming and Super Conforming Program Guidelines** "Credit Report/Scores" on page 188.

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.**

DTI

Per LPA with an "Eligible/Accept" Feedback Certificate.

See **Freddie Mac Conforming and Super Conforming Program Guidelines** "DTI" on page 190.

Employment and Income

No income limits.

Rental Income

Rental income is permitted only for a borrower with a disability when the rental income is received from a live-in-aide.

See **Freddie Mac Conforming and Super Conforming Program Guidelines** "Employment and Income" on page 193.

Escrow/Impound Account

- >80% LTV required unless prohibited by state law
- <80% LTV not required; refer to rate sheet for pricing adjustment

Escrowed Flood Insurance Premiums

Escrowed flood insurance premiums are required on all loans including, but not limited to, Higher Priced Mortgage Loans (HPML). When the subject property is in a special flood hazard area, the Seller must provide the following:

- Evidence that flood insurance premiums have been escrowed (regardless of any other fees and charges associated with the loan).
- Seller must use Standard Flood Hazard Determination Form (SFHDF) on all properties.

NOTE: Planet will not purchase loans with negative escrow balances.

Exclusionary List

See **Freddie Mac Conforming and Super Conforming Program Guidelines** "Exclusionary List" on page 202.

Financed Properties

No limit on the number of financed properties.

Planet will purchase a maximum of five loans to one borrower with an aggregate loan amount up to $2.5M.

Homeownership (CreditSmart Homebuyer U) and Landlord Education

For purchase transactions, when all borrowers are first-time homebuyers, at least one borrower must participate in a homeownership education program.

Higher Priced and High Cost Loans

- Higher priced mortgage loans (HPML) are eligible subject to the following:
  - Establishment of an escrow account for taxes and insurance on primary residence transactions, and
  - Loan must meet all applicable and/or federal compliance requirements, and
  - Loan must be fixed rate
- High-cost loans are **ineligible**.

Inspections

See **Freddie Mac Conforming and Super Conforming Program Guidelines** "Inspections" on page 202.

Interested Party Contributions

See **Freddie Mac Conforming and Super Conforming Program Guidelines** "Interested Party Contributions" on page 203.

Mortgages — Ineligible

- A-minus
- Any mortgage not secured by a single-family primary residence

- FHA and VA Mortgages
- Freddie Mac Home Possible
- Freddie Mac Relief Refinance
- Seller-Owned Modified and Seller-Owned Converted Mortgages
- Financed Permanent Buydown
- Seasoned Mortgages
- Super Conforming Mortgages
- Mortgages with capitalized balances
- Section 502 GRH Mortgages
- Section 184 Native American Mortgages

Mortgage Insurance

- Loans with >80% LTV require mortgage insurance and are subject to MI guidelines.
- Eligible MI products:
  - Borrower Paid Mortgage Insurance (BPMI). Monthly, single or split premium are eligible. *See* "Chapter 4: Mortgage Insurance" on page 39 for detailed requirements.
  - Lender Paid Mortgage Insurance (LPMI). Single premium only.
- Eligible MI options:
  - Non-refundable
  - Refundable
  - Level/constant renewal type (as applicable)

Planet will accept mortgage insurance issued by MI companies that are Freddie Mac approved.

Mortgage/Rental History

See **Freddie Mac Conforming and Super Conforming Program Guidelines** "Mortgage/Rental History" on page 209.

Non-Arms' Length or Identity of Interest Transactions

See **Freddie Mac Conforming and Super Conforming Program Guidelines** "Non-Arms' Length or Identity of Interest Transactions" on page 209.

Occupancy

- Owner-occupied
- All borrowers must occupy the subject property

Prepayment Penalty

Not permitted.

Products

Fixed Rate: 15-, 20-, 25- and 30-year term

ARMs are not permitted.

Property Eligibility

Eligible Properties

- 1-unit primary residence
- Condo
- PUDs
- Townhouses

Ineligible Properties

- 2-4 units
- Agricultural-type properties, farms, orchards, ranches
- Builder bailout properties
- Commercial property
- Condo Hotels (projects managed or operated as hotel/motel, hotel/motel conversions)
- Condominium conversions with characteristics of a Hotel/Motel
- Cooperative projects
- Incoming producing properties (e.g., adult care facilities, bed & breakfast, etc.)
- Industrial zoned property
- Land Trust
- Manufactured homes
- Mobile homes
- New condominium projects in Florida without a PERS approval
- Non-warrantable condominiums

- Properties located in the Hawaiian Islands in lava zones one or two
- Properties not suitable for year-round occupancy, regardless of location
- Properties with an Assignment of Contract
- Properties with problem drywall (aka Chinese drywall). Evidence of complete remediation must be provided if property previously contained Chinese drywall.
- Properties zoned for agricultural use (Texas 50 (a)(6) and Texas 50(f) loans are eligible)
- Property currently in litigation (except as noted above in the Properties Eligible-Condominiums) topic
- Rural property
- Timeshares
- Transient Housing
- Unimproved/vacant land
- Unique properties (geodesic domes, earth berm homes, log homes, etc.)

Purchase Agreements Amended/Renegotiated

See **Freddie Mac Conforming and Super Conforming Program Guidelines** "Purchase Agreements Amended/Renegotiated" on page 214.

Seller Contribution

See **Freddie Mac Conforming and Super Conforming Program Guidelines** "Interested Party Contributions" on page 203 for Seller contribution limits.

Secondary Financing or Affordable Seconds

First Lien mortgages with secondary financing under the terms of the purchase documents are acceptable.

See **Freddie Mac Conforming and Super Conforming Program Guidelines** "Transaction Eligibility" on page 216 and the Freddie Mac Selling Guide, Chapter 4204.

Temporary Buydown

2-1 and 1-0 temporary buydown plans are permitted for HomeOne mortgages secured by 1-unit properties, excluding manufactured homes. **3-2-1 temporary interest rate buydown is ineligible.**

See Freddie Mac Conforming and Super Conforming Program Guidelines "Temporary Buydown" on page 215 for all requirements.

Transaction Types

Eligible Transactions

- Purchase
- No Cash-out

Ineligible Transactions

- Any transaction without an LPA “Accept” Feedback Certificate
- Community Land Trusts
- Freddie Mac Open Access
- High-Cost Loans
- Illinois Land Trust
- Interest-Only
- Loans with tutorship lien
- Manual underwrites
- Non-Traditional Credit
- Properties in the "Right of Redemption Period" as applicable state law allows
- Refinance transactions where the subject property was listed for sale at the time of loan disbursement
- Restructured mortgages that do not meet Freddie Mac guidelines
- Super-Conforming loan amounts
- 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.

Purchase Transactions

- Per LPA
- At least one borrower must be a First-Time Homebuyer

Refinance Transactions

- LTV or HTLTV ratios > 95% must be owned in whole or in part or scrutinized by Freddie Mac.
- TLTV ratios > 95% with secondary financing that is not an Affordable Second must be owned in whole or in part or scrutinized by Freddie Mac.
- TLTV ratios > 95% with secondary financing that is an Affordable Second does not have to be owned or scrutinized by Freddie Mac.

Freddie Mac Guidelines and Resources

- Freddie Mac guidelines may be accessed at Freddie Mac under **Access the Guide**.
- Additional resources are available by selecting "The Learning Center" from the menu on the left side of the page.
- The Loan Product Advisor Documentation Matrix provides information for documenting an LPA loan.

Freddie Mac Home Possible Program Grid

FIXED RATE Owner-Occupied Primary Residence				
Transaction Type	**Units**	**LTV/TLTV/HTLTV**	**Loan Amount**	**Credit Score**
Purchase and Non Cash-Out	1[2,3]	97%/105%/97%[1]	*See* Loan Limits below	Per LPA
	2-4[4]	95%/95%/95%		
Super Conforming Loan Amounts Owner-Occupied Primary Residence[4]				
Transaction Type	**Units**	**LTV/TLTV/HTLTV**	**Loan Amount**	**Credit Score**
Purchase and Non Cash-Out	1[2]	95%/105%/95%[1]	*See* Loan Limits below	Per LPA
	2	85%/85%/85%		
	3-4	80%/80%/80%		

Footnotes:

1. TLTV is permitted up to 105% if the subordinate lien is an Affordable Second that meets Freddie Mac requirements; otherwise, max CLTV and HTLTV is 97% for conforming loan amounts and 95% for Super Conforming loan amounts. *See* Freddie Mac Selling Guide for complete details.
2. Transactions with a non-occupant borrower permitted to a maximum LTV/TLTV of 95%.
3. Transactions with a Manufactured Home permitted to a maximum LTV/TLTV of 95%. Affordable Seconds are permitted within these parameters.
4. Manufactured homes are ineligible.

Maximum Conforming & Super Conforming Loan Limits			
Units	**Contiguous States, District of Columbia**		**Alaska, Hawaii**
	Conforming	High Cost	Conforming
1	$766,550	$1,149,825	$1,149,825
2	$981,500	$1,472,250	$1,472,250
3	$1,186,350	$1,779,525	$1,779,525
4	$1,474,400	$2,211,600	$2,211,600

See FHFA Limits for maximum loan amounts by county/metropolitan area.

Freddie Mac Home Possible Program Guidelines

For topics not addressed in this guide, *see* "Freddie Mac Conforming and Super Conforming Program Guidelines" on page 176 **and** **Freddie Mac Selling Guide**.

4506-C

See **Freddie Mac Conforming and Super Conforming Program Guidelines** "4506-C" on page 176.

Ability to Repay/Qualified Mortgage

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:

- Compliance findings validating a pass of ATR
- Compliance findings validating a pass of QM, where applicable
- Automated Underwriting System (AUS) approval, where applicable
- Evidence of manual approval, where applicable
- Underwriting Analysis (e.g., Final 1008/Loan Transmittal, VA Loan Analysis, FHA Transmittal Summary)
- Income Worksheet

Additionally, all disclosures and documentation required under the ATR/QM provisions of the Dodd-Frank Act must be provided.

The Seller will comply with the verification standards of the applicable agency Seller's Guide.

- **Section 5102 through 5500 of the Freddie Mac Single-Family Seller/Servicer Guide.**

Age of Documents

See **Freddie Mac Conforming and Super Conforming Program Guidelines** "Age of Documents" on page 177.

Appraisals

See **Freddie Mac Conforming and Super Conforming Program Guidelines** "Appraisals" on page 177.

Assets

Documentation per LPA.

- All funds used to close the transaction must be disclosed on the 1003 and input into LPA.

The following sources of funds are permitted:

Use	Permitted Sources of Funds
Minimum Borrower Contribution	Borrower personal funds
Down Payment	Borrower personal funds Other eligible sources of funds
Paying down the principal balance of the Mortgage being refinanced for a "no cash-out" refinance transaction	Borrower personal funds Other eligible sources of funds
Closing Costs	Borrower personal funds Other eligible sources of funds Flexible sources of funds
Reserves	Borrower personal funds Other eligible sources of funds

Borrower personal funds are detailed in the Freddie Mac Seller Guide. The Home Possible program also allows for use of cash on hand, subject to the below requirements:

- The Seller reasonably concludes, and can support, that the Borrower is a cash basis individual and that the cash on hand is not borrowed and could be saved by the Borrower.
- The Mortgage file contains the following documents supporting the Seller’s conclusion:
  - A completed Freddie Mac Exhibit 23, Monthly Budget and Residual Analysis Form, or another document containing the same information, confirming that the total monthly residual income available for savings is a positive number.
  - Copies of six months’ cash receipts (e.g., rent or utility receipts) or other alternative documentation (e.g., direct verifications or wire transfers) to verify that recurring obligations, including the payment of revolving and installment debt, are customarily paid in cash.
  - A credit report, obtained at the time of loan application. The credit report must not show more than three Tradelines.
  - Copies of three months’ statements for any open revolving account that reveal cash advances are not the source of Borrower funds. Any cash advances must be explained and documented (i.e., a cash advance used in an emergency).
  - An updated credit report obtained approximately one week before closing that does not show any new accounts or a substantial increase to an existing account that approximates, or exceeds, the amount of cash on hand provided by the Borrower.

- The Mortgage file must have no indication that the Borrower typically uses checking, savings or similar accounts.
- Evidence that all funds used to qualify the Borrower for the Mortgage transaction are deposited in a financial institution or are held in an institutional escrow account prior to closing.

Other Eligible Sources of funds are detailed in the Freddie Mac Selling Guide, Section 4501.10. The Home Possible program also allows the following additional sources:

- A gift or grant from the Seller as the originating lender, provided that a contribution of at least 3% of value is made from Borrower personal funds and/or other eligible sources of funds as described in this section. The gift or grant must not be funded through the Mortgage transaction, including differential pricing in rate, discount points, or fees for individual loans or across the Home Possible offering.
- Proceeds from an unsecured loan are allowed for purchase transactions. *See* Freddie Mac Selling Guide for requirements.
- **Sweat equity is ineligible.**
- Proceeds from an Affordable Second or other secondary financing that meets the requirements in the Freddie Mac Seller Guide. When the TLTV ratio exceeds 97%, the secondary financing subordinated to a Home Possible Mortgage must be an Affordable Second.
- Funds provided by an Agency that is affiliated with, under contract to, or financed (directly or indirectly) by the Seller as the originating lender, when:
  - The source of funds is an eligible source meeting all applicable Guide requirements.
  - A contribution of at least 3% of value is made from Borrower personal funds and/or other eligible sources of funds as described in this section; and
  - The source of funds is not funded through the Mortgage transaction, including differential pricing in rate, discount points, or fees for individual loans or across the Home Possible offering.

Flexible sources of funds include the following:

- Financing concessions
- Lender credits
- Proceeds from an unsecured loan from the seller as originating lender meeting the following requirements:
  - Must not contain provisions that allow or could result in negative amortization
  - Must have a maturity date that:
    - Does not exceed the maturity date of the Mortgage
    - Is at least five years after the Note Date of the Mortgage, unless the unsecured loan is fully amortizing

- Must have an interest rate that is no greater than the Note Rate on the Mortgage
- Must not be a cash advance from a credit card or unsecured line of credit
- Must have its source, terms and conditions documented
- If the monthly payment of principal and interest or interest only begins on or after the 61st monthly payment under the First Lien Mortgage or if repayment of the loan is due only upon sale or default, the amount of the monthly payment may be excluded from the monthly debt payment-to-income ratio; otherwise, the required monthly payments must be included in calculating the monthly debt payment-to-income ratio.

Reserves

Verification per LPA Feedback.

Assumptions

Planet follows agency guidelines.

AUS

LPA "Eligible/Accept" results required. Manual underwriting is ineligible.

Available Markets

- **Delegated Sellers**
  - Planet will purchase loans underwritten and closed by the delegated Seller in all states.
- **Non-Delegated Sellers**
  - Planet will purchase loans from non-delegated Sellers in all states on Freddie Mac products. All loans require Planet underwriting approval.
- Sellers must receive approval from Planet Home Lending to deliver loans with properties located in Puerto Rico.
- The U.S. territories of Guam and the Virgin Islands are ineligible regardless of delegation.

Borrower Eligibility

Eligible Borrowers

- A natural person
- U.S. Citizens
- Permanent resident aliens:

  - 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.
- Non-permanent resident aliens:
  - 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:
    - An unexpired Employment Authorization Document (EAD) by the USCIS, or
    - An unexpired visa. Eligible types are E-1, G series, H series, L-1A, L-1B or TN.
  - 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.
- Revocable Inter Vivos Trust that meets Freddie Mac guidelines. Trusts are eligible on:
  - 1 unit owner-occupied or second home only.
  - A Power of Attorney is ineligible with an inter vivos trust.
- All borrowers are required to have a social security number.

Ineligible Borrowers

- Borrowers that receive Government/Public Assistance Income (Section 8 income)
- Borrowers with diplomatic immunity
- Borrowers with non-traditional credit
- Borrowers without a social security number or a number that cannot be validated with the SSA
- Foreign Nationals

Borrower Types

See **Freddie Mac Conforming and Super Conforming Program Guidelines** "Borrower Eligibility" on page 185.

Chain of Title

See **Freddie Mac Conforming and Super Conforming Program Guidelines** "Chain of Title" on page 187.

Credit

Credit History

- Tradeline requirements per LPA Feedback Certificate.
- Authorized user tradelines require underwriter review to ensure the tradelines are an accurate reflection of the borrower's credit history.

Credit Report Scores

Per LPA

- At least one borrower on the loan must have a usable credit score.
- When not all the borrowers have a usable credit score, all the following applies:
  - The transaction must be a purchase or no cash-out refinance mortgage
  - The property securing the loan must be a 1-4 unit primary residence

NOTE: Any debt not reported on the credit report requires documentation that it has been paid satisfactorily for the most recent 12 months.

- A tri-merged credit report is required for all borrowers.
- The representative credit score is determined as follows:
  - If there are three valid scores, the middle score is used. If two of the three scores are a duplicate, the duplicate score is used.
  - If there are two valid scores, the lower of the two is used.
  - If there is one valid score, that score is used.
  - Borrowers with frozen credit may have no more than one national credit repository's information frozen.

The representative score for the loan is the lowest representative score for all borrowers.

- When the credit reports reflect inquiries made within the previous 90 days, the loan file must evidence verification if new debt was granted, and the debt must be used to qualify the borrower.
- The credit report must be dated within 120 days of the Note date.
- Sellers are encouraged 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:
  - A "soft pull" credit report within 10 business days of the Note date , or
  - A debt affidavit, signed by the borrower(s) (sample form is posted on the CORE Seller Portal at www.phlcorrespondent.com under Forms and Resources), or
- A letter, written and signed by the borrower(s) stating no new credit was obtained.

See Freddie Mac Selling Guide for complete details on Credit Reports and Scores.

Derogatory Credit

See **Freddie Mac Conforming and Super Conforming Program Guidelines** "Derogatory Credit" on page 189.

Deed/Resale Restrictions

See **Freddie Mac Conforming and Super Conforming Program Guidelines** "Deed/Resale Restrictions" on page 189.

Down Payment

- Minimum borrower contribution from the borrower's personal funds for any mortgage loan, if the loan has an LTV/TLTV/HCLTV ratio of 80% or less, is not required.
- 2-4 unit properties with LTV/TLTV/HTLTV 80.01-95% requires 3% minimum borrower contribution from the borrower's personal funds.

DTI

Per LPA with an "Eligible/Accept" Feedback Certificate.

Employment and Income

Income Limits

- The borrower's qualifying income converted to an annual basis cannot exceed 80% of the area median income (AMI) for the location of the subject property.
- To determine whether the borrower's income exceeds the income limits, the income used to qualify the borrower is relied on and submitted to LPA. LPA will determine the income eligibility of the mortgage.

Effective for loans closed on or before February 14, 2025, a $2,500 loan-level price adjustment credit for very low-income purchase borrowers (VLIP) is available to be used for down payment and closing costs. The following requirements must be met to be eligible for the $2,500 LLPA credit:

- The loan must be an eligible Home Possible purchase loan with "Accept/Eligible" LPA findings.
  - **Manual underwriting is not permitted.**
- The applicant(s) must have total qualifying income less than or equal to 50% of the applicable area median income (AMI) limit for the subject property's location.

- The full $2,500 credit must be provided directly to the applicant, such as being applied to down payment and closing costs, including escrows and mortgage insurance premiums.
  - The credit may be used to satisfy the 3% minimum contribution from personal funds.
- Loans utilizing the $2,500 LLPA credit must be delivered with the following information identified on the LPA findings:
  - Loan Program Identifier value of "Home Possible Mortgage";
  - Under the Affordable Lending and Access to Credit Messages section of the LPA will indicate if borrower meets the AMI requirements.

Rental Income

- Income from 1-unit properties may be considered stable monthly income provided it meets the standard Freddie Mac rental income requirements or the following:
  - The person providing the rental income:
    - Is not obligated on the mortgage and does not have an ownership interest in the subject property,
    - Has resided with the borrower for at least a year and will continue to do so in the new residence,
    - Provides documentation to evidence residency with the borrower (i.e., a copy of a driver's license, bill, bank statement, etc. that show the address of that person to be the same as the borrower's address)
    - Is not the borrower's spouse or domestic partner
  - Rental income from the person residing in the Mortgaged Premises:
    - Has been paid on time for the previous 12 months.
    - Can be verified by the Borrower with evidence showing receipt of regular payments of rental income to the Borrower for at least nine of the past 12 months (i.e., copies of canceled checks)
    - Must be averaged over 12 months for qualifying purposes when fewer than 12 months of payments are documented
    - Does not exceed 30% of total income used to qualify for the Mortgage
  - File must contain a written statement in the form of a signed letter or e-mail directly from the borrower confirming:
    - The source of the rental income, and
    - The person providing the rental income has resided with the borrower for a past year and intends to reside with the borrower in the new property for the foreseeable future.

- Income from 2-4 unit Primary Residences may be considered stable provided it meets the Standard rental income requirements in the Freddie Mac Selling Guide, Chapter 5306.

See **Freddie Mac Conforming and Super Conforming Program Guidelines** "Employment and Income" on page 193 for additional employment and income requirements. *See* Freddie Mac Selling Guide for complete income requirements.

Escrow/Impound Account

- >80% LTV required unless prohibited by state law
- <80% LTV not required; refer to rate sheet for pricing adjustment

Escrowed Flood Insurance Premiums

Escrowed flood insurance premiums are required on all loans including, but not limited to, Higher Priced Mortgage Loans (HPML). When the subject property is in a special flood hazard area, the Seller must provide the following:

- Evidence that flood insurance premiums have been escrowed (regardless of any other fees and charges associated with the loan).
- Seller must use Standard Flood Hazard Determination Form (SFHDF) on all properties.

NOTE: Planet will not purchase loans with negative escrow balances.

Exclusionary List

See **Freddie Mac Conforming and Super Conforming Program Guidelines** "Exclusionary List" on page 202.

Financed Properties

The occupying borrower(s) must not have an ownership interest in more than 2 financed residential properties, including the subject property, as of the Note date, or the effective date of permanent financing for construction conversion mortgages.

Planet will purchase a maximum of five loans to one borrower with an aggregate loan amount up to $2.5M.

Homeownership (CreditSmart Homebuyer U) and Landlord Education

Home Ownership Education

- At least one occupying borrower must participate in a homeownership education program before the Note Date, or the Effective Date of Permanent Financing for Construction Conversion and Renovation Mortgages, when all occupying borrowers are first time homebuyers.

Landlord Education (2-4 units)

- Purchase Transactions — At least one qualifying borrower must participate in a landlord education program before the Note Date, or the Effective Date of Permanent Financing for Construction Conversion and Renovation mortgages. Education by an interested party to the transactions is not permitted.
  - A copy of a certificate evidencing successful completion of the landlord education program must be retained in the Mortgage file.
- Refinance Transactions — Landlord education is not required but is recommended for Borrowers who have not previously attended a program.

Higher-Priced and High-Cost Loans

See **Freddie Mac Conforming and Super Conforming Program Guidelines** "Higher-Priced and High-Cost Loans" on page 202.

Inspections

See **Freddie Mac Conforming and Super Conforming Program Guidelines** "Inspections" on page 202.

Interested Party Contributions

See **Freddie Mac Conforming and Super Conforming Program Guidelines** "Interested Party Contributions" on page 203.

Manufactured Homes

See >**Freddie Mac Conforming and Super Conforming Program Guidelines** "Manufactured Homes" on page 205 and Freddie Mac Selling Guide Chapter 5703 for all Manufactured Home requirements.

Minimum Borrower Contribution/Eligible Source of Funds

Purchase Transactions:

Minimum Contribution from Borrower Personal Funds			
Property Type	**LTV, TLTV, and HTLTV Ratios**		
	≤80%	**>80% ≤95%**	**>95%**
1 unit	N/A	N/A	N/A
Manufactured Homes	N/A	N/A	N/A
2-4 Units	N/A	3%	N/A

Minimum Loan Amount

$40,000.00

Mortgage Insurance

Required MI Coverage				
Transaction Type & Loan Terms	**80.01% - 85%**	**85.01% - 90%**	**90.01% - 95%**	**95.01% - 97%**
Fixed Rate ≤ 20 year	6%	12%	25%	25%
Fixed Rate > 20 year and Manufactured Homes*	12%	25%	25%	25%

*Manufactured homes are limited to a maximum 95% LTV.

Mortgage/Rental History

Per LPA

- If delinquencies are allowed, a satisfactory explanation is required and is subject to underwriter review
- Current mortgage must be current for the month closing
- To verify the monthly payment amount, third-party documentation is required if the credit report does not provide the monthly housing payment.
- 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.

Occupancy

- At least one borrower must occupy the property as their primary residence.
- Non-occupying borrower are permitted provided that:
  - The mortgager is secured by a 1-unit property, and
  - The LTVTLTV/HTLTV does not exceed 95%, and
  - Fixed rate mortgages with Affordable Second mortgages are allowed up to a 105% TLTV ratio.

Prepayment Penalty

Not permitted.

Products

- **Fixed Rate:** 15-, 20-, 25- and 30-year term.
- **ARMs are not permitted.**

Property Eligibility

Eligible Properties

- 1-4 unit primary residence
- Double-width or greater Manufactured Homes (*see* Freddie Mac Seller Guide for restrictions)
- Properties located in designated high-cost areas

Ineligible Properties

- Agricultural-type properties, farms, orchards, ranches
- Builder bailout properties
- Commercial property
- Condo Hotels (projects managed or operated as hotel/motel, hotel/motel conversions)
- Condominium conversions with characteristics of a hotel/motel
- **Cooperative projects**
- Incoming producing properties (e.g. adult care facilities, bed & breakfast, etc.)
- Industrial zoned property
- Investment (non-owner occupied)
- Land Trust
- **Leaseholds**
- Mobile homes

- New condominium projects in Florida without a PERS approval
- Non-warrantable condominiums
- Properties located in the Hawaiian Islands in lava zones one or two
- Properties not suitable for year-round occupancy, regardless of location
- Properties with an Assignment of Contract
- Properties with problem drywall (aka Chinese drywall). Evidence of complete remediation must be provided if property previously contained Chinese drywall.
- Properties zoned for agricultural use (Texas 50 (a)(6) and Texas 50(f) loans are eligible)
- Property currently in litigation (except as noted above in the Properties Eligible-Condominiums) topic
- Rural property
- Second Homes
- Single-width Manufactured Homes

Purchase Agreements Amended/Renegotiated

See **Freddie Mac Conforming and Super Conforming Program Guidelines** "Purchase Agreements Amended/Renegotiated" on page 214.

Seller Contribution

See **Freddie Mac Conforming and Super Conforming Program Guidelines** "Interested Party Contributions" on page 203.

Secondary Financing or Affordable Seconds

See **Freddie Mac Conforming and Super Conforming Program Guidelines** "Transaction Eligibility" on page 216.

See Section 4204.1 – 4204.2 of the Freddie Mac Selling Guide for complete details.

Temporary Buydown

2-1 and 1-0 temporary buydown plans are permitted for Home Possible mortgages secured by 1- or 2-unit properties, excluding manufactured homes. **3-2-1 temporary interest rate buydown is ineligible.** If a transaction with a temporary subsidy buydown plan is subject to secondary financing, including an Affordable Second that requires repayment to begin before the due date of the 61st monthly payment under the Home Possible mortgage, the secondary financing must have a fixed-interest rate.

See Freddie Mac Conforming and Super Conforming Program Guidelines "Temporary Buydown" on page 215 for all requirements.

Transaction Types

Eligible Transactions

- Construction Conversion
- Eligible sources of funds used to qualify the borrower for the mortgage transaction
- Limited Cash-Out Refinance
- Loans where the qualifying income does not exceed 80% of the area median of the property location allowed.
- Manufactured Homes with a maximum original maturity date that does not exceed the standard manufactured terms.
- Manufactured Homes with an original maturity date that does not exceed 30 years.
- Mortgage where the insurance coverage levels is those used for mortgages secured by a Manufactured home.
- Purchase
- RHS Leveraged seconds with a maximum 95% LTV/TLTV/HTLTV.

Ineligible Transactions

- Affordable Merit Rate
- A-minus
- Community Land Trusts
- Enhanced Relief
- FHA/VA
- Financed Permanent Buydown
- Freddie Mac Open Access
- Freddie Mac Relief Refinance - same servicer
- High-Cost Loans
- HomeOne
- Illinois Land Trust
- Interest-Only
- Loans with tutorship lien
- Mortgages with capitalized balances
- Properties in the "Right of Redemption Period" as applicable state law allows
- Refinance transactions where the subject property was listed for sale at the time of loan

disbursement
- Relief Refinance - open access
- Restructured mortgages that do not meet Freddie Mac guidelines
- Seasoned
- Section 184 Native American
- Section 502 GRH
- Seller-owned Modified/Converted
- 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.

Non-Arms' Length or Identity of Interest Transactions

- 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
- Non-ARM's length transactions are eligible for resale properties on all occupancy types
- When a non-ARMs 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.
- 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 transactions are eligible on owner-occupied transactions; however, an additional review will be required to ensure validity of the transaction, value, etc. Additional documentation and/or a desk review or second appraisal may be required at underwriter discretion.

Refinance Transactions

- Per LPA

Freddie Mac Guidelines and Resources

- Freddie Mac guidelines may be accessed at Freddie Mac under **Access the Guide**.
- Additional resources are available by selecting "The Learning Center" from the menu on the left side of the page.
- The Loan Product Advisor Documentation Matrix provides information for documenting an LPA loan.

Freddie Mac Refi Possible Program Grid

Owner-Occupied[1] Fixed Rate					
Transaction Type	**Units**	**LTV[3]**	**CLTV[2,4]**	**Loan Amounts**	**Credit Score**
No Cash-Out	1	97%	97%	*See* Loan Limits Below	Per AUS

Footnotes:

1. Existing loan parameters:
    - First lien mortgage owned or securitized by Freddie Mac
    - At least 12 months (no more than 120 months) seasoning required from the note date of the existing loan to the note date of the new loan.
2. New subordinated financing is not permitted except when a junior lien is refinanced at the same time with the first lien and there is no increase in the unpaid principal balance or the monthly principal and interest payment of the junior lien. Existing subordinate financing may remain in place as long as it is resubordinated to the new loan.
3. Max 95% LTV for Manufactured Housing and loans with non-occupying co-borrowers.
4. A TLTV ratio up to 105% is permitted when secondary financing is an Affordable Second (Home Possible Only).

Freddie Mac Conforming Loan Limits		
Contiguous States, District of Columbia, and Puerto Rico		**Alaska, Hawaii**
Unit	General	General
1	$766,550	$1,149,825

See FHFA Limits for maximum loan amounts by county/metropolitan area.

Freddie Mac Refi Possible Program Guidelines

For topics not addressed in this guide, *see* "Freddie Mac Conforming and Super Conforming Program Guidelines" on page 176 **and Freddie Mac Selling Guide.**

4506-C

See **Freddie Mac Conforming and Super Conforming Program Guidelines** "4506-C" on page 176 for all requirements.

Ability to Repay/Qualified Mortgage

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:

- Compliance findings validating a pass of ATR
- Compliance findings validating a pass of QM, where applicable
- Automated Underwriting System (AUS) approval, where applicable
- Evidence of manual approval, where applicable
- Underwriting Analysis (e.g., Final 1008/Loan Transmittal, VA Loan Analysis, FHA Transmittal Summary)
- Income Worksheet

Additionally, all disclosures and documentation required under the ATR/QM provisions of the Dodd-Frank Act must be provided.

The Seller will comply with the verification standards of the applicable agency Seller's Guide.

- **Section 5102 through 5500 of the Freddie Mac Single-Family Seller/Servicer Guide.**

Age of Documents

See **Freddie Mac Conforming and Super Conforming Program Guidelines** "Age of Documents" on page 177 for all requirements.

Appraisals

- Standard Guide property valuation requirements for appraisal or automated collateral evaluation apply

- A $500 credit will be provided to the lender at the time the loan is purchased if an appraisal was obtained for the transaction. The Seller must pass the credit to the borrower.

See **Freddie Mac Conforming and Super Conforming Program Guidelines** for additional "Appraisals" on page 177 and Appraisal Waiver requirements.

Assets

- Verification of funds to close are required if they exceed $500.00.
- Acceptable asset documentation includes one recent statement (monthly, quarterly, or annual) showing asset balance.

Reserves

See **Freddie Mac Conforming and Super Conforming Program Guidelines** "Assets" on page 180 > **Reserves** for all requirements.

AUS

LPA "Accept" results required. Manual underwriting is ineligible.

Available Markets

- **Delegated Sellers**
  - Planet will purchase loans underwritten and closed by the delegated Seller in **all** states.
- **Non-Delegated Sellers**
  - Planet will purchase loans from the non-delegated Seller in all states. All loans require Planet underwriting approval.
- Seller must receive approval from Planet Home Lending to deliver loans with properties located in Puerto Rico.
- The U.S. territories of Guam and the Virgin Islands are ineligible regardless of delegation.

Borrower Benefits

- The refinanced loan must provide a reduction in the First Lien Mortgage Principal and Interest payment, and
- First Lien Mortgage must have an interest rate reduction of at least 50 bases points.

Borrower Eligibility

- Existing Borrowers obligated on the Note for the Refi Possible Mortgage must be the same borrowers obligated on the Note being refinanced
- A borrower maybe removed from the Note if:
  - The file documents that the remaining borrower has been making regular payments, including secondary payment finance for the most recent 12 months from their own funds or
  - Due to death of a borrower (must be documented in the file)
- The Refi Possible option may only be used one time per property.

Chain of Title

See **Freddie Mac Conforming and Super Conforming Program Guidelines** "Chain of Title" on page 187 for all requirements.

Credit History

See **Freddie Mac Conforming and Super Conforming Program Guidelines** "Credit History" on page 188 for all requirements.

Credit Report/Scores

Per AUS.

See **Freddie Mac Conforming and Super Conforming Program Guidelines** "Credit Report/Scores" on page 188 for all requirements.

DTI

65% or less (includes non-occupying borrower).

See **Freddie Mac Conforming and Super Conforming Program Guidelines** "DTI" on page 190 for all requirements.

Derogatory Credit

See **Freddie Mac Conforming and Super Conforming Program Guidelines** "Derogatory Credit" on page 189 for all requirements.

Employment and Income

Verbal verification of employment (employment or self-employment) is required.

Income

- Income must not exceed 100% of the area median income (AMI) for the location of the subject property.
- Qualifying income per LPA for Loan Product Advisor mortgages.

Income documentation requirements:

- Base Pay (non-variable): Year-to-date (VTD) paystub documenting the YTD earnings and 10-day pre-closing verification of employment.
- Base Pay (variable with Tip, Bonus, Overtime recent one-year period Income Commission Income): Year-to-date (VTD) paystub documenting the YTD earnings & 10-day pre-closing verification of employment and W2 covering the most recent one-year period.
- Military Income: Military Leave and Earnings Statement
- Self-employment: Complete federal individual and business income tax returns for the most recent one-year period, and Verification of the current existence of the business through a third-party source obtained either no more than 120 calendar days prior to Note Date or after the Note Date but prior to the Delivery Date
- Alimony, Child Support, or Separate Maintenance: Documentation to evidence receipt of the alimony, child support and/or separate maintenance payment amount for the most recent one months, and Copy of the signed court order, legally binding separation agreement and/or final divorce decree verifying the payor's obligation for the previous one months, including the amount and the duration of the obligation.
- All Other Eligible Income Types: Standard Selling Guide requirements apply. Court order or equivalent documentation, and one month documentation of receipt.

Financed Properties

Planet will purchase a maximum of five loans to one borrower with an aggregate loan amount up to $2.5M.

Minimum Loan Amount

$40,000.00

Mortgage Insurance

- Required for mortgages with LTVs greater than 80%.

See **Freddie Mac Conforming and Super Conforming Program Guidelines** "Mortgage Insurance" on page 208 for all requirements.

Mortgage Proceeds

- Cash back to borrower must not exceed $250.

Any remaining proceeds must be applied as principal curtailment to the mortgage such be reflected on the Settlement/Closing Disclosure Statement.

Mortgage Seasoning

- Minimum 12-month seasoning

Occupancy

Owner-occupied

Payment History

- Most recent 12 months verification required. Must meet the following requirements:
  - The credit report may be used to determine if the payment history requirements have been met through the last reported mortgage tradeline date; or
  - Loan Product Advisor® (LPASM) assessment. LPA will assess payment history through the date the mortgage tradeline was last reported on the credit report.
  - Additional due diligence. The Seller is responsible for establishing the payment history between the date the mortgage tradeline was last reported and the note date., For example, Sellers may check the updated tradeline information on the credit report prior to the note date.
- No 30-day delinquencies in the most recent 6 months
- No more than 1x30 day delinquency in the most recent 12 months
- No 1x60 day delinquencies in the most recent 12 months

Products

Fixed Rate: 10-, 15-, 20-, 25-, and 30-year term

Property Eligibility

Eligible Properties

- Principal Residence
- All applicable 1-unit property types.
- Condo/PUD project

NOTE: A condo project evaluation is not required if the Seller represents and warrants that the subject project is not located in a condominium hotel project and the project insurance meets Freddie Mac minimum insurance requirements.

See **Freddie Mac Conforming and Super Conforming Program Guidelines** "Property Eligibility" on page 211 for all requirements.

Ineligible Properties

See **Freddie Mac Conforming and Super Conforming Program Guidelines** "Property Eligibility" on page 211 for all requirements.

Subordinate Financing

New subordinated financing is not permitted except when a junior lien is refinanced at the same time with the first lien and there is no increase in the unpaid principal balance or the monthly principal and interest payment of the junior lien. Existing subordinate financing may remain in place as long as it is resubordinated to the new loan.

Temporary Buydown

Not permitted.

Transaction Eligibility

Eligible Transactions

No Cash-Out Refinance

Ineligible Transactions

- Cash- Out Refinance
- Texas 50 (a)(6)
- Super Conforming mortgages
- Freddie Mac Relief Refinance mortgage

- Freddie Mac Enhanced Relief Refinance mortgage
- Existing Refi Possible mortgage
- A mortgage subject to an outstanding repurchase request
- A mortgage subject to recourse, indemnification, or another credit enhancement other than mortgage insurance

Home Equity Loan 2nd Lien (HELOAN) Program Grid

Fixed Rate			
Occupancy	**Maximum LTV[1]**	**Maximum CLTV**	**Credit Score**
Primary Residence	80%	85%	700+
			680-699
			640-679
Second Home	80%	85%	700+
		80%	680-699
	N/A	N/A	640-679
Investment Property	75%	75%	700+
	N/A	N/A	680-699
	N/A	N/A	640-679

Footnotes:

1. The maximum LTV for the first lien is based on the first lien loan amount.

Home Equity Loan 2nd Lien (HELOAN) Program Guidelines

1st Lien Eligibility

The 1st lien mortgage must be fully amortizing or interest only. 1st lien mortgages with negative amortization, balloon payment, reverse mortgages, and loans in forbearance are ineligible.

A purchase 1st lien must be seasoned a minimum of six months prior to closing.

1st liens with ARM adjustments must be underwritten to fully amortized rate for determining ATR.

Free and clear properties are ineligible.

4506-C

- All borrowers whose income is used to qualify must sign and date a completed and unexpired IRS Form 4506-C at application, authorizing originator or it assigns to obtain income information. The form must not expire before a reasonable time to allow originator to process, if needed. In addition, the borrowers must sign a new IRS Form 4506-C at closing to allow for possible post funding quality control processing.
- The IRS Form 4506-C must be processed and tax transcripts obtained to validate the borrower's personal tax returns and/or W-2s for the most recent two years. Income derived from wages may be validated using W-2 or 1040 transcripts. For self-employed borrowers, in the event that tax transcripts are not be available or useful, using 12 months of bank statements would be acceptable. Evaluate the information provided by the IRS during the underwriting process. Significant differences must be reviewed, resolved and detailed comments provided regarding the resolution documented on the transmittal summary.
  - Borrower obtained tax transcripts are not permitted.
- If a borrower is not required to file last year's tax return and the source of income cannot be validated through the IRS Form 4506-C process, documentation supporting the lack of filing tax returns must be provided.
- When transcripts are unavailable or not returned due to IRS IVES processing delays, the following documentation must be provided:
  - One of the following, in order of preference:
    - Third-party written VOE, or
    - Full handwritten VOE, and
  - QC review of the income documentation prior to closing. The QC review clearance will be notated in the loan level conversation log.

Affidavit of Identity

Planet may require an Affidavit of Identity if a borrower signature appears incomplete or illegible.

Age of Documents

- The credit report, employment and income documentation must be dated no more than 120 days prior to the note date.
  - Quarterly and annual bank statements dated greater than 30 days and less than 90 days are acceptable with verification that the funds are still available.
  - A soft pull credit report within 10 business days of the Note date is required for all loans. If the credit report was pulled within 60 days of closing, a soft pull credit report is not required. A new credit report is required if any of the following apply:
    - Any increase to the total monthly payments of tradelines not being paid at closing must be updated for qualifying.
    - Any increase in the balances of individual tradelines must be updated for debts to be paid at closing.
    - A new credit report is required if the soft pull credit report reveals new derogatory credit (new collection, charge-off, repossession, or judgement accounts, or non-mortgage tradelines) that are 30 or more past due.
- Asset documentation must be dated no more than 60 days prior to the note date.
- Paystubs must be dated no more than 30 days prior to the loan application.
- The appraisal must be dated no more than 12 months prior to the closing date.

Appraisals

- Loans classified as higher priced mortgage loans (HPML) must obtain a full appraisal (1004, 1073, or 1004C) regardless of the loan amount.
- Loan amount <$150,000 and not HPML - A Restricted Desktop Appraisal with Inspection Interior (ADII) from Stewart Valuation Intelligence or a ValPRAZE Interior from Valligent is required.
- If the ADII or ValPRAZE is not available, one of the following appraisal forms must be utilized:
  - 1004 for Single-Family residences or 1004 Desktop for Single-Family residences,
  - 1073 for Condominiums,
  - 1004C for Manufactured homes, or
  - A prior full appraisal completed within 12 months from the effective date with a recertification of value (RACR product from Voxtur or 1004D- Appraisal Update) of the appraisal is required.

- Original appraisal cannot be greater than 12 months old as of the note date of the new 2nd lien.
    - SSRs/EADs are required for the original appraisal when being utilized.
    - VA appraisals from the first lien are acceptable with a 1004D.
- The original appraisal must have been an appraisal ordered through one of the AMCs in the chart below.

- Loan amount ≥$150,000- A full appraisal (1004, 1073, or 1004C) is required.
- Appraisals must be delivered to Planet with Fannie Mae and Freddie Mac SSRs.
- The original appraisal or a new appraisal obtained must be ordered through one of the following AMCs:

Approved AMCs			
AAA Appraisal Advantage	Appraise Now	Equity Valuation Partners	SWBC
Accurate Group	Assurant	First American Mortgage Solutions, LLC	Synergy Appraisal Services
Accusured Management	Assurant Mortgage Solutions	LandMark	The Accurate Group
ACT	Broadstreet	Nations Valuation Services	Tri-Serv
AMC Settlement Services	Clarity	Nationwide Appraisal Network	Valuation Partners
Appraisal Management Services NW	Consolidated Analytics, Inc.	OrderPro	Vanguard
Appraisal Nation	Corelogic	Pro Teck	VMC
Appraisal Network	Dart Appraisal	Rels Valuation	Voxtur
Appraisal Tek	Direct Valuations	Solidifi	Xome Valuations
AppraisalMark	Equity Solutions	Springhouse	

The appraiser must present a concise picture of the neighborhood, site, and improvements to support the appraised value. Value must be supported by three comparable sales of a similar nature. The sales comparison approach must adequately support the estimate of market value.

The Seller must review the following in the appraisal analysis:

- The appraisal report to ensure that the report is of professional quality and is prepared in a way that is consistent with industry appraisal standards.

- The subject property's acceptability as security for the mortgage requested in view of its value and marketability.
- The current ownership for the subject property.
- The sale or transfer history of the subject property, and comparable sales.
- The sales of the subject property and the sales price trend in relation to the appraiser's opinion of value to confirm that they are reasonable and representative of the market.

FEMA Declared Disaster

Once the federal government has declared a disaster with **individual assistance** (i.e., assistance to individuals and households), FEMA issues a Disaster Notification at http://www.fema.gov/. Inspections and re-inspections (interior disaster inspection report or Disaster Inspection Report on appraisal form 1004D if a regular Disaster Inspection Report cannot be obtained) must be completed on properties within a declared disaster area with individual assistance. Lender certifications are not allowed.

Properties must have a re-inspection completed if the original appraisal was completed prior to the disaster date. All re-inspections must be submitted on a Disaster Area Property Inspection Report (or if work is required, a Fannie Mae Form 1004D/Freddie Mac Form 442 to confirm the repairs are complete) and include the following:

- A statement from the appraiser that the subject property has not sustained any damage from the disaster.
- A statement from the appraiser regarding the neighborhood conditions as they relate to disaster damage.
- A photograph of the subject property.
- If property damage is found, an itemized list of the damages with repair estimates must be included.
- If property damage is structural or there are other complex damages, a qualified third party must inspect the damaged and provide evidence that the property has been satisfactorily repaired.

If a 1004D is being utilized, every effort must be made to ensure the inspection is completed by the same appraiser who completed the original appraisal. If it is not possible to use the same appraiser, evidence of the failed attempts to secure the appraiser for another inspection must be documented in the loan file.

Regardless of the estimated cost to complete, all repairs must be completed prior to the loan being cleared to close.

- Report must be dated after the incident period, as defined on FEMA’s website.
- All damages must be repaired by licensed contractors or per local jurisdictional requirements.

Appraisal Re-Inspection

If repairs are noted on the Restricted Desktop Appraisal with Inspection Interior (ADII) from Stewart Valuation Intelligence or a ValPRAZE Interior from Valligent, a Borrower Attestation Letter must be completed and signed by the borrower in lieu of a 1004D. If the borrower is unable to execute the Borrower Attestation Letter, a 1004D must be obtained.

- Verifiable photo exhibits of the completed work and one of the following provided from the borrower:
- The signature of the qualified professional

Paid invoices for the alterations or repairs (If the borrower is not able to obtain an invoice, an exception may be submitted to Credit Risk for review.)

Assets

Cash to Close

Evidence must be provided to determine that the borrower has sufficient funds to pay the prepaid items, and closing costs as well as adequate additional cash reserves, if applicable.

All funds must be documented and verified. Electronic verifications are acceptable.

Bank Accounts

Bank accounts are funds included on deposit in savings accounts, checking accounts, certificate of deposits, and money market accounts. These funds may be used for the closing costs and reserves.

- Individual Accounts: Funds in the borrower's individual bank account are acceptable.
- Joint Accounts: Funds held in a joint checking or joint savings account are acceptable since the borrower has access to all funds in the account at all times.
- Trust Accounts: Funds disbursed from a trust account where the borrower is the beneficiary are acceptable if the borrower has immediate access to them. The trust manager or trustee must verify the value of the trust account and confirm the conditions under which the borrower has access to the funds.

Accounts that do not allow the borrower to have immediate access to the funds for the above stated purposes may not be used as acceptable assets, including funds in accounts where the borrower is not the beneficiary, such as custodial accounts.

Two consecutive monthly bank statements may be obtained to document the borrower's assets. Bank statements must be dated within 30 days of application. Quarterly and annual bank statements dated greater than 30 days and less than 90 days are acceptable with verification that the funds are still available.

Bank statements must clearly identify:

- Name and address of the depository or investment institution,
- The borrower as the account holder,
- Account number,
- Time period covered by the statement,
- All deposits and withdrawal transactions for depository account or all purchase and sale transactions for a financial portfolio account, and
- Ending account balance.

If a supplemental statement is necessary, any bank-generated form (such as deposit or withdrawal slips) that shows a machine-printed account number, balance and date is acceptable. Supplemental information must be on a bank form indicating the name of the bank or on bank letterhead signed by a bank representative.

Bank statements may be online account or portfolio statements obtained by the borrower, provided such are printed and the URL address is included identifying the source of information as well as all of the other information listed above for standard bank statements or protected bank statements retrieved online.

Any indications of borrowed funds must be reviewed. Indications of borrowed funds include:

- A recently opened account,
- A recently received large deposit, or
- An account balance that is considerably greater than the average balance over the previous few months.

If there is a recently opened account with a substantial balance, a discrepancy between the average and current balances or an increase of $5,000 in an existing account, the source of funds must be explained by the borrower and verified. If an increase greater than $5,000 is from another account that is verified in the loan file, that account must be verified after the withdrawal to ensure that the assets are not counted twice.

Foreign Assets

Foreign assets being used for closing costs and reserves must be held in a U.S. account prior to closing. If the assets are derived from a sale of a foreign asset or from assets held in a foreign bank account, the assets must be converted into United States currency by an independent third party and placed in a United States banking institution. The sale of the foreign asset and conversion of foreign currency must be fully documented and verified.

Retirement Accounts

Vested funds from individual retirement accounts (IRA, SEP-IRA and KEOGH) and tax-favored retirement savings accounts (e.g., 401(k), 403(b)) may be used as the source of funds for, closing costs, or cash reserves. The most recent retirement account statement must be provided and must identify the borrower's vested amount and the terms.

When funds from an eligible retirement account are used for closing costs, the funds must be withdrawn and proof of withdrawal must be provided.

Savings Bond

United States savings bonds may be used as a source of funds for closing costs or cash reserves. When savings bonds are being used for cash reserves, verification must include a statement from a representative at a financial institution confirming that they have seen the bonds, listing the serial numbers of the bonds, maturity date, type and amount of bond, and stating that the borrower is the owner. There must be proof of the bond value.

If the assets are required for closing, proof of redemption and receipt is required.

Stocks/Bonds

The value of stocks, bonds or mutual funds must be documented by obtaining a current statement or a copy of the stock certificate accompanied by a current dated newspaper or stick list.

If stocks and bonds are being used for reserves, only 70% of the value can be used. Stock options and non-vested restricted stocks are not an eligible asset source for reserves.

Government bonds should be valued at the purchase price unless redemption value can be determined and verified.

Verification of liquidation and receipt is required when the funds from the sale of stocks/bonds are used for closing costs, or other costs.

When the stock of a privately held (not publicly traded) corporation will be used as funds for closing costs and/ or reserves, the price per share must be validated by a CPA for the corporation. A copy of the buy/sell agreement and verification of receipt of the funds from the sale of the stock is required. When using the funds for reserves, only 70% of the value may be used.

- If the privately held corporation is a source of the borrower's income, the above documentation is required, along with verification from the accountant that the sale of the stock will not have an adverse effect on the business or reduce the borrower's current income level.

Systematic Savings

If a borrower does not have sufficient assets to close, the loan can be underwritten subject to the following requirements:

- 80% of the required assets must be documented
- The ability of the borrower to save based on their income and debts must be documented, and
- The required assets must be documented and verified in the borrower's account prior to closing

Trust Funds

Funds disbursed from a trust are acceptable assets with a typed copy of the trust agreement or signed statement on letterhead from the trustee that details the following information:

- Identifies the trustee, including name, address, telephone number and individual contact. The trustee must be an independent party that typically handles trust accounts, such as a trust company, financial institution, CPA, or lawyer
- Identifies the borrower as the beneficiary
- Shows that the borrower has access to all or certain specific amount of the funds
- Evidence that the trust has the assets to disburse funds to the borrower
- If the assets are required for closing, proof of receipt is required

Ineligible Assets

Sources of funds considered ineligible include, but is not limited to the following:

- Business Funds
- Bridge Loans
- Cash advance on a revolving charge account or unsecured line of credit
- Cash for which the source cannot be verified (e.g., garage sales)
- Contribution limitations
- Credit card financing
- Donated funds in any form, such as cash or bonds donated by the seller, builder or selling agent outside of approved financing contributions in the seller concession
- Funds from a community second mortgage/down payment assistance program
- Funds in a custodial or "in trust for" account
- Gift that must be repaid in full or in part
- Individual development accounts

- Labor performed by the borrower (sweat equity)
- Materials furnished by the borrower that are not part of a pre-closing agreement with a builder
- Pooled funds
- Real estate commission
- Salary advance

Verification of Deposit (VOD)

A VOD as a standalone document is not acceptable. Full account statements must be provided. A VOD issued by the depository institution may be obtained. Each VOD must clearly identify:

- The name and address of the depository or investment institution
- The borrower as the account holder
- Account number
- Type of account
- The open date
- The account balance as of the date of the VOD
- The average balance for the previous two months, and
- In cases where average balances are not available, the most recent two months bank statements must be provided

The VOD must be provided directly by the depository. A VOD should never be mailed to a post office box or to an individual's attention. If the borrower indicates this is necessary, the file must contain verification that the depository was independently contacted and verified this requirement. The return address on the verification must be the Seller’s address. The hand carrying of verifications is strictly prohibited.

ATR

- HELOANs must meet general ATR rules.
- Borrower’s ability to repay must be verified in accordance with the General Ability to Repay provisions.

AUS

Manual underwrite only. All loans must be submitted to Planet for prior approval underwriting.

Available Markets

- The Seller must be expressly authorized by Planet to submit loans under the Home Equity Loan 2nd Lien (HELOAN) Program. Loans may only be underwritten on a non-delegated basis.
- Planet will purchase prior approved loans submitted to Planet for underwriting and closed by the Seller. The following states and U.S. territories are ineligible:
  - Minnesota
  - New Jersey
  - New York
  - Ohio
  - Oregon
  - Puerto Rico
  - Tennessee
  - Texas
- The following states and state-specific transactions are eligible with the following limitations:
  - California: Minimum 660 FICO.
  - Colorado: Minimum 660 FICO
  - Illinois: Minimum 660 FICO

Borrower Eligibility

Eligible Borrowers

- All borrowers must have a valid Social Security Number
- Inter Vivos Trusts
  - The title of the second lien must be held in the same title as the first lien.
- Non-Permanent Resident
  - One of the following must be provided:
    - Unexpired Employment Authorization Document (EAD) issued by the United States Citizenship and Immigration Services (USCIS).
    - One of the following visas: H series, L, E-1, G series or TN Visa.
      - Expiring visas: If the authorization for temporary residency status will expire within one year and a prior history of residency status renewals exist, continuation may be assumed. If there are no prior renewals, the likelihood of renewal must be determined, based on information from USCIS.

            - A valid passport, letter from employer/sponsor and an I-94 proving work authorization.

- Permanent Resident
    - One of the following must be provided to document legal residency:
        - A valid and current Permanent Resident card, or
        - A passport stamped "processed for I-551",
        - A copy of the expired Permanent Resident card and a copy of form I-797 confirming receipt of the application to replace expired card
- U.S. Citizens

The borrower must have purchased the home at least six months prior to the note date of the new 2nd lien.

Title must be in the borrower’s name at the time of application for all transactions and at the time of closing for all transactions.

Ineligible Borrowers

- Asylum borrowers
- Borrowers possessing diplomatic status.
- Borrowers possessing deferred enforced departure
- Borrowers possessing humanitarian parole
- Borrowers possessing temporary protected status
- Borrowers without a Social Security Number
- Corporations, General and Limited Partnerships.
- DACA
- Doing Business As (DBA)
- Foreign Nationals
- Investment trusts
- Land Trusts (other than Illinois Land Trusts).
- Life estates
- Non-occupying co-borrower, guarantor, or co-signer
- Power of Attorney
- Real estate syndications
- Religious/Non-Profit Organization

Chain of Title

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). If more than one transfer in previous 12 months **or** property has significant increase in value since prior transfer, an appraisal addendum addressing all transfers is required.

Credit

- Minimum 640 FICO
- A tri-merged credit report is required for all borrowers. Non-traditional credit reports are not acceptable.
  - A two-repository merged credit report is acceptable if that is the extent of the information available.
- The lowest middle credit score among all borrowers must be used as the qualifying score.
  - If more than one credit score is supplied from the same repository on the same credit report, the lowest score must be used.
  - When credit score are obtained from two different repositories, the lower score must be used.
- If more than one credit report is obtained for the same borrower, the credit scores from the most recent credit report must be used.
- A credit score is required for all borrowers and must meet the minimum credit score requirements.
- All accounts, revolving and installment, reported by the borrower on the application must be verified on the credit report or directly by a credit reference. The current balance, current status, rating, monthly payment amount, and payment history for the most recent 12 months must be provided.
- When a new or retyped credit report is obtained, all prior credit reports must be included in the loan file. The retyped credit report/supplement must indicate the reason and authorization for any changes, additions and/or deletions.
- The borrower must address all credit inquiries within 90 days indicated on the credit report and indicate the reason for and result of the inquiry (i.e., was new credit obtained or not).
- Sellers are required to document that the borrower did not incur any new debt from the time the credit report was pulled to the time of loan closing.
  - A soft pull credit report within 10 business days of the Note date is required for all loans. If the credit report was pulled within 60 days of closing, a soft pull credit report is not required.
  - A new credit report is required if the credit soft pull reveals new derogatory credit, defined as new collection, charge-off, repossession, or judgement accounts, or non-mortgage tradelines that have fallen 30 days or more past due. Any increase in the total monthly payments of tradelines not being paid at closing must be updated for qualifying purposes.

- Any increase in the balance of individual trade lines must be updated on the 1003 for debts paid at closing.
- UDM and debt affidavits are not acceptable.

Consumer Credit Counseling

Borrowers must provide a satisfactory explanation for participating in consumer credit counseling. A borrower is eligible when they are in consumer credit counseling provided all of the following are met:

- Minimum 640 credit score
- Counseling was completed 24 months prior to the loan application, and
- All accounts are current

Credit History

- One of the following must be met:
  - Minimum of three tradelines. At least one tradeline must be open and active for the past 12 months, or
  - 36 months housing history, including all mortgages and rental payments.
    - A credit report reflecting housing payment or a third party VOR is acceptable.
    - If the borrower was living rent free, a letter from the borrower's landlord reflecting the rent-free status must be obtained.
- Active tradelines are defined by the date of the last activity on the account within 6 months from the current date. Authorized user accounts cannot be used to satisfy the above tradeline requirements and cannot be considered in the underwriting decision.

The borrower's credit profile must be evaluated for manually underwritten loan.

The evaluation of the borrower's credit profile must be based on the entire credit history documented in the loan file. The following factors must be considered when evaluating the borrower's credit history:

- Credit utilization
- Inquiries and undisclosed liabilities
- Number and age of accounts, and
- Payment history

The following factors may not be used as offsets for weaknesses in the borrower's credit reputation because they have already been considered in creating the credit score:

- The absence of, or age of, derogatory information
- The number/proportion of accounts paid as agreed versus delinquent
- The types of accounts paid as agreed versus the type of accounts that are delinquent
- Recent paydown or consolidation of account balances by the borrower
- The length of the borrower's credit history, and
- Any combinations of the above factors

Derogatory Credit

For cases where a significant derogatory event is present, the following time periods must have elapsed:

- Foreclosure: 7 years
- Charge-Off of a Mortgage Account, Deed-in Lieu, Pre-foreclosure Sale or Short Sale: 7 years
- Modified, Restructured or Short Payoff of a mortgage secured by a property other than subject: 4 years
- Chapter 7, 11 or 13 Bankruptcy: 4 years from discharge or 4 years from dismissal

Multiple events are not permitted.

Derogatory credit information is not significant when it consists only of isolated late payments, even if several accounts show sporadic late payments, provided all of the following exist:

- The late payments were not recent,
- The late payments did not extend beyond one month,
- The number and size of delinquent accounts is not large in relation to the overall credit,
- The credit history does not show multiple revolving accounts with high balances-to-limits or high overall utilization of revolving credit, and
- All other credit has been paid as agreed.

Derogatory information is significant if any of the following exists:

- There are more than one accounts showing late payments within the past 180 days,
- There is multiple 60- or 90-day late payments,
- There is more than one 30-day late housing payment in the last 12 months,
- There are more than two 30-day or more than one 60-day late housing payments within the most recent two years,
- The number and size of the delinquent accounts are in excess of 10% in relation to the overall credit,
- There are multiple episodes of late payments extending over a period of time,
- The credit history shows derogatory credit information within the two most recent years combined with multiple revolving accounts with high balances-to-limits,

- The public record information reveals several occurrences of derogatory credit information, including judgments, tax liens and/or collection accounts,
- There is a bankruptcy, foreclosure, deed-in-lieu of foreclosure or short sale within the last seven years that is disclosed on a credit report, or disclosed by the borrower on the loan application or is evidenced by other documentation contained in the loan file.
- Medical collection accounts are not considered significant and can be excluded.

Disputed tradelines must be resolved by the borrower and a new credit report must be obtained. The updated credit scores reflected on the credit report must be utilized for qualifying.

Frozen Credit

If the borrower has frozen credit, the loan is ineligible. If a borrower unfreezes their credit after the date that the original credit report was ordered, a new credit report must be obtained to reflect current updated information from all applicable repositories.

Non-traditional credit is not acceptable as a replacement for frozen credit.

Housing Payment History

A mortgage payment is considered current if it is paid within the month due along with any late charges assessed for payments made beyond the 15-day grace period. A letter of explanation and supporting documentation is required when payments are made beyond the month due.

Payment history on any property, regardless of occupancy, is considered mortgage credit. Payment histories on all mortgage trade lines, including first and second mortgage liens, HELOCs, mobile homes, and manufactured homes are considered mortgage credit, even if reported as an installment loan. Loans on timeshares are considered installment loans.

- Mortgage history
  - 0x30x24 payment history is required, including for all real estate owned for all borrowers on the transaction.
  - A minimum of 12 months seasoning is required when the 1st lien has had a modification or partial claim as a result of participating in the CARES ACT Forbearance Plan. The mortgage account must have been current prior to the modification or partial claim. If the mortgage account was not current prior to the modification or partial claim, 24 months seasoning is required post forbearance. Any delinquency during the CARES ACT Forbearance Plan requires 24 months seasoning post forbearance.
- Rental history
  - A 12-month satisfactory landlord reference is required using one of the following:
    - Canceled checks for the most recent 12-month period and a copy of the lease verifying the due date,

- Credit report reference for the most recent 12-month period, or
- Verification of rent (VOR) from verifiable company.

DTI

Maximum 50%

Debt Pay Off/ Pay Down

Pay off or pay down of debt solely to qualify must be carefully evaluated and considered in the overall loan analysis. The borrower's history of credit use should be a factor in determining whether the appropriate approach is to include or exclude debt for qualification.

- Payoff of revolving debt: Allowed if the revolving account is paid off as reflected in the final settlement statement. If the revolving account is not paid off, the debt must be included in the DTI ratio.
- Payoff of installment debt: Allowed.
- Pay down of revolving debt: Not allowed.
- Pay down of installment debt: Not allowed.

If debts are being paid off, the source of funds must be documented and verified. In addition, documentation must be provided to reflect the revolving account is paid off prior to closing. The account paid off prior to closing is not required to be closed.

If an installment debt is paid off at closing, the creditor must provide a payoff statement which must be the same balance as the payoff amount on the settlement statement. If the payoff or pay down of the debt will impact the borrower's ability to pay the mortgage during the months immediately after closing the payment must be included in the DTI ratio.

30-Day Charge Accounts

Open 30-day charge accounts with account balances are required to be paid off.

Alimony, Child Support, and Maintenance Payments

When the borrower is required to pay alimony, child support, or maintenance payments under a divorce decree, separation agreement, or any other written legal agreement, and those payments will continue for more than 10 months, the payments must be considered in the DTI ratio, and may not be deducted from income. Voluntary payments do not need to be taken into consideration.

One of the following is required to document the payment and the number of remaining payments:

- A copy of a written legal agreement or court decree describing the payment terms for the obligation, the amount of the award and the period of time over which it was received, or
- Any applicable state law that mandates the obligation document, which must specify the conditions under which payments must be made.

Bridge Loans

A bridge loan is a form of mortgage secured by the borrower's present home, which is for sale. By using funds from this loan, the borrower can close on a new home before selling the present home. Bridge loans must be included in the borrower's DTI ratio.

Business Debt in the Borrower's Name

When a self-employed borrower indicates that certain liabilities are paid by his or her business, it must be confirmed that the obligation was paid from company funds and meets all of the following requirements:

- There is no history of delinquency
- A minimum of 12 months evidence documenting that the debt is paid by the business account, and
- The cash flow analysis of the business took the payment obligation into consideration

The payment must be included in the borrower's individual recurring monthly debt obligations if any of the following situations exist:

- The business does not provide sufficient evidence that the obligation was paid out of company funds.
- The business provides acceptable evidence of its payment of the obligation, but the cash flow analysis of the business does not reflect any business expense related to the obligation (such as an interest expense - and taxes and insurance, if applicable - equal to or greater than the amount of interest that one would reasonably expect to see given the amount of financing shown on the credit report and the age of the loan).
- It is reasonable to assume that the obligation has not been accounted for in the cash flow analysis.
- If the account in question has a history of delinquency.

To ensure that the obligation is counted only once, adjust the net income of the business by the amount of interest, taxes, or insurance expense, if any that relates to the subject.

Co-Signed Loans

When a borrower co-signs for a loan or mortgage to enable another party (the primary obligor) to obtain credit, but is not actually repaying the debt, the borrower has a contingent liability.

The contingent liability must be included in the DTI ratio, unless there is documentation to evidence the primary debtor has been making satisfactory payments for a minimum of 12 consecutive months and the account is current.

Evidence such as cancelled checks or automated account withdrawals will be accepted.

Court-Ordered Assignment of Debt

When the borrower has an outstanding debt that was assigned to another party by a court order (e.g., divorce decree or separation agreement), and the creditor does not release the Borrower from liability, it may be excluded from the DTI ratio if all of the following can be documented:

- Copy of the court order assigning the debt, and
- Proof of transfer of ownership

The payment history of the debt does not need be taken into consideration after the transfer date occurred.

Deferred Installment Debt

Loans deferred or in forbearance are required to be considered in the loan qualification. If the credit report does not indicate the monthly amount that will be payable at the end of the deferment period, copies of the borrower's payment letters, or forbearance must be obtained to determine the monthly payment used for loan qualification.

Installment Debt

Installment debt that is not secured by a financial asset, including student loans, automobile loans, timeshares, and home equity loans, must be included in the borrower's DTI ratio if there are more than 6 months remaining. On a case-by-case basis, an installment debt with fewer than 6 monthly payments remaining should be considered as a recurring monthly debt obligation if the payment is in excess of 10% of the borrower's monthly income.

Lease Payments

Lease payments must be included in the borrower's recurring monthly debt obligations, regardless of the number of months remaining on the lease.

Loans Secured by Financial Assets

The borrower can use their financial assets (life insurance policies, 401(k) accounts, individual retirement accounts, certificates of deposit, stocks, bonds, etc.) as security for a loan. The payment on this type of loan is not required to be included in the DTI ratio provided the applicable loan instrument shows the borrower's financial asset as collateral for the loan. If the borrower intends to use the same asset to satisfy reserve requirements, reduce the value of the asset by the proceeds from the secured loan and any related fees to determine whether the borrower has sufficient reserves.

Monthly Housing Expenses

Monthly housing expenses are required to calculate the anticipated total monthly housing expense-to- income ratio. Housing expense-to-income ratios compare monthly housing expenses to stable gross monthly income. Monthly housing expenses include the following:

- Principal and Interest payments on the first mortgage loan
- Interest payments for interest only loans
- Subordinate financing payments on mortgages secured by the subject property
- Hazard Insurance premiums
- Flood Insurance premiums
- Mortgage Insurance Premiums
- Real estate taxes
- Homeowners' Association dues
- Leasehold payments
- Ground rent, and
- Special assessments

Mortgage Assumptions

When the borrower sells a property and the property purchaser assumes the outstanding mortgage debt without a release or liability, the borrower has a contingent liability.

The contingent liability (PITIA) does not need to be included in the DTI ratio if verification that property purchaser has at least a 12-month history of making regular and timely payments for the mortgage is provided. The following documentation must be provided:

- Evidence of transfer of ownership
- Copy of the formal, executed assumption agreement, and
- Credit report indicating that the consistent and timely payments were made for the assumed mortgage

If timely payments for the most recent 12-month period cannot be documented, the mortgage payment must be included in the borrower's recurring liabilities.

Other Real Estate Owned

Mortgage payments and related expenses on any non-income producing real estate must be included in the borrower's liabilities. This includes mortgage payments and related expenses on any property which is currently pending sale (not closing prior to subject transaction), or a property retained as a second home or investment property. The following must be considered in the underwriting decision:

- Aggregate net negative rental income from all rental properties, and
- Current rental payment (when the borrower is currently renting and purchasing a second home or investment). Purchase transactions are not allowed

Documentation must be obtained when qualifying the borrower with the applicable taxes, hazard insurance, Homeowners' Association dues/fees (if applicable), and any other related expenses.

Property Settlement Buy-Out

When the borrower's interest in a property is bought-out by another co-owner of the property, the mortgage lender may not release the borrower from liability under the mortgage, thus creating a contingent liability. This contingent liability does not need to be included in the debt-to-income ratio provided there is documentation to evidence the transfer of title of the property.

Revolving Charge/ Lines of Credit

Revolving charge accounts and unsecured lines of credit are open-ended and should be treated as long- term debts and must be considered part of the borrower's recurring monthly debt obligations. These tradelines include credit cards, department store charge cards, and personal lines of credit.

If the credit report does not show a required minimum payment amount and there is no supplemental documentation to support a payment of less than 5%, use 5% of the outstanding balance as the recurring monthly debt obligation.

Student Loans

For all student loans, whether deferred, in forbearance, or in repayment (not deferred), the greater of the following must be used to determine the monthly payment as the borrower's recurring monthly debt obligation:

- 1% of the outstanding balance, or
- The actual documented payment (documented in the credit report, in documentation obtained from the student loan lender, or in documentation supplied by the borrower).

If the payment currently being made cannot be documented or verified, 1% of the outstanding balance must be used.

If the actual documented payment is less than 1% of the outstanding balance and it will fully amortize the loan with no payment adjustments, the lower, fully amortizing monthly payment may be used to qualify the borrower.

Voluntary Recurring Debts

Voluntary recurring debts should generally not be considered in the underwriting analysis or subtracted from gross income (401(k) contributions, 401(k) loans, union dues, commuting expenses, open accounts with zero balances, federal, state, and local taxes, or other voluntary deductions). Specific circumstances in an individual file must always be analyzed.

Employment and Income

- A two-year history of employment is required, and the income must be likely to continue for three years. Unless there is evidence that income will no longer be received, the income can be considered likely to continue for three years.
- If a borrower's employment history includes unemployment, the loan application must reflect at least two years of employment. If the borrower has less than a two-year history of receiving income, a written analysis justifying the determination that the income being used for qualification is stable is required.
- Two years of IRS tax transcripts are required to support the income being used in qualifying.
- When paystub(s) are required, a full two months of paystubs are required for the borrower's current employment.
- A VVOE is required within 10-business days of the note date for wage-income borrowers, and within 30 calendar days for self-employed borrowers to verify the existence of the borrower's business.
    - If the borrower is in the military, a military Leave and Earnings Statement dated within 30 calendar days of closing is acceptable in lieu of a VVOE.
    - Verification of the existence of a self-employed borrower's business must meet one of the following:
        - Verification of the existence of the borrower's business from a third party, such as a CPA, regulatory agency, or the applicable licensing bureau.
        - Verification of the listing and address for the borrower's business using a telephone book, the internet, or directory assistance.

Employed by a Relative, Property Seller, or Real Estate Broker

A borrower employed by a family member or employed by a family-held business, property seller or real estate broker is eligible. If employed by a relative, the business accountant must verify that the borrower is not self-employed by indicating their percentage of interest in the business. The accountant must be a disinterested third party.

All of the following income documentation is required:

- Most recent paystub(s)
- Most recent two years W-2s
- Most recent two years personal tax returns, and
- Letter from disinterested CPA to validate ownership percentage

Furloughed Borrowers

Borrowers in a state with an active furlough are not eligible.

Gaps in Employment

For gaps in employment over 30 days in the past two years, an LOE must be provided by the borrower. Borrowers who are re-entering the workforce after an extended absence may have stable employment if the following are met:

- The borrower has been employed in their current job for six months or more, and
- A two-year work history prior to the absence from the workforce is documented

Alimony, Child Support and Maintenance Payments

Alimony, child support and maintenance income will be considered when based on a divorce decree, court ordered separation agreement, court decree, or another legal agreement provided the payment terms confirm that the income will continue for at least three years. If the age of the child is not clearly defined, additional confirmation must be obtained to document the age of the child and income continuance.

The borrower's regular receipt of the full payment due and any limitations on the continuance of the alimony (duration over which the alimony is required to be paid) must be taken into consideration. If a borrower who is separated does not have a court order that specifies alimony, proposed or voluntary payments should not be considered as stable income.

Income may be considered stable with documentation evidencing that the borrower has been receiving full, regular, and timely payments for the past 12 months. If the borrower has been receiving full, regular, and timely payments for six to 12 months, the income may be used for qualification, as long as it does not represent more than 30% of the total gross income.

Income may not be considered stable when a borrower has been receiving full, regular, and timely payments for less than six months or has been receiving full or partial payments on an inconsistent or sporadic basis. This income can only be used as a compensating factor.

One of the following is required:

- A copy of a written legal agreement or court decree describing the payment terms for the child support, the amount of the award and the period of time over which it will be received.
- Any applicable state law that mandates child support document, which must specify the conditions under which payments must be made.

One of the following is required to document regular receipt of the full payment based on the number of months of the income being to qualify:

- Court records
- Most recent personal tax returns with all schedules
- Bank statements or deposits slips showing regular deposit of funds, or
- Canceled checks

Auto Allowances and Expense Account Payments

Automobile allowances can be considered stable income if the borrower has been receiving the income for the most recent two years. All business expenditures must be included in the calculation of the DTI ratio.

The actual cash flow or an income-to-debt approach can be used to calculate the income.

If the borrower files an IRS Form 2106, the actual cash flow approach must be used. Any funds in excess of the borrower's monthly expenses are added to the monthly income.

When the borrower uses IRS Form 2106 and recognized actual expenses instead of the standard mileage rate, the actual expenses section must be reviewed to identify the borrower's actual lease payments, and then make the appropriate adjustments.

If a borrower elected to use a standard mileage deduction instead of taking the actual cash expenditure for auto expenses when they completed their personal tax return, an add-back can be used for qualifying.

If the borrower does not report the allowance on IRS Form 2106, the income and debt approach must be used. The full amount of the allowance is added to the borrower's monthly income. The full amount of the lease or financing expenditure for the automobile must be added to the borrower's total monthly obligations.

Bonus or Overtime

Bonus or overtime will be accepted if it has been received for at least two consecutive years.

All of the following income documentation is required:

- Most recent paystub(s),
- Most recent two years W-2s,

- Verbal verification of employment, and
- Tax transcripts for the most recent two years.

This amount must be averaged unless declining, and then the most recent 12 months will be averaged.

Capital Gains and Losses

A capital gain or loss is generally a one-time transaction, and, should not be considered as either a gain or loss in calculating income. However, if the borrower has a constant turnover of assets that produces regular gains and losses, the capital gain or loss may be considered. If the borrower has operated in this manner over a sustained period, an average of gains or losses can be calculated, if the borrower provides evidence that he or she owns additional property or assets that can be sold if extra income is needed to make future mortgage payments.

All of the following income documentation is required:

- A minimum of the most recent two years personal tax returns with all schedules. In some cases, additional years tax returns may be required.
- Evidence of ownership of additional property or assets.

Commission

Documentation must be obtained that the income has been received for the past two years. The income must be verified from the employer that it is likely to continue. If the income is not likely to continues, the income cannot be used for qualifying.

If the commission income represents 25% or more of the borrower’s annual income, all of the following documentation must be obtained:

- Most recent paystub(s)
- Most recent two years W-2s
- Verbal verification of employment, and
- Tax transcripts for the most recent two years

If it is more than 60 days from the date of the latest personal tax return, a current paystub, W-2 or 1099 must be obtained, and the Seller confirm that current earnings support the income on the personal tax return.

The amount must be averaged over the most recent two years. If the income is declining, the most recent 12 months must be averaged, deducting non-reimbursed business expenses as reported on IRS Form 2106.

For loans originated between January 1 and April 15: If the borrower has not yet filed their prior year's personal tax return, determine if alternative documentation, including 1099s or W-2s from the previous year, is sufficient to document the commission income. Taking into consideration business expenses that are deducted from earnings, an average monthly net income must be calculated for qualifying purposes. If the commission income on the paystub does not support the commission income reported on the IRS Form 1099 or W-2s from the prior year, adjust qualifying income accordingly.

Foster Care Income

Foster care income may be considered acceptable if it is verified that the borrower has a minimum two-year history of providing foster care services under a recognized state- or county-sponsored program and is likely to continue to provide such services.

One of the following is required:

- Letter from organization providing the income, or
- Copies of deposit slips or bank statements confirming regular payments

Foster care income can be considered stable with documentation evidencing that the borrower has been receiving the income for less than two years but at least 12 months, and the income does not represent more than 30% of the total gross income.

Housing or Parsonage Allowance

A non-military housing or parsonage allowance can be considered qualifying income if the income has been received for the most recent 12 months. The housing allowance may not be used to offset the monthly housing payment.

The following documentation is required:

- Written verification of employment, letter from employer, or paystubs reflecting the amount of the housing or parsonage allowance,
- Terms under which the housing or parsonage allowance is paid, and
- Proof of receipt of housing allowance for most recent 12 months.

Interest and Dividend Income

A two-year average of interest and dividend income may be used to qualify if sufficient assets remain after closing to support continuance of the interest or dividend income for at least three years. The asset providing the interest and dividend income may not be liquidated for cash to close unless that portion used is deducted and the interest and/or dividend amount is recalculated based on the unused portion of the asset.

One of the following is required as evidence of sufficient assets remaining after closing to support the continuance of the income:

- Most recent two years personal tax returns with all schedules
- Most recent two months personal bank statements, and
- Most recent two years 1099s

The amount must be averaged. If the income is declining, the most recent 12 months must be averaged.

Military income

Military personnel may be entitled to different types of pay in addition to their base pay. Hazard or flight pay, rations, clothing allowance, quarters allowance and proficiency pay can be counted as income if they are verified as regular and continuing.

For reserves or national guard:

- Not called to active duty
  - Military reservists who have not been called to active duty may use their military reserve income to qualify if a two-year history of receiving the income can be documented.
- Called to active duty
  - If one of the borrowers is on active duty or has been called to active duty after the date of the loan application, while the loan is in process, and the borrower wants to refinance their primary residence, which the family does not currently occupy, the borrower must comply with the following:
    - The borrower must certify that the subject property is their primary residence,
    - The subject property must be vacant, will remain vacant and will again be the borrower's primary residence when the temporary assignment is completed,
    - The borrower must certify that they will return to the subject property as their primary residence upon completion of the temporary assignment, and
    - The borrower must provide documentation regarding the temporary assignment (orders supporting the assignment including duration).

Non-Taxable Income

The source of the non-taxable income must be documented and verified. Documentation that can be used for this verification includes award letters, policy agreements, account statements, or any other documents that address the non-taxable status of the income.

If the income is verified as non-taxable, and the non-taxable income is likely to continue, the income can be adjusted by adding 25% of the non-taxable income to the monthly income.

Note Income

Revenue received from mortgage note income can be considered for qualifying. Verification that the income is expected to continue for at least three years is required. A copy of the mortgage note must be obtained to document the amount, frequency, and duration of the payments.

One of the following must be obtained for the most recent two years:

- Most recent personal tax returns with all schedules, or
- Bank statements showing regular deposits of funds

Permanent Disability

Disability benefit payments (social security disability insurance benefits, maternity/parental benefits or veterans disability compensation benefits, etc.) can be treated as acceptable, stable income, unless the terms of the disability policy specifically limit the stability or continuity of the benefit payments. A review date on a social security award letter for disability is not considered a defined expiration date. The borrower’s current eligibility for the disability benefits must be confirmed by obtaining a statement from the benefit's payer (insurance company, employer, or other qualified and disinterested party).

In cases where the income does not have a defined expiration date, the income may be considered stable, predictable, and likely to continue. The borrower is not required to provide additional documentation evidencing continuance of the income.

Public Assistance Program

Public Assistance (e.g., Temporary Assistance for Needy Families (TANF)) may be considered as acceptable income provided the income has been received for the last two years and is expected to continue for the next three years.

The following documentation is required:

- Letters or exhibits from the paying agency establishing the amount, frequency, and duration of these payments, and
- Documentation of a two-year history of receipt of income

Rental Income

Rental income for qualification purposes may be derived from one of the following sources:

- Owner occupied property (two-to-four unit)
- Investment property (one-to-four-unit), or
- Other than subject property

Two years of tax returns reflecting rental income received and a lease agreement is required. When multiple sources of documentation are provided to verify rental income, the lowest calculated rental income will be used for qualifying.

Short-term rental income from single-family residences in known vacation locations is acceptable income for investment properties. The Operating Income Statement is required. A short-term lease agreement is not acceptable documentation. Short-term/seasonal rental income from second homes cannot be used for qualifying.

When rental income is not being used to qualify the borrower, the fair market rent of each unit/property owned by the borrower must be obtained. One of the following must be obtained to evidence fair market rent:

- Operating Income Statement
- Comparable Rent Schedule
- Fair market rent letter from a realtor
- Current fully executed lease agreement, or
- Verbal confirmation from the borrower noted on loan application or transmittal summary

Any monthly net rental income must be added to the borrower's total monthly income. Any net rental loss must be added to the monthly liabilities.

If total debt (PITIA) for the subject property is used in the borrower's DTI ratio (and rental income is not being used to qualify), rental income must still be reported.

Any depreciation, interest, taxes, and insurance must be added back in the cash flow analysis before subtracting the PITIA payment.

The monthly rental income and number of bedroom data, found on the operating income statement, must be provided for primary residences (2-to- 4 units) and investment properties (1-to-4 units). If the operating income statement is not required, the borrower can provide the current or approximate projected rent for each unit, the number of bedrooms in each unit, and note it on the transmittal summary.

Retirement, Pension, Annuity Income, and IRS Distributions

Retirement and pension income may be used to qualify provided evidence of three years continuance of monthly annuity payment, 401(k), or IRA monthly distribution is documented. Evidence of continuance of corporate, government, or military retirement/pension does not need to be documented.

The following documentation is required:

- Letters from the organizations providing the income
- Copy of award letter
- Most recent personal income tax returns with all schedules
- Most recent 1099, or
- Bank statements for the most recent two months showing deposit of funds

Royalty Payments

Income received from royalty payments is an eligible source of income for qualifying. The income must be expected to continue for at least three years. The income must be averaged over two years, based on the following income documentation required:

- • Most recent two years personal tax returns with all schedules, including the related Supplemental Income and Loss Schedule (Schedule E), and
- • Evidence of receipt of at least 12 months must be documented.

Seasonal Income

Seasonal part-time or seasonal second job employment may be acceptable if the borrower has worked the job for two years. The income must be averaged over the most recent two years based on the following documentation required:

- Most recent paystub(s), if available
- Most recent two years W-2s or personal tax returns with all schedules, and
- Written confirmation from the borrower's employer that there is a reasonable expectation that the borrower will be rehired for the next season

If the income cannot meet the above requirements, the income can only be used as a compensating factor.

Second Job or Multiple Job Employment

A borrower must have at least two years, uninterrupted history on all second or multiple jobs in order to include the income for qualification purposes. If this income is received for less than two years, it may be considered as a compensating factor only.

Income will be averaged over the past 24 months. All of the following documentation is required:

- Most recent paystub(s)
- Most recent two years W-2s
- Verbal verification of employment, and
- Tax transcripts for the most recent two years

Self-Employed

A self-employed borrower is an individual who has 25% or greater ownership interest in a business or receives 1099s to document income. The borrower must have at least two consecutive years of self-employment operating the same business in the same location. Self-employed borrowers relocating to a different geographic area must document and explain the reasoning that their income will continue at the same level at the new location.

Business funds are not an eligible source of funds for closing costs or reserves.

A level or upward trend in earnings must be established. A significant increase in the borrower's income requires a satisfactory explanation, and documentation must be obtained that the income is stable and likely to continue at the level. Significant decreases in income cannot be included in the average using a previous higher income level unless the following documentation is obtained:

- A one-time occurrence prevented the borrower from working or earning full income for a period of time
- Proof that the borrower is back to the income amount that they previously earned

The following documentation is required:

- Most recent two years personal tax returns with all schedules
- Most recent two years business income tax returns (with exception to sole proprietorships)
- For corporations, "S" corporation, or partnership a YTD P&L statement and balance sheet (through the month prior to funding), and
- Personal and business tax transcripts for the most recent two years

The amount of income on the tax returns must be averaged based on the number of years that are required. If the income is declining the most recent 12 months income must be averaged.

If any borrower on the application is self-employed and self-employment income is not being used to qualify, the first page of the most recent tax return must be obtained to determine if there is a meaningful business loss.

Social Security Income

Social security income can be used to qualify if there is evidence that the survivor or supplemental payments will continue for at least three years. If the benefits have a defined expiration date, confirm that the remaining term is at least three years from the application date and that the income will not diminish for any reason.

Evidence of continuance for social security retirement is not required to be documented.

One of the following is required:

- Copy of the Social Security Administration award letter
- Most recent personal tax returns with all schedules
- Most recent 1099s, or
- Most recent two months bank statements

Tax Returns

Tax returns filed prior to application are acceptable for underwriting purposes. Both the original filed return and the amended return are required. If the file was amended 60 days or less prior to the application, evidence of payment must also be provided.

Tax returns filed after the loan application date may be acceptable when the following is obtained:

- A letter of explanation regarding the reason for the re-file
- Evidence of filing
- Payment and the ability to pay the tax if the check has not been canceled, and
- Confirmation that borrower does not require use of amended income for qualification

The original tax return and the amended tax return must be reviewed for consistency with previous filings to determine whether the use of the amended return is warranted. Amended tax returns are not eligible. A copy of the original and amended tax returns must be submitted with the exception. When using an amended return after application, the Seller must provide justification and commentary on the transmittal summary regarding its use.

Teachers

When a borrower is employed as a teacher, the annual salary must be verified. If monthly or weekly base pay is provided, the employer must verify the number of pay periods per year if the payout is not clear or average the income based on the most recent W-2 over 12 months. Stipends or supplemental income must be documented as regular and continuing.

For teacher income paid over a 10-month period and obtaining financing during the summer months when income is not being received, the following documentation is required:

- Final year-end paystub from the school
- Verbal verification of employment, and
- A copy of the fully executed, guaranteed contract with no contingencies, indicating that the borrower is paid over a 10-month period

The income must be calculated based on the income received on the final year-end paystub.

Temporary Leave

Benefits that have a defined expiration date must have a remaining term of at least three years from the date of the loan application in order to be used for qualifying. Leave stops being temporary when the borrower does not intend to return to their current employer or does not have a commitment from the current employer to return to employment.

If a borrower is currently receiving short-term disability benefits that will decrease to a lesser amount within the next three years because they are being converted to long-term benefits, the long-term benefits must be used as qualifying income.

During a temporary leave, a borrower income may be reduced and/or completely interrupted. The Seller must determine that during and after temporary leave, the borrower has the capacity to repay the mortgage and all other monthly obligations.

If the borrower is returning to work prior to the first mortgage payment, the regular employment that will be received prior to leave must be used to qualify.

If the borrower is returning to work after the first mortgage payment, the lesser of the leave income or regular employment income must be used to qualify.

- If the leave income is less than regular employment income:
    - The income can be supplemented with available liquid reserves
    - Total qualifying income may not exceed the gross monthly income received upon return to work, and
    - Assets required to support the payment may not be counted towards available reserves
- The following documentation is required:
    - Verification of pre-leave regular income and employment history
    - No evidence or information from employer indicating the borrower does not have the right to return to work after leave period
    - Written confirmation of intent to return to work and agreed upon date of return are both evidenced by documentation by the employer (or third-party service)
    - Verbal verification of employment. The borrower is considered employed if the employer confirms the borrower is currently on temporary leave
    - Amount and duration of the borrower's temporary leave income
    - Amount of regular employment income the borrower received prior to leave, and
    - All available liquid assets used to supplement the reduced income for the duration of leave must be verifiable

Tip and Gratuity Income

An average of the tip income can be used to qualify if the borrower has received it for the last two years and it is likely to continue.

The following documentation is required:

- Current paystub(s)
- Most recent two years W-2s, and
- Employer indication that the tip income is likely to continue

Trust Income

A copy of the trust agreement or trustee statement must be obtained as evidence that the income will continue to be received for at least three years. The trust agreement or trustee statement must document the following:

- Total amount of designated trust funds
- Terms of payment
- Duration of trust, and
- What portion, if any, of income to the borrower is not taxable

If the trust agreement or trustee's statement does not provide the historical level of distributions, one of the following must be provided:

- Most recent personal tax returns with all schedules
- K-1 schedule, or
- 1041 fiduciary tax returns

A borrower's trust income may be taxed at a lower rate, or it may be part of a partnership that writes off losses, which may result in no tax liability. Trust income is reported on the 1041 fiduciary income tax return, which includes a K-1 schedule. All beneficiaries of trust income receive IRS Form K-1 from the trust.

Unemployment Benefits

Unemployment benefits, such as those received by seasonal workers, must have been received for the past two years and is predictable and likely to continue. The income must be averaged of the most recent two years based on all of the following documentation:

- Most recent two years personal tax returns with all schedules, or
- Income must be clearly associated with seasonal layoffs and expected to recur

Union Members

Verification of income for a union member requires all of the following documentation:

- A VVOE from the union confirming:
  - The borrower is in good standing with the union, and
  - The borrower is employed by the same employer issuing paystubs and income used for qualifying
  - If the union cannot provide confirmation, a VVOE from the current employer is required
- Current paystub(s) from the present employer. If there has been more than one employer in the current year, the last paystub from each employer will be required to adequately reflect year-to- date earnings
- Most recent two years personal tax returns with all schedules and all W-2s

The income must be averaged over the most recent 24 months. If the income has declined, the income must be averaged over the most recent 12 months.

VA Benefits

VA benefits income can be used to qualify. Evidence of regular receipt of the income must be obtained, and the income must be likely to continue. A letter or distribution form from the Veteran's Administration is required to document VA benefits income.

Wage Earner

Wage earners receive a consistent wage or salary from an employer in return for a service rendered and have less than 25% ownership interest in the business. Compensation may be based on an hourly, weekly, biweekly, monthly, or semimonthly basis.

All of the following income documentation is required:

- Most recent two months YTD paystub(s),
- Most recent two years W-2s, and
- Verbal verification of employment.

Escrows

An escrow account for the second lien is not permitted. An escrow account for the first lien is permitted, but not required.

Financed Properties

Each borrower is limited to no more than five financed properties.

- Partial or joint ownership is considered the same as total ownership in the property.
- Ownership applies to financed properties owned by the borrower, including any properties the borrower owns outside of the United States.
- A borrower who is obligated on a mortgage, regardless of whether they hold title to the mortgaged property is included in this limitation.
- These limitations apply to the total number of all financed properties, not to the number of mortgages on the property.

Planet will purchase a maximum of five loans to one borrower, and up to a combined total of $2.5M.

Insurance

Replacement cost coverage is required. Planet Home Lending must be listed as the second lien holder.

Flood Insurance

A life-of-loan flood certificate must be obtained.

Loan Amount

Minimum loan amount: $25,000

Maximum loan amount: $350,000

Occupancy

- Owner-Occupied
- Second Home
- Investment (non-owner occupied)

Prepayment Penalty

Not permitted.

Products

Fixed Rate: 15-, and 30-year fully amortizing

Property Eligibility

Eligible Properties

- 1-unit
- Fannie Mae warrantable condominiums- established condominium projects only
- Manufactured homes
  - Double-wide or greater. Must be taxed as real property
- PUDs – attached and detached

Ineligible Properties

- 2-4 units
- Condotel
- Condo rental
- Cooperatives
- Free and clear properties
- Mobile homes
- Properties listed for sale within the most recent 12 months

Condominiums

Follow Fannie Mae Condominium requirements. Condominium properties must be reviewed by Condo Analytics.

PUDs

Attached PUDs require evidence of the master insurance policy.

Title/Vesting

Loan amounts <$150,000 must use an Owner and Encumbrance report with an attached E&O policy or attain an Attorney Opinion Letter, where applicable, to validate title findings.

Loan amount ≥$150,000 must obtain a full ALTA title report.

Title must be in the borrower's name at the time of application and at the time of closing for all transactions.

The title of the second lien must be held in the same title as the first lien.

Title must be held in fee simple or leasehold estate.

Transaction Types

Eligible Transactions

- Stand-alone 2nd lien

Ineligible Transactions

- Purchase transactions
- Second mortgages with a simultaneous 1st lien transaction
- Employee loans, including employees of Planet Home Lending and its affiliates, and the Seller
- 1st lien mortgages with the following terms are ineligible:
  - Tax and judgement liens
    - Proceeds from the subject transactions cannot be used to satisfy a tax or judgement lien. The tax and judgement must be satisfied prior to application.
  - Mortgages with balloon terms
  - Subordinate mortgages that allow negative amortization (this does not include language in the mortgage note warning borrowers that the lack of payment may result in negative equity and negative amortization is not a feature of the product)
  - Purchase 1st liens with less than six months seasoning prior to closing

Government

FHA Conforming and High Balance Program Grid

FIXED RATE & ARM Primary Residence Full Documentation					
Transaction Type	**Units**	**LTV**	**CLTV**[2]	**Loan Amount**[1]	**Credit Score**[5]
Purchase	1-4	96.50%	96.50%	FHA Loan Limits	Per AUS
Cash-Out	1-4	80%	80%		
Simple Refinance[3]	1-4	97.75%	97.75%		
Rate/Term Refinance[6]	2-4	97.75%	97.75%		
Manufactured Homes					
Purchase	1	96.50%	96.75%	FHA Loan Limits	Per AUS
Rate/Term Refinance[6]	1	97.75%	97.95%		
Cash-Out	1	80%	80%		
Presidentially Declared Major Disaster Area (PDMDA)					
Purchase	1	100%	100%	FHA Loan Limits	Per AUS
Second Home[4]					
Simple Refinance	1	85%	85%	FHA Loan Limits	Per AUS

Footnotes:

1. Eligible conforming and high balance loan amounts can be found at: FHA Mortgage Limits.
2. There is no maximum Combined Loan-to-Value (CLTV) for secondary financing loans provided by Governmental Entities and HUD approved Non-Profits. *See* "Down Payment Assistance Program" on page 360 and "Subordinate Financing/Secondary Financing" on page 390 for additional details.
3. Simple Refinance transactions: Must be an existing FHA-insured owner-occupied primary residence.
4. Simple Refinance transaction: Must be an existing FHA-insured HUD-approved Secondary Residence; approval by a Jurisdictional Homeowner Center (HOC) required.
5. Maximum LTV/CLTV for purchase transactions with a FICO score between 500-579 is 90%.
6. Maximum LTV for a Rate/Term refinance is limited to 85%, if the borrower has occupied the property for 12 months prior to case number assignment.

See "FHA Streamline Conforming and High Balance Program Guidelines" on page 396.

Complete HUD guidelines can be found at HUD Handbook 4000.1.

Mortgage Insurance Premium Factors				
Mortgage Term > 15 Years				
Loan Amount	**LTV**	**Annual MIP**	**Upfront MIP**	**Annual MIP Assessment Period**
≤$726,500	≤90%	0.50%	1.75	11 years
	>90% ≤95%	0.50%		Life of loan
	>95%	0.55%		Life of loan
>$726,500	≤90%	0.70%		11 years
	>90% ≤95%	0.70%		Life of loan
	>95%	0.75%		Life of loan
Mortgage Term < 15 Years				
Loan Amount	**LTV**	**Annual MIP**	**Upfront MIP**	**Annual MIP Assessment Period**
≤$726,500	≤90%	0.15%	1.75	11 years
	>90%	0.40%		Life of loan
>$726,500	≤78%	0.15%		11 years
	>78%	0.40%		11 years
	>90%	0.65%		Life of Loan

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%**

FHA Conforming and High Balance Program Guidelines

Planet Home Lending follows FHA [HUD Handbook 4000.1] for topics not addressed in this guide.

4506-C

- Tax transcripts are required per AUS findings or can be obtained in lieu of W-2 or tax returns both personal and business.
- 4506-C must be signed by all borrowers at loan closing if transcripts were not obtained to qualify the borrower.

Ability to Repay/Qualified Mortgage

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:

- Compliance findings validating a pass of ATR
- Compliance findings validating a pass of QM, where applicable
- Automated Underwriting System (AUS) approval, where applicable
- Evidence of manual approval, where applicable
- Underwriting Analysis (e.g., Final 1008/Loan Transmittal, VA Loan Analysis, FHA Transmittal Summary)
- Income Worksheet

Additionally, all disclosures and documentation required under the ATR/QM provisions of the Dodd-Frank Act must be provided.

The Seller will comply with the verification standards of the applicable agency Seller's Guide.

- Sections II.A.1 and II.A.4-5 of the Federal Housing Administration's Single Family Housing Policy Handbook.

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 180 days from the effective date. This policy applies to both new and existing construction.

Appraisals

- Appraisals must be provided by a licensed FHA-approved appraiser.
- Appraisal photos must be taken of the front and rear of the property, at opposite angles, to show all sides of the subject property.
- Additional photos are required for any improvements with contributory value that are not captured in the front and rear photos.
- The street scene photo must include a portion of the subject property.
  - If the subject property is proposed construction and the improvements have not been started, the photos must include the grade of the vacant lot.
  - Copies of photographs from MLS 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.
- 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 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, billboard signs, website, etc.). Additionally, the following applies:
    - One of the comparable sales must be outside the project the subject property is located
    - 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 in order to support the property value.

- The subject and comparable must be appropriately identified. *See* HUD Handbook 4000.1 section IID.3.C Minimum Property Standards topic for property requirements.
- 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.
- If rental income from an ADU is being utilized, the appraiser must include a sufficient number of comparable rents to produce a credible ADU market rent estimate. The comparables used to develop the ADU market rental cannot include properties rental for hotel or transient purposes, or for periods for less than 30 days. The appraiser must include at least one comparable rental that is a single-family dwelling with a rented ADU. If a single-family dwelling with a rented ADU is not available, the appraiser must supplement with the most appropriate rental available and summarize the reason for

the selection and how the marketability of the ADU was determined.

- Appraisal must identify and address properties located within a declining market. When the property is in a declining market, the appraiser is required to:
  - Provide, at minimum, two comparable sales that closed within 90 days of the subject property appraisal.
  - The comparable must be as similar to the subject property as possible.
  - The appraisal must include, at minimum, two active listings or pending sales.
- 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 180 days from the effective date. A 30-day extension of the appraisal is allowed subject to HUD guidelines.
- If the appraisal is > 180 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 360 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. An Appraisal Update is not eligible if any of the following conditions apply:
    - Property has declined in value
    - Building improvements that contribute to the value of the property cannot be seen from the street
    - 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
    - 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. *See* "Chapter 8: Loan Purchasing" on page 576 for complete requirements.
- *See* "Manufactured Homes" on page 378 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.	

Condition	Maximum FHA Loan Amount*
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 180 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 the: • Sales contract price, or • New appraised value, or • Initial list price of the property **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.

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 comparable 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
- The property was on the open market for a reasonable time
- Payment is made in cash or a mortgage loan
- 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.

Comparable sales for REO properties are subject to the following:

- HUD prefers that REO sales and pre-foreclosure sales are not 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.
- 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 **never** 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).

Assets

- 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.
- 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).
- Manually underwritten loans require 2 months bank statements.
- Borrower authorized Third Party Verification (TPV) is an acceptable option per HUD Handbook 4000.1.
- **Purchase transactions: Credit score of 500-579:** Two 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.
- A Verification of Deposit (VOD) is acceptable as the primary source of verification.
- Verification and documentation of the deposit amount and source of funds is required, if the earnest money:
  - Exceeds 1% of the sales price, or
  - Appears to be excessive based on the borrower's history of accumulated savings.
  - Satisfactory documentation includes:
    - Copy of the canceled check and a copy of the bank statement showing the withdrawal
    - Certification from the deposit holder acknowledging receipt of the funds, or
    - Bank statements (all pages) for the most recent 2 months.
- Unsecured funds are ineligible sources for assets.
- Cash on hand (cash held by the borrower outside of a financial institution) is an eligible source of funds.

- The Seller must verify that the cash on hand has been deposited into a financial institution or held by the escrow/title company.
- The Seller must verify and document the cash on hand by obtaining a letter of explanation as to how the funds were accumulated and the amount of time it took to accumulate the funds.
- The reasonableness of the accumulation must be determined based on the time period during which the funds were saved and the borrower's:
  - Income stream,
  - Spending habits,
  - Documented expenses, and
  - History of using financial institutions.

- Sweat Equity may be an acceptable source of borrowers funds as follows:
  - New construction purchase transactions only, and
  - 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 (see examples below), and
  - All work must be agreed to and performed/completed by the borrower.
- Marijuana/Cannabis
  - Assets derived from employment in the marijuana or cannabis industry is not an eligible source of assets, regardless of state law.

Examples:

<u>Option 1</u>

Buyer agrees to perform the following	**Total**
• Prepare and paint all interior walls • Paint exterior doors and porch railings (if applicable)	$4,500.00

<u>Option 2</u>

Buyer agrees to perform the following:	**Total**
• Install front and rear yard landscaping (sod, plants, flowers)	$1,200.00

Gift Funds

- Gift funds are eligible for down payment, closing costs and reserve requirements if required. Excess funds must be returned to donor.
- 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.

- A gift is acceptable if the donor is:
  - A relative of the borrower
  - Borrower's employer or labor union
  - A close friend with a clearly defined and documented interest in the borrower
  - A charitable organization
  - A government agency or public entity that has a program providing home ownership assistance to low and moderate income families or first-time homebuyers.
- Gift funds must be evidenced by a gift letter and it must:
  - Be signed by the donor and the borrower
  - Indicate the donors name, address, phone number, and relationship to the borrower
  - State the source of the funds (bank/brokerage acct. etc.)
  - Include a statement by the donor that no repayment of the gift funds is expected
  - Specify the dollar amount.
- Gift fund availability and transfer of the funds must be documented as noted below:
  - Gift funds given prior to closing; 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)
  - Gift funds given to closing agent; a copy of donor's check to the closing agent or documentation of the wire transfer is required, along with a copy of the donor's bank statement evidencing sufficient funds for the amount of the gift. The Gift must be reflected on CD.

NOTE: When a bank statement is used to document funds, the donor **may** be required to document large deposits to ensure the funds did not come from an interested third party.

- 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 **OR** 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.
- 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.

NOTE: A sample gift letter is available on the Planet Core Seller Portal at www.phlcorrespondent.com under **Forms & Resources**.

Gift of Equity

- Allowed from an immediate family member only. *See* "Identity of Interest" on page 377 for HUD's definition of an immediate family member.
- A gift letter must be provided (*see* "Assets" on page 340 > **Gift Funds** for gift letter requirements).
- The CD must indicate "gift of equity."

Reserves

Approve/Eligible or Accept/Eligible Findings

- 1-2 units: not required
- 3-4 units: 3 months PITI reserves

Manual Underwrites (loans downgraded or with a “Refer/Eligible” Finding)

- When cash reserves are not used as a compensating factor
  - 1-2 units: 1-month PITI reserves
  - 3-4 units: 3-months PITI reserves
- When cash reserves are used as a compensating factor
  - 1-2 units: 3-month PITI reserves
  - 3-4 units: 6-months PITI reserves

AUS

All loans must be submitted through FHA Total Scorecard. Manual Underwriting is permitted. All loans must be QM / Safe Harbor eligible.

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:

  - 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:
  - Three or more payments > 30 days late,
  - One or more payments > 60 days late plus one or more 30-day late payments, or
  - 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
  - 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; *see* **Evaluating Credit History for Manual Underwrite** 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% *see* "Manual Underwrites and DTI Maximum" on page 363 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**.

Group I	Group II
• Housing payments (subject to additional verification if rental payments such as 12 months consecutive cancelled checks or verification from professional property management company)	• Insurance premiums that are not payroll deducted (e.g., medical, auto life, renter's insurance, etc.) • Payment to childcare provides • School tuition

Group I	Group II

• Utility bills including:
  ▪ Gas
  ▪ Electric
  ▪ Water
  ▪ Home telephone (landline)
  ▪ Cable
	• Retail store credit cards (i.e., department, furniture/appliances or specialty stores)
	• Rent to own (furniture/appliances, or specialty stores)
	• Payment of medical bills not covered by insurance
	• Internet or cell phone bills
	• 12-month history of savings evidenced by regular non-payroll deducted deposits which occurred at least quarterly with an increasing account balance with no non-sufficient funds' checks.
	• Car lease
	• Personal loan with documented written repayment terms. 12-month canceled checks required to document payment

Manual underwrite for 203(h) allowed — *see* "PDMDA Mortgages — 203(h)" on page 383.

Available Markets

- **Delegated Sellers**

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

- **Non-Delegated Sellers**

  Planet will purchase loans from the non-delegated Sellers in all states on FHA products. **All** loans require Planet underwriting approval.

- Sellers must receive approval from Planet to deliver loans with properties located in Puerto Rico.
- The U.S. territories of Guam and the Virgin Islands are ineligible regardless of delegation.

Borrower Eligibility

Eligible Borrowers

- U.S. Citizens
- Permanent resident aliens:

    - 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.
- Non-permanent resident aliens (including DACA recipients) are eligible as follows:
    - The property will be the borrower's primary residence.
    - Borrower has a valid Social Security number, except for those employed by the World Bank, a foreign embassy, or equivalent employer identified by HUD.
    - Borrower is eligible to work in the US and provides either:
        - An Employment Authorization Document (USCIS Form I-766) showing that work authorization status is current;
        - A USCIS Form I-94, Arrival/Departure Record, evidencing H-1B status, and evidence of employment by the authorized H-1B employer for a minimum of one year;
        - Evidence of being granted refugee or asylee status by the USCIS; or
        - Evidence of citizenship of the Federated States of Micronesia, the Republic of the Marshall Islands, or the Republic of Palau; and
        - The Borrower satisfies the same requirements, terms and conditions as those for U.S. citizens.
    - If the Employment Authorization Document (USCIS Form I-766) or evidence of H-1B status will expire within one year and a prior history of residency status renewals exists, the Seller may assume that continuation will be granted. If there are no prior renewals, the Seller must determine the likelihood of renewal based on information from the employer or the USCIS. A Borrower residing in the United States by virtue of refugee or asylee status granted by the USCIS must provide documentation:
        - Employment Authorization Document (USCIS Form I-766) or USCIS Form I-94 indicating refugee or asylum status, or
        - USCIS Form I-797 Notice of Action, indicating approval of a USCIS Form I589, Application for Asylum and for Withholding of Removal, substantiating the refugee or asylee status.
- Inter-vivos trusts that meet HUD guidelines
- All borrowers are required to have a social security number; a TIN is not acceptable.

Ineligible Borrowers

- Foreign Nationals
- Borrowers with diplomatic immunity and International Monetary Fund (IMF) employees
- Borrowers without a social security number
- Borrowers currently delinquent on current mortgage payments

Borrower Types

Borrower and Co-Borrower: 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.

Non-Occupant Co-Borrower: 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.

Co-Signer: 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.

Co-Mortgagor: Has ownership interest in the property but is **not** liable for the debt. Signs all collateral documents (Mortgage/Deed of Trust, TIL & 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.

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.

NOTE: Community property states: Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin. *See* HUD Handbook 4000.1 for additional details on the non-purchasing spouse.

Non-Occupying Co-Borrower

- Maximum 75% LTV for 1-4 units
- 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:
  - Related by blood, marriage, or law (i.e., spouses, parent-child, siblings, stepchildren, aunt, uncle, domestic partner, etc.).
- LTV's may **not** exceed the maximum allowable LTV if:
  - A family member is selling to a non-occupying family member
  - A transaction on a 2-4 unit property
  - A parent is selling to a child, and the parent will be the non-occupying co- borrower, the maximum LTV is limited to 75%.
- All borrowers, regardless of occupancy status, must sign the security instrument and Note: Cosigners do not execute the security instrument or take title, but they must sign the Note.

- 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.
- Non-occupant borrower income may not be used to calculate ratios for manual underwrites.

Non-Purchasing Spouse

The debts of the non-purchasing spouse must be included in the borrower's qualifying ratios, unless specifically excluded by state law, if:

- Borrowers reside in a community property state, or
- Property being purchased is in a community property state

NOTE: In the community property states, 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.

CAIVRS

CAIVRS

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.

Case Numbers

- Case number requests must comply with HUD Mortgagee Letter 2011-10. To view the Mortgagee Letter in its entirety, go to: HUD Mortgagee Letters.
- FHA requires 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 Case Reinstatement Request must be submitted to reinstate the case number.

Chain of Title

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). If more than one transfer in previous 12 months **or** property has significant increase in value since prior transfer, an appraisal addendum addressing all transfers is required.

Construction-to-Perm (Permanent Finance)

This section is specific to Construction to Perm transactions. For any topic not covered in this section, refer to the topics within these guidelines.

Planet will allow construction-to-permanent mortgage transactions with a single mortgage closing, after the issuance of the Certificate of Completion. The below requirements must be met.

- File must evidence a licensed general contractor was used.
  - Borrowers' acting as a general contractor is not permitted.
- The borrower must either be purchasing the land at the closing of the construction loan, or already own the land.
- The project must be 100% complete.
- Delegated transactions only.

Calculating the Maximum Mortgage Amount

- The maximum mortgage amount is calculated based on the appropriate purchase LTV percentage of the lesser of the appraised value or documented acquisition cost which include:
  - The builder's price (including the cost of land if being purchased from the builder) or the sum of all subcontractor bids and material (if the land is already owned by the borrower);
  - The borrower-paid options and construction costs not included in the builder's price to build;
  - Closing costs associated with any interim financing of the land; and
  - Either of the following:
    - The lesser of the cost of the land, or appraised value of the land, if the land is owned 6 months or less at the time of the case number assignment; or
    - The appraised value of the land if the land has been owned for greater than 6 months at case number assignment, or was received as an acceptable gift.

Minimum Required Investment (MRI)

The borrower may utilize any cash investment in the acquisition cost or land equity to satisfy the MRI.

Mortgage Interest Rate

During the construction period, the interest rate may be variable. The Lender and the borrower must enter into an agreement that:

- Documents the range in which the interest rate may float during construction.
- Documents the point of interest rate lock-in.
- Specifies that the permanent mortgage will not exceed a specific maximum interest rate, and

- Permits the borrower to lock in at a lower rate, if available, and they have not already locked in a rate.

The borrower must qualify for the mortgage at the maximum rate at which the permanent Mortgage may be set.

Ineligible Properties

Manufactured Housing not permitted for Construction-to-Perm transactions.

Documentation

Case file must evidence the following documentation:

- The cash investment is from an acceptable source of funds in accordance with the underwriting requirements as applicable.
- The cost and date of purchase of the land, if already owned, by obtaining the closing disclosure or similar legal document.
- Any borrower-paid extras over and above the contract specifications and any out-of- pocket expenses not included in the builder's price to build by obtaining evidence funds were derived from an acceptable source.
- An itemization of the extras and expenses and the cost of each item is required.

Required Documentation for Closing

In addition to standard FHA documents, the following documents must be used:

- A construction rider to the Note, and construction loan agreement.
    - These construction documents may be in any form acceptable to the lender, but they must provide that all special construction terms end when the construction loan converts to a permanent mortgage. After conversion, only the permanent mortgage terms (based on standard documents) continue to be effective, making the permanent mortgage eligible for FHA mortgage insurance.
- A disclosure issued to the borrower explaining that the mortgage is not eligible for FHA mortgage insurance until after a final inspection, or the issuance of a certificate of occupancy by the local governmental jurisdiction, whichever is later.
- Either a fully executed contract agreement between the builder and the borrower, which includes the contractor's price to build or documentation of the actual costs of construction where the borrower is acting as the general contractor.
- Documentation of Land acquisition or land ownership.
- Evidence of payoff statement and actual payoff if mortgage proceeds are used to purchase or pay off debt on the land.

Required Documentation for Endorsement

- When the maximum LTV is ≤ 90%, the mortgage must comply with the documentation requirements found in the New Construction Financing LTV Limit.
- File must evidence a title update after conversion to the permanent mortgage to show that the property is free and clear of all liens other than the Mortgage.
- File must evidence that the construction was fully drawn down, and that any remaining funds were used to pay down the principal balance on the permanent mortgage.

Escrow Account at Closing of the Construction Loan

- After funds are disbursed to cover the purchase of the land, the balance of the mortgage proceeds must be placed in an escrow account to be disbursed as construction progresses.
- File must evidence the borrower's written authorization for each draw prior to disbursing funds to the contractor.
- After completion of construction, the construction escrow account must be fully extinguished, and any remaining funds must be applied to the outstanding principal balance of the permanent Mortgage.

Endorsement

- The Mortgage must be endorsed within 60 days of the final inspection or issuance of the Certificate of Occupancy (CO) whichever is later.
- Delegated Sellers must pay an Upfront MIP and insure the loan.

NOTE: Amortization of the permanent mortgage must start no later then the first of the month following the 60 days from the date of the final inspection or issuance of the (CO)

Building on Own Land

In addition to the Construction-To-Perm and New Construction topics, building on own land is also permitted subject to the following conditions.

- Borrower owns land greater than 6 months from case number date.
- If the land was given as a gift to the Borrower, the Mortgagee must verify that the donor was not a prohibited source.
- The Mortgagee must obtain standard gift documentation. *See* "Assets" on page 340 > **Gift Funds**.
- Borrower may not receive cash back from the additional equity in the Property except to replenish their own cash expenditures for any borrower-paid extras over the contract specifications and any out-of-pocket expenses not included in the builder's price. Itemization of the extras and expenses costs must be evidenced in the loan file.
- Evidence for the purchase of the land required with a Closing Disclosure or similar legal document.

Contingent Liability

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.

Co-Signed Debt

- 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.
- Personal debt, where the borrower is a co-signer, may be excluded from the DTI if:
  - Documentation is provided verifying another borrower is responsible for the debt, and
  - Copies of the canceled checks (front and back) are provided from the party paying the debt for the most recent 12 consecutive payments, and
  - The credit report indicates the account has no late payments.

Business Debt

- Payments attributed to the borrower's business must be included in the borrower's DTI calculation unless:
  - Documented evidencing that the debt is being paid by the borrower's business
  - The debt was considered in the cash flow analysis of the borrower's business, and the borrower's tax return reflects the business expense related to the obligation, ≥ the amount of payments document as paid out of company funds.

NOTE: Only the interest expense related to the obligation shown on the borrower's tax return will be considered in the cash flow analysis.

- **Corporations (Includes Sub-S and most LLCs):** 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.
  - Debts may be excluded from the DTI, if:
    - A minimum of 12 consecutive most recent canceled checks are provided by the corporation/LLC for payment on the debt, and
    - Documentation is provided showing the corporation/LLC is a borrower on the loan.
- **Sole Proprietorship or Partnership:** 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. 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.

Credit History

Total Scorecard Approve/Eligible or Accept/Eligible

- Tradeline requirements per Total Scorecard findings
- Authorized user tradelines require review by the underwriter to ensure the tradelines are an accurate reflection of the borrower's credit history.
- Borrowers with insufficient credit history are subject to the following DTI requirements:
  - DTI computed only on the borrowers who will be occupying the property and obligated on the loan
  - Two months cash reserves from the borrower's own funds are required. Cash gifts are not eligible to satisfy reserve requirements.

Credit Report/Scores

Credit History

Total Scorecard Approve/Eligible or Accept/Eligible

- Tradeline requirements per Total Scorecard findings
- Authorized user tradelines require review by the underwriter to ensure the tradelines are an accurate reflection of the borrower's credit history.
- Borrowers with insufficient credit history are subject to the following DTI requirements:
  - DTI computed only on the borrowers who will be occupying the property and obligated on the loan
  - Two months cash reserves from the borrower's own funds are required. Cash gifts are not eligible to satisfy reserve requirements.

Credit Reports

- 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 in a community property state. *See* HUD Handbook 4000.1 for additional details on the non-borrowing spouse.
- A truncated SSN is acceptable for FHA mortgage insurance purposes provided that the mortgage application captures the full nine-digit SSN.
- 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.
- Material Inquiries refer to inquires 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

- The borrower(s) must address **all** 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)

Credit Report – Fraud Alert

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:

- A letter of explanation from the borrower, and
- A copy of the identity theft report, and
- An additional form of identity verification, and

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.

Credit Score

- All borrowers must meet the minimum credit score requirement and as noted below where not all borrowers have a credit score
- The representative credit score is determined as follows:
  - If there are three valid scores, the middle score is used. If two of the three scores are a duplicate, the duplicate score is used.
  - If there are two valid scores, the lower of the two is used
  - If there is one valid score, that score is used.
- When there are multiple borrowers on a loan, the lowest representative credit score of all borrowers is the decision credit score.

  Example:

  - Borrower 1: Credit scores are 640, 654, 660; representative score is 654
  - Borrower 2: Credit scores are 625, 637; representative score is 625

The loan decision score is 625 which is the lowest representative score of all borrowers.

Planet will allow loans **where not all borrowers have a credit score subject to the following:**

- Determine if a "primary borrower" exists. If a primary borrower exists (meets all the requirements below) the loan may proceed without additional documentation. A primary borrower is defined as:
  - The individual who will be occupying the property, and
  - Has more than 50% of the qualifying income, and
  - Meets the minimum tradeline requirements (3 tradelines, each with 12-month history and 1 of the 3 must have been active within the past 24 months).

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 Handbook 4000.1

Positive Rental Payment History

Positive rental payment history refers to the on-time payment by a borrower of all rental payments in the previous 12 months. A rental payment is considered to be on time when it is paid within the month due.

A first-time homebuyer refers to an individual who has not held an ownership interest in another property in the three years prior to the case number assignment. First time homebuyer includes an individual who is divorced or legally separated and who has had no ownership interest in a principal residence (other than joint ownership interest with a spouse) during the three years prior to case number assignment.

The transactions must be submitted to TOTAL Scorecard indicating a positive payment history, provided:

- The transaction is a purchase
- At least one borrower is identified as a first-time homebuyer
- The minimum decision credit score is 620 or greater, and
- At least one borrower has a documented history of a positive rental payment history with monthly payments of $300 or more for the previous 12 months.

To verify the borrower's rental payment history, the Seller must obtain a copy of the executed rental or lease agreement and one of the following:

- Written verification of rent from a landlord with no identity of interest with the borrower,
- 12 months of canceled rent checks,
- 12 months bank or payment service statements documenting rents paid, or
- Landlord reference from a rental management company.

Borrowers renting from a family member must provide a copy of the executed rental or lease agreement and 12 months canceled checks or bank statements to demonstrate the satisfactory rental payment history.

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.
- **Disputed Accounts – Non-Derogatory**
  - Disputed account with a zero balance, or
  - Disputed account with late payments aged 24 months or greater, or
  - Disputed account that is current and paid as agreed.
- **Disputed Accounts ≥ $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) ≥ $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, with the following exceptions:

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
- Borrower cannot prepay scheduled payments to meet the required minimum of three months of payments
- Except for Federal Tax Liens, 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 years unless the following apply.

- If short sale within three years, the mortgage must be downgraded to a "Refer" and manually underwritten
- Three-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 uninsured 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.

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:

- Borrower is current on their existing mortgage, and
- There is insufficient equity in the home based on its current appraised value, and/or
- 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
  - 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 is 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 is 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.
- If < 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:
  - Borrower must have re-established credit
  - No late housing or installment payments after the foreclosure, and
  - A letter of explanation as to the reason for foreclosure.

NOTE: If the foreclosure was included in a Chapter 7 bankruptcy, the date of the foreclosure deed is used for determining the foreclosure date.

Collection/Charge-off/Judgments

- Loans that do not receive a 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.
- 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.

Collections

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 > $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.

All medical collection accounts and all charge-off accounts (medical and non-medical) **are excluded** from the collection/charge-off guidance. All non-medical collection accounts **must be included**.

- **Accounts Cumulative ≥ $2,000**

  One of the following is required:

  - Payment in full prior to or at closing. Source of funds for payoff must be documented, or If borrower currently in a payment plan (no minimum time required), the payoff must be included in the DTI, or
  - If a payment plan not established, calculate 5% of the outstanding balance and include in the DTI calculation.
- **Accounts Cumulative < $2,000**

  No action required. Accounts cannot be paid down to < $2,000.

Charge Off Accounts

Charge off accounts do not need to be included in the borrower's liabilities or debt.

Judgments

Judgments are required to be paid off **including** judgments against a non-purchasing spouse in community property states (unless excluded by state law) **and** medical judgments. The payment requirement may be waived if the borrower is currently in a payment plan with the creditor:

- A copy of the agreement is provided, and
- Borrower has made a minimum 3 months of the scheduled payments as agreed prior to credit approval. Supporting documentation is required.
- Payments must be included in the DTI calculation

NOTE: The borrower **cannot** prepay scheduled payments to satisfy the 3-month requirement.

Down Payment

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* "Identity of Interest" on page 377 for additional requirements.

Down Payment Assistance Program

- Allowed subject to HUD guidelines.
  - Must meet all FHA DPA requirements, and
  - File must document evidence of proper transfer of funds.
  - DPA program administered by a charitable organization such as non-profits must be HUD approved.
  - Gifts from a charitable organization to pay off credit obligation not allowed.

NOTE: *See* HUD Handbook 4000.1 for complete Down Payment Assistance requirements.

DTI

- The debt-to income ratio includes the following:
  - Monthly housing expense, and
  - Additional recurring charges extending 10 months or more, such as
    - Installment accounts,
    - Child support or separate maintenance payments,
    - Revolving accounts, and
    - Alimony
- 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.
- Debts < 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.

See "Manual Underwrites and DTI Maximum" on page 363 for maximum DTI and acceptable compensating factors as required by HUD.

Contingent Liability

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.

Business Debt

- Payments attributed to the borrower's business must be included in the borrower's DTI calculation unless:
  - Documented evidencing that the debt is being paid by the borrower's business
  - The debt was considered in the cash flow analysis of the borrower's business, and the borrower's tax return reflects the business expense related to the obligation, ≥ the amount of payments document as paid out of company funds.

NOTE: Only the interest expense related to the obligation shown on the borrower's tax return will be considered in the cash flow analysis.

- **Corporations (Includes Sub-S and most LLCs):** 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.
  - Debts may be excluded from the DTI, if:

    - A minimum of 12 consecutive most recent canceled checks are provided by the corporation/LLC for payment on the debt, and
    - Documentation is provided showing the corporation/LLC is a borrower on the loan.

- **Sole Proprietorship or Partnership:** 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. 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.

Co-Signed Debt

- 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.
- Personal debt, where the borrower is a co-signer, may be excluded from the DTI if:
  - Documentation is provided verifying another borrower is responsible for the debt, and
  - Copies of the canceled checks (front and back) are provided from the party paying the debt for the most recent 12 consecutive payments, and
  - The credit report indicates the account has no late payments.

Credit Installment/Revolving Accounts

All debts are run through TOTAL to ensure accurate findings.

- **Installment Debt**
  - The Monthly payment shown on credit reports, loan agreement or payment agreement must be used to calculate borrower's liability.
  - 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.
  - Included in the DTI if > 10 months remaining, or
  - Included if ≤ 10 months remaining **AND** payment is > $100.00 and/or at underwriter's discretion
  - Pay down of installment debt to < 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.
- **Revolving Debt**
  - 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 mount may be used for qualifying.
  - Cash-out refinance transactions

- If paid off prior to closing, documentation must be included in the loan file that the account was paid off and closed.
- Payoff must be indicated on the CD
- Closing agent must verify that the account(s) were closed prior to disbursement.

- **Student Loans**
  - Monthly payments must be included in the DTI ratios.
  - If the payment used for the monthly obligation is less than the monthly payment reported on the borrower's credit report, written documentation must be provided to show the actual payment, payment status, and evidence of the outstanding balance and terms from the creditor or student loan servicer.
  - For outstanding student loan, regardless of payment status, the Seller must use:
    - The payment amount reported on the credit report or the actual documented payment, when the payment amount is above $0, or
    - 0.5% of the outstanding balance on the loan, when the monthly payment reported on the borrower's credit report is $0.

Exception: Where a student loan payment has been suspended in accordance with COVID-19 emergency relief, the Seller can use the payment amount reported on the credit report or the actual documented payment prior to suspension, when that payment amount is above $0.

Manual Underwrites and DTI Maximum

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* "PDMDA Mortgages — 203(h)" on page 383 for details).

Detailed compensating factor requirements follows:

Credit Score	Maximum Qualifying Ratios	Acceptable Compensating Factor
500-579 or No Credit Score	31%/43%	Borrowers with a credit score below 580 or no credit score may not exceed 31%/43% ratio.

Credit Score	Maximum Qualifying Ratios	Acceptable Compensating Factor
580 and above	31%/43%	No Compensating Factors required
	37%/47%	One of the following: • Documented cash reserves. • Minimal increase in housing payments. • Residual Income.
	40%/40%	No Discretionary debt
	40%/50%	Two of the following: • Verified and document cash reserves. • Minimal increase in housing payment. • Significant additional income not reflected in effective income, and • Residual income.

Compensating Factors	Requirements

Additional Cash Reserves	• 1 and 2 units: 3 months or more of the total monthly mortgage payment (PITI +MIP)
	• 3-4 units: 6 months or more of the total monthly mortgage payment (PITI+MIP)
	• Retirement accounts (IRA, 401(k), Keogh, etc.) are eligible to satisfy reserve requirements subject to:
	  ▪ Maximum 60% of the vested account, minus any outstanding loan balance (s) may be used. Any funds used for loan settlement must be excluded).
	  ▪ The account allows for withdrawals other than for retirement, death, or employment termination. If not, the funds are ineligible towards reserves.
	The following are **ineligible** to meet reserve requirements:
	• Any cash-back from the cash-out refinance transactions
	• Gift or borrowed funds
	• Equity in other real estate owned

Minimal Housing Increase	Minimal housing increase defined as:

Compensating Factors	Requirements

	• New monthly mortgage payment (PITI+MIP) does not exceed the current housing payment by the lesser of:
	  ▪ $100, **or**
	  ▪ 5% of the current housing payment, **and**
	• Borrower **must have** a documented 12-month housing history; if 12 months' housing cannot be documented the minimal housing increase cannot be used as a compensating factor.
	
	The following applies to the required housing history:
	• Purchase and rate/term refinance transactions; maximum 1x30 in previous 12 months
	• Cash-out transactions: 0x30 in previous 12 months

No Discretionary Debt	May be considered a compensating factor when: • The only 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), **and** • The borrower's credit report indicates established tradelines, open for a minimum of 6 months, in the borrower's name (authorized user accounts not eligible), **and** • The borrower has paid any account balances in full for the previous 6 months (documentation of payment is required).
Additional Income (income that was not used to qualify for the loan)	The following additional income is eligible, if not used for qualification: • Bonus • Overtime • Part-time/seasonal The borrower must be able to document receipt of the income for a minimum of 1 year but < 2 years and is likely to continue **AND** if the income had been used for qualifying the DTI would not be more than 37%/47%. Eligible as follows: • If DTI will not exceed 37%/47% may be used as the only compensating factor; no additional compensating factor required. • If DTI exceeds 37%/47% but is not more than 40%/50% another compensating factor, in addition to additional income, is required.

Compensating Factors	Requirements
	NOTE: Income from anyone not a borrower on the loan may not be used (non-borrowing spouse, domestic partner, etc.)

Residual Income	Eligible subject to VA residual income guidelines (refer to charts).
	• All 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)
	• Residual income is determined by taking the **gross** monthly income of all occupying borrowers and **deducting** the following:
	  ▪ Federal and state taxes, social security
	  ▪ Proposed housing payment
	  ▪ Fixed monthly expenses (revolving/installment debt child support/alimony obligations, childcare expenses, and
	  ▪ Home maintenance costs (calculated at 14¢ per square foot)
	NOTE: Non-taxable income cannot be grossed up to meet residual income requirements.

Residual Income Requirements:

Loan Amounts ≤79,000				
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	$1.003	$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 Identified 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	Idaho	Utah
	Arizona	Montana	Washington
	California	Nevada	Wyoming
	Colorado	New Mexico	
	Hawaii	Oregon	

Employment and Income

- A two-year employment history is required for both wage earners and self-employed borrowers.
- Borrower authorized Third-Party Verification (TPV) is an acceptable option per HUD Handbook 4000.1 guidelines.
- Re-verification is required within 10-calendar days prior to the date Note date.

- 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.

COVID-19 Related Economic Event refers to temporary loss of employment, temporary reduction of income, or temporary reduction of hours worked during the Presidentially-Declared COVID-19 National Emergency.

Salary Income

For employees who are salaried and whose income has been and will likely be consistently earned, the current salary must be used to calculate effective income.

Hourly Income

For employees who are paid hourly and whose hours do not vary, the borrower's current hourly rate must be used to calculate effective income. For employees who are paid hourly and whose hours vary, the average of the income over the previous two years must be used. If an increase in pay rate can be documented, the most recent 12-month average of hours at the current pay rate can be used.

Exception Due to COVID-19 Related Economic Event: For borrowers that are paid hourly and the hours do not vary, the current hourly rate must be used to calculate effective income. For employees who are paid hourly and whose hours vary, the lesser of the following must be used to calculate effective income:

- The average of the income using the standard hourly income calculation for the time period prior to the COVID-19 Related Economic Event, or
- The average of the income earned since the COVID-19 Related Economic Event.

Employed Borrowers

- A current paystub with YTD income of at least one month, and W-2s for prior 2 years or per TOTAL Scorecard
- A borrower who has returned to work after an extended absence (6 months or more) will be allowed to use their current income if:
  - The borrower has been employed in their current job for 6 months or longer, and
  - 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).

Part-Time Employment

The borrower must have worked a part-time job uninterrupted for the past 2 years and the current position must be reasonably likely to continue. The income must be averaged over the previous 2 years. If an increase in pay rate can be documented, the most recent 12-month average of hours at the current pay rate can be used.

Exception Due to COVID-19 Related Economic Event: For borrowers that are paid hourly, and the hours do not vary, the current hourly rate must be used to calculate effective income. For borrowers that are paid hourly, and the hours vary, the lesser of the following must be used:

- The average of the income using the standard part-time income calculation for the time period prior to the COVID-19 Related Economic Event, or
- The average of the income earned since the COVID-19 Related Economic Event.

Overtime, Bonus, or Tip Income

The borrower must have received the income for the past 2 years and it must be reasonably likely to continue. If the income has been received less than 2 years, but not less than 1 year, the income can be used if it has been consistently earned and is reasonably likely to continue. The lesser of the following must be used to calculate effective income:

- The average income earned over the previous 2 years, or if less than 2 years, the length of time the income has been earned, or
- The average income earned over the previous year.

Exception Due to COVID-19 Related Economic Event: The income must be calculated using the lesser of the following:

- The average of the income using the standard part-time income calculation for the time period prior to the COVID-19 Related Economic Event, or
- The average of the income earned since the COVID-19 Related Economic Event.

Commission Income

The borrower must have received the income for the past year in the same or similar line of work, and it must be reasonably likely to continue. The lesser of the following must be used to calculate the income:

- Either the average commission income earned over the previous 2 years for commission income earned for 2 years or more, or the length of time the income has been earned if less than 1 year, or
- The average income earned over the previous year.

Exception Due to COVID-19 Related Economic Event: The income must be calculated using the lesser of the following:

- The average of the income using the standard commission income calculation for the time period prior to the COVID-19 Related Economic Event, or
- The average of the income earned since the COVID-19 Related Economic Event.

Employed by Family Business

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:

- Copies of signed personal tax returns, or
- Signed copies of the corporate tax returns showing ownership percentage

Exception Due to COVID-19 Related Economic Event: For borrowers that are salaried, and the income is likely to continue, the current salary must be used to calculate the income. For borrowers that are paid hourly, and the hours do not vary, the current hourly rate must be used to calculate the income. For borrowers that are paid hourly and the hours vary, the lesser of the following must be used:

- The average of the income using the standard hourly income calculation for the time period prior to the COVID-19 Related Economic Event, or
- The average of the income earned since the COVID-19 Related Economic Event.

Marijuana/Cannabis

- Income derived from employment in the marijuana or cannabis industry is not an eligible source of income, regardless of state law.

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 recommendations, 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.

Exception Due to COVID-19 Related Economic Event:

- Self-employment income can be considered if the borrower has a self-employment history before and after the COVID-19 Related Economic Event totaling 2 years.
    - If the borrower has a self-employment history before and after the COVID-19 Related Economic Event totaling between 1 and 2 years, the income can only be considered if the borrower was previously employed in the same line of work for which the borrower is self-employed or in a related occupation for at least 2 years.
    - For self-employed borrowers with a COVID-19 Related Economic Event that have since regained income at a level less than 80% of their income prior to the COVID-19 Related Economic Event, the loan must be downgraded and manually underwritten.
- For self-employed borrowers with a reduction of income due to a COVID-19 Related Economic Event, the following documentation must be obtained in addition to standard documentation:
    - Letter of explanation for the time period of income loss or reduction,
    - The borrower's business tax returns for the most recent 2 years, and
    - Either of the following:

- An audited YTD P&L statement reporting business revenue, expenses, and net income up to and including the most recent month preceding the case number assignment, or
- An unaudited YTD P&L statement signed by the borrower reporting business revenue, expenses, and net income up to and including the most recent month preceding the case number assignment date, and 3 of the most recent bank statements no older than the latest 3 months represented on the YTD P&L statement. Monthly deposits on the business bank statements must support the earnings on the unaudited YTD P&L.

- For self-employed borrowers with a COVID-19 Related Economic Event that have since regained income at a level greater than or equal to 80% of their income prior to COVID-19 Related Economic Event for a minimum of 6 months, the lesser of the following must be used to calculate the income:
  - The average gross self-employment income earned over the previous 2 years prior to the COVID-19 Related Economic Event, or
  - The average gross self-employment income earned over the previous 6 months after the COVID-19 Related Economic Event.

Gaps in Employment or Reduction if Income Due to COVID-19 Related Economic Event

Non-Self-Employment Income:

- For Borrowers with gaps in employment, reduction of income, or reduction of hours due to a COVID-19 Related Economic Event, the borrower's income calculated in accordance with the Exception Due to COVID-19 Related Economic Event for the applicable income type can be considered if the following can be verified and documented:
  - The borrower has been employed in the current job or same line of work for at least 1 month at the time of the case number assignment, or
  - The borrower has been employed in a different job or line of work for at least 6 months at the time of the case number assignment, and the borrower has a total 2-year work history prior to the case number assignment excluding any gaps in employment, using traditional or alternative employment verification.
- A written a VOE identifying the time period of temporary loss of employment, temporary loss of income, or temporary loss of hours must be obtained.

For self-employment income:

- For borrowers with gaps in self-employment, reduction in income, or reduction of hours due to a COVID-19 Related Economic Event, the months where the business was closed or the income was reduced can be excluded when calculating effective income. The total time period of the borrower's self-employment must still meet the minimum length of self-employment.

Projected Income from New Job

Projected income from a new job that the borrower is scheduled to start is eligible subject to the following:

- Written verification and documentation of existence and amount of expected income required from employer.
- Borrower must be scheduled to start the new position within 60 days of loan closing.
- 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 will be provided as soon as received by the borrower.

Rental Income

<u>Subject Property - 2–4-unit dwellings or 1-4-unit investment property</u>

- Limited or No History of Rental Income
  - Where the borrower does not have a history of rental income from the subject property since the previous tax filing
    - 2-4 units: The rental income must be documented and verified by obtaining an appraisal, Fannie Mae Form 1025/Freddie Mac Form 72, *Small Residential Income Property Appraisal Report*, showing the fair market rent and, if available, the prospective leases.
    - 1-unit: The proposed rental income must be documented and verified by obtaining a Fannie Mae Form 1004/Freddie Mac Form 70, *Uniform Residential Appraisal Report (URAR)*; Fannie Mae Form 1007/Freddie Mac Form 1000, *Single Family Comparable Rent Schedule*; and Fannie Mae Form 216/Freddie Mac Form 998, *Operating Income Statement*, showing fair market rent and, if available, the prospective lease.
- History of Rental Income
  - Where the borrower has a history of rental income from the subject property since the recent tax filing, the Seller must verify and document the existing rental income by obtaining the borrower's most recent tax returns, including Schedule E from the previous 2 years.
  - For properties with less than 2 years of rental income history, the Seller must document the date of acquisition by providing the deed, Closing Disclosure, or similar legal document.
- Calculation of effective income.
  - The net subject property rental income must be added to the borrower's gross income to calculate effective income. The borrower's total mortgage payment cannot be reduced by the net subject property rental income.
  - Limited or No History of Rental Income
    - The lesser of:

- The monthly operating income reported on Fannie Mae Form 216/ Freddie Mac Form 998, or
- 75% of the lesser of:
  - Fair market rent reported on the appraisal, or
  - The rent reflected in the lease or other rental agreement

- History of Rental Income
  - Use the average of the rental income shown on Schedule E.
  - Depreciation, mortgage interest, taxes, insurance and any HOA dues shown on Schedule E may be added back to the net income or loss.
  - If the property has been owned for less than 2 years, the rental income must be annualized for the length of time the property has been owned.

Rental Income Received from the Subject Property One-Unit with an Accessory Dwelling Unit (ADU)

- The amount of rental income from an ADU cannot exceed 30% of the totally monthly effective income used to qualify the borrower. A renter of an ADU is not a boarder.
- The Seller must verify and document the proposed Rental Income from the ADU by obtaining a Fannie Mae Form 1004/Freddie Mac Form 70, URAR, and a Fannie Mae Form 1007/Freddie Mac Form 1000, Single Family Comparable Rent Schedule, showing fair market rent and, if available, the prospective leases.
- Two months of PITI reserves is required to be verified and documented.
- If the subject property is a 1-unit with an ADU, rental income from the ADU cannot be used as effective income to qualify for a cash-out refinance.

Other Rental Income

- Rental income from other real estate holdings may be considered effective income.
- Rental income being derived from the property being vacated by the borrower, the borrower must be relocating to an area more than 100 miles from current principal residence.
- A lease agreement must be obtained of at least one year's duration after the mortgage is closed and evidence of the payment of the security deposit or first month's rent.

See HUD Handbook 4000.1 for complete rental income requirements.

Financed Properties

Planet will purchase a maximum of five loans to one borrower with an aggregate loan amount up to $2.5M.

HUD Real Estate Owned

*This section is Specific to the **HUD Real Estate Owned** including the **Good Neighbor Next Door** and **$100 Down** Sales programs. For any topic not covered in this section, see HUD Handbook 4000.1.*

A HUD Real Estate Owned (REO) Property refers to a 1-4 units residential property acquired by HUD as a result of a foreclosure or other means of acquisition on an FHA insured mortgage. HUD REO properties are eligible for purchase under:

- Section 203(b)
  - Property meets HUD's Minimum Property Requirements (MPR) in its as-in condition.
- Section 203(b) with Repair Escrow
  - **Ineligible with Good Neighbor Next Door and $100 Down transactions.**
- Section 203(k)
  - Property does not qualify for Section 203(b) or Section 203(b) with Repair Escrow and is eligible for FHA-insured financing only under Section 203(k).

Occupancy

The borrower must occupy the property as his/her primary residence and obtain FHA-insured financing under Section 203(b) or Section 203(k). **Investment properties are not eligible for purchase by Planet Home Lending**.

Special HUD REO Sales Incentives

Good Neighborhood Next Door (GNND)

The GNND sales incentive permits an owner-occupant borrower who is a full-time Law Enforcement Officer, Teacher, Firefighter or Emergency Medical-technicians who meet HUD's requirements to purchase a specifically designated HUD REO property, located in a HUD-designated revitalization area with FHA-insured financing at a 50% discount from the purchase price.

When using FHA-insured financing, the borrower may purchase the HUD REO property with a minimum down payment of $100. In addition, the borrower may include in the mortgage amount customary and reasonable closing costs.

<u>Eligible Borrower(s)</u>

At the time the bid is submitted and at the time of closing, the borrower must be employed full-time as a Law Enforcement Officer, Teacher or Firefighter/EMT.

- Law Enforcement Officer

  - Must be employed by a law enforcement agency of the federal government, a state, a unit of local government, or an Indian tribal government, and
  - Sworn to uphold, and make arrests for violations of federal, state, tribal, county, township, or municipal laws.
- Teacher
  - Must be an employee of a state-accredited public or private school providing direct service to students in grades pre-K through 12.
  - Must serve in the area where the property is located.
- Fire Fighter/Emergency Medical Technician
  - Must be employed by a fire department or emergency medical services responder unit of the federal government, a state, unit of general local government, or an Indian tribal government, and
  - Must serve the area where the property is located

All buyers must certify to the good faith intention to continue employment as a law enforcement officer, teacher or firefighter/EMT for at least one year after the date of closing.

<u>$100 Down</u>

The $100 Down sales incentive permits a Borrower to purchase a HUD REO property FHA-insured financing with a minimum down payment of $100.

<u>Sales Contract</u>

Sellers must obtain form HUD-9548, *Sales Contract Property Disposition Program*, and any applicable addenda, which will establish the purchase price, price discount, and eligibility for GNND, eligibility for $100 Down and meet the requirements for Sales Contract.

Line 4 of the Sales Contract must specify the program under which the borrower is applying the down payment and the mortgage amount.

The Seller must determine the eligibility of the property, the eligibility of the borrower and the specific insured HUD REO Purchase Program that must be used to finance the purchase. When the borrower has been approved for the $100 Down sales incentive, the amount of the cash down payment on Line 4 will be $100.

Line 5 will specify the amount of closing costs that HUD will pay for on behalf of the borrower. Contributions by HUD toward the borrower's closing costs are not defined as Interested Party Contributions or Inducements to Purchase.

Identity of Interest

Defined as the purchase of a primary residence between parties with a family or business relationship/business affiliates.

- The maximum LTV for an identity of interest transaction is 85%
- For the purpose of Identity of Interest transactions, family member is defined as follows, regardless of actual or perceived sexual orientation, gender, identity, or legal marital status:
  - Child (son/stepson, daughter/stepdaughter)
  - Parent or grandparent (stepparent/grandparent or foster parent/grandparent)
  - Spouse
  - Legally adopted son or daughter, including a child who is placed with the borrower by an authorized agency for legal adoption
  - Foster child
  - Brother/stepbrother
  - Sister/stepsister
  - Aunt or Uncle
- If the property being sold between family members is the seller's investment property, the maximum mortgage is the lesser of:
  - 85% of the appraised value, or
  - The appropriate LTV factor applied to the sales prices, plus or minus required adjustments.

See HUD Handbook 4000.1 for a complete list of acceptable family members.

Exceptions to the maximum LTV for Identity of Interest Transactions

FHA will allow financing above 85% in specific circumstances as detailed below:

- A family member purchases another family member's home as a principal residence.
- 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.
- An employee of a builder purchases one of the builder's new homes or models as a principal residence
- A Corporation:
  - Transfers an employee to another location
  - Purchases the employee's home, and
  - Sell the home to another employee.

Impound Account

Required on all loans — no exceptions.

Inspections (Well/Septic/Termite)

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.

- Septic inspections are required when:
  - Appraiser indicates there is evidence the septic system may be failing, or
  - Property is new construction, or
  - Mandated by state or local jurisdiction, or
  - Customary to the area
- Termite inspections are required when the purchase contract requires one, or the appraiser indicates there is evidence of active infestation.
- Well inspections are required when state or local regulations require, or if there is indication the well may be contaminated.

Manufactured Homes

Eligible Properties

- The manufactured home must be:
  - 1-unit, multi-wide dwelling
  - Built and remain on a permanent chassis
  - Classified as real estate
  - Designed to be used as a dwelling with a permanent foundation built to FHA criteria
  - Existing or New construction
  - HUD REOs
  - PUDs
  - The home must not have been installed or previously occupied at any other site or location.
- Minimum 400 square feet of gross living area
- Properties located in a 100-year Flood Zone must evidence a FEMA National Flood Insurance Program (NFIP) Elevation Certificate (FEMA Form 086-0-33), that documents that the lowest floor (including the basement) of the residential building and all related improvements/equipment essential to the value of the Property, is built at or above the 100-year flood elevation in compliance with the NFIP

criteria.

- File must evidence that the flood elevation certificate is prepared by a licensed engineer or surveyor and completed based on finished construction.
- 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.
- Running Gear and towing hitch must be removed
- 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.
- Utility hook-ups (electrical, gas, water, sewage, etc.) for manufactured homes are subject to HUDs standard guidelines regarding utilities.
- Fixed Rate and ARM

Manufactured Homes Titled as a Condo

- Must be part of a condo project, provided the project meets all applicable FHA requirements.
- Processing subject property as a site condo is not allowed.
- Condo projects must:
  - Be processed under the HRAP option, and
  - Comply with the general FHA Condominium Project Approval requirements.
- Form HUD-9992 must be used for submission to FHA.

Ineligible Properties

- 2-4 units
- **Leaseholds**
- **Singlewide**

Documentation

- A HUD certification label is required. If the label is missing a Label Verification Letter from the Institute for Building Technology and Safety (IBTS) is required.
- 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.

Appraisal Requirements

- 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
- If any additions or alteration have been made to the home, they must be addressed in the foundation certification. If additions or alterations are not addressed the following is required:
  - An inspection by a state agency that inspects manufactured homes for compliance, or
  - Certification of the structural integrity from a licensed structural engineer if the state does not employ inspectors
- Information on the HUD Data Plate, which is affixed to the interior of the property, must be included in the appraisal:
  - Manufacturer name
  - Serial number
  - Model number
  - Date of manufacture, and
  - Wind, roof load, and thermal zone maps

NOTE: If the Data Plate is missing or the appraiser is unable to locate it, the appraiser must indicate that on the appraisal report; the appraiser is not required to obtain this information from another source, the Seller must obtain the information from IBTS.

- Any deficiencies must be disclosed on the appraisal and additional inspections completed as applicable.

Flood Zone

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:

- 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
- 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
- Flood elevation certification - the appraiser must indicate property is in a flood hazard area on the appraisal report.

See HUD Handbook 4000.1 for complete Manufactured Housing Guidelines. For topics not covered in the section, *see* FHA Standard Program Guide in the Seller guide.

Mortgage/Rental History

Mortgage history must be verified for the previous 12 months if it does not appear on the credit report.

- Rental payment history may be verified as follows per TOTAL Scorecard
  - Copies of canceled rent checks
  - A direct verification of rent (VOR) received directly from the landlord (for landlords with no Identity of Interest with the Borrower), or
  - Copies of money orders
- Mortgage must be current for the month closing.
- Mortgage pay history < 6 months, requires downgrade to manual underwrite.
- Cash-out transactions require the Borrower to have made all payments for all Mortgages within the month due for the previous 12 months or since the Borrower obtained the Mortgages, whichever is less.
- 0x30 in the previous 12 months on loans downgraded to a manual underwrite.
- 1x30 in the previous 12 months may be eligible on purchase or rate/term refinance transactions for extenuating circumstances at underwriter discretion.

Multiple FHA Loans

- 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.
- More than one FHA loan is allowed under very specific circumstances as detailed below.
  - Relocations
    - Borrower is relocating and establishing residency more than 100 miles from his/her current primary residence.
    - Relocating for employment related reasons
  - Increase in Family Size (Dependents)
    - 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
    - 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.
  - Vacating a Jointly Owned Property
    - The residence will remain occupied by a co-borrower

- Non-Occupying Co-Borrower
    - 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

New Construction Documentation Requirements

Maximum financing to 96.5% is allowed. New Construction of Manufactured Housing is eligible. LTV is limited to 90% unless the property:

- Meets HUD Pre-Approval Requirements as follows:
    - The Property was appraised and the Mortgagee issued form HUD-92800.5B, *Conditional Commitment Direct Endorsement Statement of Appraised Value*, before construction started, **AND**
    - A building permit or its equivalent has been issued by a local jurisdiction (not applicable to Manufactured Housing), **OR**
    - The Mortgagee issued an Early Start Letter.

The following documentation is required for new construction:

- Builders Certification of Plans, Specifications and Site (HUD-92541)
- Wood Infestation Report, unless the property is in an area of no-to-slight infestation as indicated on HUD's 'Termite Treatment Exception Areas' list
    - *Subterranean Termite Protection Builder's Guarantee* (HUD-NPMA-99-A
    - *New Construction Subterranean Termite Service Record* (HUD-NPMA-99-B) when the soil is treated with a termiticide
- Well water analysis and/or Septic report from local Health Authority where required by local jurisdictional authority.
- Inspections required:
    - LTV ≤ 90%: Final inspection or appraisal showing the property is 100% complete
    - Maximum financing: inspections required per FHA guidelines
- Warranty of Completion of Construction (HUD 92544) required
- Under Construction:
    - Building permit and Certificate of Occupancy (or equivalent); or
    - A 10-year warranty and final inspection issued by the local authority with jurisdiction over the Property or an ICC Certified Residential Combination Inspector (RCI) or Combination Inspector (CI).
- Existing for Less than One Year (100% Complete)
    - Copies of the building permit and CO (or equivalent); or
    - A 10-year warranty and final inspection issued by the local authority with jurisdiction over the

Property or an ICC Certified Residential Combination Inspector (RCI) or Combination Inspector (CI).; or

- An appraisal evidencing Property is 100 percent complete.

Occupancy

- Owner-occupied primary residence
- HUD-approved second homes.

PDMDA Mortgages — 203(h)

NOTE: This section is specific to 203(h) guidelines.

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.

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.

The borrower is not required to make the Minimum Required Investment (MRI).

LTV

Maximum LTV 100% of Adjusted Value

Refinance

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.

AUS

DU Approve/Eligible or LPA Accept/Eligible. Manual underwriting permitted.

Borrower Eligibility

- FHA case number must have been assigned within one year of the PDMDA declaration, unless an additional period of eligibility is provided.
- Primary residence only
- Minimum credit score 500
- Previous Residence documentation:

  - Borrower's previous residence, owned or rented, was in the disaster area
  - Property was destroyed or damaged to such an extent that reconstruction or replacement is necessary, and
  - Proof of damage to the previous house must accompany the mortgage application.
- For purchase transactions, the property does not have to be in the area where the previous house was located and where the disaster occurred.

Underwriting - Special Consideration

Seller is required to make every effort to obtain traditional documentation regarding employment, assets and credit and must document all attempts.

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.

Assets

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.

Credit

Borrower with derogatory credit may be considered a satisfactory credit risk if:

- The credit report indicates satisfactory credit prior to a disaster, and
- Any derogatory credit subsequent to the date of the disaster is related to the effects of the disaster.

Income

W-2s and tax returns will be accepted from the IRS to confirm prior employment/Income when:

- Income/employment records have been destroyed by a disaster, and
- Borrower is in the same and/or similar field of work.

Income from Short-term employment obtained after the disaster is acceptable and may be included as qualifying income.

Liabilities

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:

- Ensure the borrower is working with servicing mortgagee to address mortgage obligations, and
- Insurance proceeds from the damaged property must be applied to the mortgage of the damaged house.

Payment History

Seller may disregard any late payments on a previous obligation on PDMDA properties when:

- Late payments are a result of destroyed or damaged property, and
- Borrower is not three or more month's delinquent on mortgage at time of the disaster.

The Seller may justify approval if the borrower was 3 or more months delinquent if extenuating circumstances are documented in the file.

Eligible Property

- Single Family Residence
- FHA approved Condo

Power of Attorney

The following requirements apply to all transactions when a Power of Attorney (POA) is utilized:

- Use of the POA must meet all applicable state, federal, and agency guidelines.
- The attorney-in-fact must be an eligible person (the following are examples of ineligible persons: real estate agent, seller or a person related to the seller, any employee of the lender, any employee of the title company, title agent or settlement agent, or any other party with a financial interest in the transaction (other than a relative of the borrower).
- The POA must be signed and notarized.
- A trustee of a trust cannot sign using a POA.

Prepayment Penalty

Not permitted.

Products

- Fixed Rate: 15-, 20-, 25-, and 30-year
- ARM: 3/1 and 5/1 1-Year CMT index
  - Caps: 1/1/5
  - Margin/Floor: 2.00
  - Qualified at Note rate

See "PDMDA Mortgages — 203(h)" on page 383 for restrictions.

Property Eligibility

Eligible Properties

- Single-family residences
- 2-4 units
- PUDs (attached/detached). PUDs do not require a questionnaire/warranty form.
- Condominiums. Must be in an FHA approved project (HRAP approval **only**) and the approval must be valid when case number is issued.
- Leaseholds
- Manufactured Houses classified as real property
- 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.
- Mixed use subject to:
  - Property must conform to residential nature of the neighborhood, and
  - Commercial use cannot exceed 49% of the gross living area
- Rural properties. Property must meet HUD guidelines and be accessible from a publicly maintained road and have adequate sewage, water, and utilities.
- 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 **one** of the following:
  - Copy of the hazard insurance declaration page with no mortgagee listed, or
  - Copy of the MERS report for the property showing no mortgage listed, or
  - Copy of the Data Verify report showing no mortgage listed.

Ineligible Properties

- Builder bailout properties
- Commercial Property
- Condo Hotels (projects managed or operated as hotel/motel, hotel/motel conversions
- Farms, orchards, ranches
- Income producing properties (adult care facilities, bed & breakfast, boarding house, etc.)
- Kiddie condos
- Manufactured homes on leased land (Leasehold)
- Manufactured homes that include an accessory unit

- Manufactured/mobile homes (any property that has wheels, axles, towing hitch, etc.)
- Multi-family dwellings > 4 units
- New Construction of Manufactured Houses/Mobile homes (any property that had/has wheels, axles, towing hitch, etc.)
- Non-FHA approved condominium projects (DELRAP approvals ineligible)
- Cooperative projects
- Properties located in the Hawaiian Islands in Lava zones on one or two Properties on tribal land
- Tax-sheltered syndications
- Timeshares
- Unimproved land
- Unique properties (geodesic domes, earth berm homes, log homes, etc.)

Condominiums

Condominium projects approved under HUDs HRAP or DELRAP process are permitted. Properties must also meet the Site Condo requirements. *See* HUD Handbook 4000.1 for complete details. Project Approval is not required on the following transaction types:

- Real Estate Owned (REO) transactions
  - Single Unit Approval not required
  - If the Unit is in a Condominium Project that has an FHA Condo ID, file must evidence the FHA Condo ID when the FHA case number is requested.
- Streamline Refinances
  - Condo Project Approval or Single unit approval not required
  - If the Unit is in a Condominium Project that has an FHA Condo ID, file must evidence the FHA Condo ID when the FHA case number is requested.

The file must evidence the following for individual units located in a Project or legal phase:

- Confirmation of Project Approval status, and
- Confirmation that the project is on the FHA Condo Project approval list at the time of case number assignment
- The FHA Condo ID must be entered into the Federal Housing Administration Connection (FHAC) Case assignment screen.

Occupancy

- 35% of total number of units required and documented.
- No more that 15% of occupied units in arrears for no more than 60 days. Late fees or special assessments not included. Arrears documentation must be evident in the file.
- Multiple units allowed for single owner or related party.

- ≥ 20 units allowed per owner.
- Ownership concentration ≤ 10%.
- Multiple units are not allowed when the Condo Project has less 20 units

New Construction

Permitted and must comply with FHA's Project Approval process.

NOTE: *See* HUD Handbook 4000.1 for complete details.

Condominium Project Approval

- Single Unit Approval
  - Must not be on the FHA approved Condo Project list at time of case number assignment.
  - Total Scorecard of "Accept" or 90% LTV required.
  - File must evidence certificate of occupancy (COE)
    - issued at least 1 year ago, or
    - property has been occupied.
  - At least 5 units required.
  - Manufactured Homes not permitted
  - Project is not located in an Approved Condo Project
  - Project is not located in an unapproved phase of a Condo Project with an approved legal phase eligible properties
- Site Condominiums
  - A condominium project that consists entirely of single family detached dwellings that have no shared garages or any other attached building, OR
  - A condominium project that:
    - Consists of a single family detached or horizontally attached (townhouse) dwellings where the unit consists of the dwelling land;
    - Does not contain any manufactured home units; and
    - Is encumbered by a declaration of condominium covenants or a condominium form of ownership.
      - Site condominiums do not require Condominium Project Approval or Single-Unit approval.
      - The unit owner must be responsible for all insurance and maintenance costs, excluding landscaping,
      - The appraiser must report the appraisal on Fannie Mae Form 1073/ Freddie Mac

Form 465, Individual Condominium Unit Appraisal Report.

- Owner Occupancy must ≥ 50% of the total number of units.
- Insurance concentration must be > 10% of the total units in a Condo Project, otherwise the issuance of a new case number may be suspended.
- Recorded documents must be in compliance with all applicable state and local laws. recorded documents.
- Recorded CC&Rs must be evidenced in the file.

NOTE: *See* HUD Handbook 4000.1 for complete details.

Property Flips

Property Re-Sold 91 to 180 Days from Acquisition

- 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 < 100%. The borrower cannot be charged for the second appraisal.
  - If the second appraisal supports a value of the property that is more than 5% lower than the value of the first appraisal, the lower value must be used as the property value in determining the adjusted value.
- 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.

Property Flip Exemptions

The following sellers are exempt from FHA's property flipping rules:

- HUD, VA, FNMA, FHLMC and other Government Agencies
- Banks and/or mortgage companies
- Properties acquired through inheritance
- Relocation firms
- Properties acquired by non-profits under agreements with state/local government agencies
- Builders selling a new built (i.e., not previously occupied) home.
- Properties within PDMDA's, only upon issuance of notice of an exemption from HUD.

Seller Contribution (Interested Party)

- Seller and other interested party contributions are limited to 6% of the sales price
- 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:

- Contributions exceeding 6% of the sales price
- Contributions exceeding the actual costs of prepaid expenses
- Discount points and other financing concessions
- Decorating allowances
- Moving costs
- Repair allowances, and
- Other costs as determined by the applicable Homeownership Center (HOC).

- 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:
  - The funds must be treated as an inducement to purchase, and
  - There must be a dollar-for-dollar reduction to the sales price when calculating the maximum insurable mortgage.

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.

Subordinate Financing/Secondary Financing

- Maximum CLTV is unlimited when subordinate Financing is provided by the following:
  - Government Entities
  - HUD Approved Nonprofits
  - HOPE Grantees
- Family Members; CLTV limited to 100%
- Private Individuals and Other Organizations; CLTV limited to applicable LTV limit.

See HUD Handbook 4000.1 and search Secondary Financing.

Temporary Buydown

2/1 and 1/0 buydowns allowed

- An escrow for temporary interest rate buydowns must be established.
- Fixed Rate Loans only; ARMs are ineligible
- Acceptable AUS required; Manual underwrite ineligible
- Purchase transactions only; Refinance ineligible
- The terms of the buydown are limited to 2% for the first year and 1% for the second year for a 2/1

buydown, and 1% for the first year for a 1/0 buydown.

- Scheduled reductions in the payments must occur annually.
- Borrower must be qualified at the note rate
- Financing contribution limits apply.

Interested Party Contribution (IPC)

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.

Calculating Total Mortgage Payment

The Seller must use the Note rate when calculating principal and interest for mortgages that involve a temporary interest rate buydown.

Documentation

Seller is responsible for delivering an executed buydown agreement with closing package. Unapplied buydown funds will be netted from the purchase of the loan.

Not permitted on refinance transactions.

Transaction Types

Eligible Transactions

- 1031 Exchange subject to HUD guidelines
- 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
- Cash-out
- Land contracts subject to HUD guidelines
- Limited cash-out refinance (rate/term)
- Purchase. The assignment of a purchase contract is not allowed
- Simple Refinance
- Property flips, transactions involving a property being re-sold > 90 days of previous acquisition. *See* "Property Flips" on page 389 for exceptions.
- HUD REO purchases including GNND and $100 down transactions.

Ineligible Transactions

- Community Land Trusts
- FHA Energy Efficient Mortgage (EEM)
- FHA Secure
- FHA Section 8 loans
- Hope for Homeowners
- Non- HUD approved secondary residences and investment transactions
- Texas 50(a)(6)

Cash-Out Refinance

- The mortgage amount must be used to pay the current unpaid principal balance of the existing 1st lien and may also be used to pay closing costs, points, prepaids, subordinate mortgage liens and provide additional cash to the borrower.
- Maximum LTV/CLTV is 80%:
  - If owned < 12 months, the lesser of the original sales price or the appraised value
  - If owned > 12 months, use the current appraised value
- No seasoning requirement on the subordinate lien(s).
- Mortgage payment history:
  - For all mortgages on all properties with less than six months of mortgage payment history, the applicant must have made all payments within the month due.
  - For all mortgages on all properties with greater than six months history, the applicant must have made all mortgage payments within the month due for the six months prior to case number assignment and have no more than one 30-day late payment for the previous six months for all mortgages.
- Properties owned free and clear are eligible for cash-out.
- Co-borrowers and co-signers cannot be added to the Note to meet underwriting guidelines.
- 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. If the property is a manufactured home, it must have been permanently installed on a site for more than 12 months prior to the case number assignment.

Rate/Term (No Cash-Out)

- Permitted on owner-occupied primary residence and HUD-approved secondary residences.
- Mortgage payment history:
  - For all mortgages on all properties with less than six months of mortgage payment history, the applicant must have made all payments within the month due.
  - For all mortgages on all properties with greater than six months history, the applicant must

have made all mortgage payments within the month due for the six months prior to case number assignment and have no more than one 30-day late payment for the previous six months for all mortgages.

- 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:
  - For all mortgages on all properties with less than six months of mortgage payment history, the applicant must have made all payments within the month due.
  - For all mortgages on all properties with greater than six months history, the applicant must have made all mortgage payments within the month due for the six months prior to case number assignment and have no more than one 30-day late payment for the previous six months for all mortgages.
- Maximum LTV/CLTV
  - 97.75% max LTV on owner occupied
  - 85% for HUD-Approved Secondary Residence.

FHA Streamline Conforming and High Balance Program Grid

FIXED RATE & ARM Primary Residence and Investment				
Transaction Type	**Units**	**LTV/CLTV**	**Loan Amount**[1,2]	**Credit Score**
Streamline-Owner Occupied	1-4	N/A / N/A	FHA Limit	N/A
Streamline-Second Home	1-4	N/A / N/A		
Streamline-Investment Property	1-4	N/A / N/A		

Footnotes:

1. *See* "Maximum Loan Amount" on page 406 for FHA Streamline Refinances and Investment Property Streamline Refinance.
2. FHA mortgage limits for all areas are available at FHA Mortgage Limits.

Complete HUD guidelines can be found at HUD Handbook 4000.1.

Mortgage Insurance Premium Factors				
Mortgage Term > 15 Years				
Loan Amount	**LTV**	**Annual MIP**	**Upfront MIP**	**Annual MIP Assessment Period**
≤$625,500	≤90%	0.50%	1.75	11 years
	>90% ≤95%	0.50%		Life of loan
	>95%	0.55%		Life of loan
>$625,500	≤90%	0.70%		11 years
	>90% ≤95%	0.70%		Life of loan
	>95%	0.75%		Life of loan
Mortgage Term < 15 Years				
Loan Amount	**LTV**	**Annual MIP**	**Upfront MIP**	**Annual MIP Assessment Period**

Mortgage Insurance Premium Factors				
≤$625,500	≤90%	0.15%	1.75	11 years
	>90%	0.40%		Life of loan
>$625,500	≤78%	0.15%		11 years
	>78% ≥90%	0.40%		11 years
	>78% ≤90%	0.65%		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%		Life of loan
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 Conforming and High Balance Program Guidelines

For topics not addressed in this guide, see "FHA Conforming and High Balance Program Guidelines" on page 336 **and the HUD Handbook 4000.1.**

4506-C

- Credit Qualifying
  - Tax transcripts, are required per AUS findings or can be obtained in lieu of W-2 or tax returns both personal and business
  - 4506-C must be signed by all borrowers at loan closing.
- Non-Credit Qualifying
  - Not required

Ability to Repay/Qualified Mortgage

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:

- Compliance findings validating a pass of ATR
- Compliance findings validating a pass of QM, where applicable
- Automated Underwriting System (AUS) approval, where applicable
- Evidence of manual approval, where applicable
- Underwriting Analysis (e.g., Final 1008/Loan Transmittal, VA Loan Analysis, FHA Transmittal Summary)
- Income Worksheet

Additionally, all disclosures and documentation required under the ATR/QM provisions of the Dodd-Frank Act must be provided.

The Seller will comply with the verification standards of the applicable agency Seller's Guide.

- Sections II.A.1 and II.A.4-5 of the Federal Housing Administration's Single Family Housing Policy Handbook.

Affidavit of Identity

See **FHA Conforming and High Balance Program Guidelines** "Affidavit of Identity" on page 336.

Appraisals

Not required.

Assets

- Credit Qualifying
  - Standard asset verification required. *See* HUD Handbook 4000.1 for complete details.
- Non-Credit Qualifying
  - Asset verification not required unless assets required for closing is in excess of the total mortgage payment of the new mortgage.

Reserves

- Credit Qualifying:
  - 1-2 units - 1-month PITI required
  - 3-4 units - 3-months PITI required
- Non-Credit Qualifying: Not required

AUS

Not applicable. All Streamlines require manual underwrite.

The mortgage may be scored through TOTAL Mortgage Scorecard, but the findings are invalid.

Available Markets

- **Delegated Sellers**

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

- **Non-Delegated Sellers**

  Planet will purchase loans from the non-delegated Sellers in all states on FHA products. **All** loans require Planet underwriting approval.

- Sellers must receive approval from Planet to deliver loans with properties located in Puerto Rico.
- The U.S. territories of Guam and the Virgin Islands are ineligible regardless of delegation.

Borrower Benefit

All Streamline transactions **must** have a net tangible benefit to the borrower. Net tangible benefit requirements are as follows:

FROM	TO		
	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% points 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	Rate must not be > 2% points above the prior Combined Rate.	Rate must be at least 2% points below the prior Combined Rate.	Rate must be at least 1% point below the prior Combined Rate.

A reduction in term is eligible when the benefit test is met:

- Remaining amortization period of the existing mortgage is reduced
- New Interest rate does not exceed the current interest rate, and
- 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.

Borrower Eligibility

Eligible Borrowers

- Credit Qualifying Borrower(s)
  - At least one borrower from the existing mortgage must remain as a borrower on the new mortgage.
- Non-Credit Qualifying Borrower(s)
  - Existing borrower(s) who will remain on the new mortgage.
  - Borrower(s) may be added to the title and mortgage without a credit worthiness review.
  - Borrower on the Mortgage may be removed from title and new Mortgage in cases of divorce, legal separation, or death when:
    - the divorce decree or legal separation agreement awarded the Property and responsibility for payment to the remaining Borrower, if applicable; and
    - the remaining Borrower can demonstrate that they have made the Mortgage Payments for a minimum of six months prior to case number assignment.
- U.S. citizens
- Permanent resident aliens:

  - 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
- Non-permanent resident aliens are eligible as follows:
  - Borrower has a valid Social Security number (cannot be used as evidence of eligible work status)
  - 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.
  - Borrower(s) may be removed from title and new mortgage in cases of:
    - Divorce
    - Legal separation, or
    - Death when:
      - A divorce decree or legal separation agreement awarded the property and responsibility for payment to the remaining borrower, if applicable, and
- The remaining borrower demonstrates all mortgage payments have been paid for a minimum of six months prior to case number assignment. *See* "Mortgage Seasoning" on page 407.

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.

- Inter-vivos trusts that meet HUD guidelines
- All borrowers are required to have a social security number; a TIN is not acceptable.
- Borrowers can only be removed on credit qualifying Streamlines subject to HUD guidelines. *See* HUD Handbook 4000.1 for guidance.

See **FHA Conforming and High Balance Program Guidelines** "Borrower Eligibility" on page 345.

Case Numbers

- Case number requests must comply with HUD Mortgagee Letter 2011-10. To view the Mortgagee Letter in its entirety, go to: HUD Mortgagee Letters.
- FHA requires 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 Case Reinstatement Request must be submitted to reinstate the case number.

Credit Report/Scores

- Credit Qualifying
  - Full tri-merge credit report required.
- Non-Credit qualifying
  - Mortgage only credit report with FICO scores required on the subject property only.

See **FHA Conforming and High Balance Program Guidelines** "Credit Report/Scores" on page 353.

Derogatory Credit

The following guidance applies to Credit-Qualifying Streamlines only.

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.
- **Disputed Accounts – Non-Derogatory**
  - Disputed account with a zero balance, or
  - Disputed account with late payments aged 24 months or greater, or
  - Disputed account that is current and paid as agreed.
- **Disputed Accounts ≥ $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) ≥ $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, with the following exceptions:

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
- Borrower cannot prepay scheduled payments in order to meet the required minimum of three months of payments
- Except for Federal Tax Liens, 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 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 uninsured 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.

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:

- Borrower is current on their existing mortgage, and
- There is insufficient equity in the home based on its current appraised value, and/or
- 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
  - 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 is 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 is 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.
- If < 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:
  - Borrower must have re-established credit
  - No late housing or installment payments after the foreclosure, and
  - A letter of explanation as to the reason for foreclosure.

NOTE: If the foreclosure was included in a Chapter 7 bankruptcy, the date of the foreclosure deed is used for determining the foreclosure date.

Collection/Charge-Off/Judgments

- Loans that do not receive a 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.
- 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.

Collections/Charge-Offs

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 > $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.

All medical collection accounts and all charge-off accounts (medical and non-medical) **are excluded** from the collection/charge-off guidance. All non-medical collection accounts **must be included**.

- **Accounts Cumulative ≥ $2,000**

  One of the following is required:

  - Payment in full prior to or at closing. Source of funds for payoff must be documented, or If borrower currently in a payment plan (no minimum time required), the payoff must be included in the DTI, or
  - If a payment plan not established, calculate 5% of the outstanding balance and include in the DTI calculation.
- **Accounts Cumulative < $2,000**

  No action required. Accounts cannot be paid down to < $2,000.

Judgments

Judgments are required to be paid off **including** judgments against a non-purchasing spouse in community property states (unless excluded by state law) **and** medical judgments. The payment requirement may be waived if the borrower is currently in a payment plan with the creditor:

- A copy of the agreement is provided, and
- Borrower has made a minimum 3 months of the scheduled payments as agreed prior to credit approval. Supporting documentation is required.
- Payments must be included in the DTI calculation

NOTE: The borrower **cannot** prepay scheduled payments to satisfy the 3-month requirement.

Documentation

- Payoff statement on existing mortgage
- Employment documentation or utility bills are required to evidence property is the current primary residence

- Evidence of approved Jurisdictional HOC required on all Secondary Residence
- Transaction must be processed as a non-owner-occupied Property if:
  - Evidence that the borrower occupies the property either as a Principal or Secondary Residence **cannot** be obtained.

Special Documentation

- Credit Qualifying
  - Full URLA required
- Non-Credit Qualifying
  - An abbreviated URLA is allowed provided all other information is required. The following are not required to be completed and may be left blank.
    - Section 1b through 1e — related to Employment and Income
    - Section 2 — Financial Information - Assets and Liabilities
    - Section 3 — Financial Information - Real Estate
    - Section 5 — Declarations, except for 5a.A (Occupancy), which must be answered

DTI

- Credit Qualifying
  - Maximum DTI of 43%.

NOTE: All transactions must meet the manual underwriting requirements except for any requirements for appraisal or LTV calculations.

- Non-Credit qualifying
  - Not required

Employment and Income

- Credit Qualifying
  - Borrower authorized Third Party Verification (TPV) is an acceptable option per HUD Handbook 4000.1 guidelines.
  - Re-verification is required within 10-calendar days prior to the date Note date.
  - 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.
  - Wage earners: current 30-day paystub with YTD earnings and most recent 2-years W-2s
  - Self-employed: tax returns that include a minimum 2-years' self-employed income.
  - Third-Party Verification (TPV) acceptable to FHA.

- Non-Credit Qualifying
  - Not required

Escrow/Impound Account

Required on all loans — no exceptions.

Financed Properties

Planet will purchase a maximum of five loans to one borrower with an aggregate loan amount up to $2.5M.

Higher Priced Mortgage Loans

HPML eligible on all Streamlines, however, credit qualifying is subject to the DTI restrictions detailed in HUD ML-2014-02 dated January 21, 2014.

Maximum Mortgage Amortization

The maximum amortization period is limited to the lesser of:

- The remaining amortization period of the existing Mortgage plus 12 years; or
- 30 years

Maximum Loan Amount

- For owner-occupied principal residences and HUD-approved secondary residences, the maximum base loan amount for Streamline Refinances is:
  - **The lesser of:**
    - Outstanding principal balance of the existing mortgage as of the month prior to mortgage disbursement; plus:
      - Interest due on the existing mortgage;
      - Late charges;
      - Escrow shortages; and
      - MIP due on existing mortgage; or
    - The original principal balance of the existing mortgage (including financed UFMIP).

        - Less any refund of UFMIP.

- For Investment properties, the maximum base loan amount for is:
    - **The lesser of:**
        - Outstanding principal balance of the existing mortgage as of the month prior to mortgage disbursement, or
        - The original principal balance of the existing mortgage (including financed UFMIP).
    - Less any refund of UFMIP.

Mortgage Payment History

- Credit Qualifying
    - Payments for properties with < 6 months payment history must be paid within the month due. *See* "Mortgage Seasoning" below for additional requirements.
    - Payments for Properties with > 6 months payment history must be paid for 6 months prior to case assignment date.
        - 1 x 30 for previous 6 months
- Non-Credit Qualifying
    - All payments must have been made within the month due for six months prior to case number assignment date, and
        - 1 x 30 for the previous 6 months
- All secured mortgage payments must have been made within the month due for the month prior to mortgage disbursement.

Mortgage Seasoning

On the date of the FHA case number assignment:

- The Borrower must have made at least six payments on the FHA insured Mortgage that is being refinanced (where the FHA insured Mortgage has been modified, the Borrower must have made at least six payments under the modification agreement);
- At least six full months must have passed since the first payment due date of the Mortgage that is being refinanced;
- At least 210 Days must have passed from the Closing Date of the Mortgage that is being refinanced; and

- If the Borrower assumed the Mortgage that is being refinanced, they must have made six payments since the time of assumption.

GNMA Seasoning

In addition, the following GNMA mortgage seasoning requirements must be met.

- **The borrower made at least six consecutive monthly payments on the loan being refinanced, referred to hereinafter as the initial Loan, beginning with the payment made on the first payment due date; and**
- **The first payment due date of the refinance loan occurs no earlier than 210 days after the first payment due date of the initial Loan.**

NOTE: Refinance of loans on which fewer than six consecutive regularly scheduled payments have been made are not eligible for financing.

Occupancy

- Owner-occupied primary residence. Evidence that the Borrower currently occupies the property as their primary residence must be obtained using one of the following:
  - Borrower's employment documentation
  - Utility Bills
  - Direct electronic verification by a Third Party Verification (TPV) vendor verifying the borrower's address is the same as that of the subject property
- HUD-approved Secondary residence with evidence of Jurisdictional HOC required (fixed rate only)
- 1-unit Investment (fixed rate only)

Power of Attorney

See **FHA Conforming and High Balance Program Guidelines** "Power of Attorney" on page 385.

Prepayment Penalty

Not permitted.

Products

- **Fixed Rate:** 15- and 30-year only
- **ARM:** 3/1 and 5/1 1-year CMT index

- Caps: 1/1/5
- Margin/Floor: 2.00
- Qualified at the note rate

Property Eligibility

Eligible Properties

- 1-4 Units
- PUDs (attached/detached). PUDs do not require a questionnaire/warranty form.
- Mixed use subject to:
  - Property must conform to residential nature of the neighborhood, and
  - Commercial use cannot exceed 49% of the gross living area
- Manufactured Home
- Condominiums Permitted in FHA approved Condominium Projects (HRAP approval only and must be valid when case number is issued) or on units approved in accordance with the FHA Single Unit approval process. Single Unit approvals must have an AUS “Accept” recommendation or LTV is limited to 90%. *See* HUD Handbook 4000.1 for underwriting details and Case Number assignment process.

See **FHA Conforming and High Balance Program Guidelines** "Property Eligibility" on page 386.

Properties Listed for Sale

Properties listed for sale in the previous 12 months require proof of being taken off the market prior to application.

Subordinate Financing

- 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:
  - Reduce the principal amount of the existing FHA-insured mortgage, or
  - Finance the origination fees, other closing cost, or discount points.

Temporary Buydown

Not permitted.

FHA Standard 203(k) Conforming and High Balance Program Grid

FIXED RATE & ARM Primary Residence Full Documentation					
Transaction Type	**Units**	**LTV**	**CLTV[2]**	**Loan Amount[1]**	**Credit Score**
Purchase	1-4	96.50%[3]	110%	FHA Limit	Per AUS
Rate/Term Refinance	1-4	97.75%	110%		
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. **Maximum 110% CLTV allowed on all subordinate financing transactions**. No CLTV requirement when the subordinate financing is provided by government entities, HOPE, or HUD approved non-profits.
3. LTV can exceed 96.50 if borrower is qualified for Sales Incentive for $100 Down on HUD REO.

See Planet's FHA 203(k) Limited Conforming & High Balance Matrix for Limited guidelines.

Complete HUD guidelines can be found at HUD Handbook 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).
- 1-year Homeowner Policy must be in place for the after-improved value of the property at the time of loan closing. If the property is not insurable, Borrower can obtain a Builders Risk Policy. Loan Escrows will need to be established using quote for standard HOI with sufficient funds to pay full premium at expiration of Builders Risk Insurance **OR** Hazard insurance must be in place for the after improved value of the property at the end of construction.
- Requires a HUB 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 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) Conforming and High Balance Program Guidelines

For topics not addressed in this guide, see "FHA Conforming and High Balance Program Guidelines" on page 336 **and the HUD Handbook 4000.1.**

Ability to Repay/Qualified Mortgage

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:

- Compliance findings validating a pass of ATR
- Compliance findings validating a pass of QM, where applicable
- Automated Underwriting System (AUS) approval, where applicable
- Evidence of manual approval, where applicable
- Underwriting Analysis (e.g., Final 1008/Loan Transmittal, VA Loan Analysis, FHA Transmittal Summary)
- Income Worksheet

Additionally, all disclosures and documentation required under the ATR/QM provisions of the Dodd-Frank Act must be provided.

The Seller will comply with the verification standards of the applicable agency Seller's Guide.

- Sections II.A.1 and II.A.4-5 of the Federal Housing Administration's Single Family Housing Policy Handbook.

Appraisals

- Appraisals must be provided by an FHA approved appraiser.
- All 203(k) appraisals are completed "subject to" completion.
- Except as described below in cases of property flipping and refinance transactions, an "As-Is" appraisal is **not** required, and alternative methods to establish the "As-Is" value may be used.

203(k) loans require both an "**Adjusted As-Is**" value and an "**After Improved**" value as outlined below.

Adjusted As-Is Value

- **Purchase transactions** require one value:

    - An "After Improved" value (value after improvements have been complete) is always required.
    - HUD assumes the purchase price is the "As-Is" value and does not require an "As-Is" value on the appraisal.
- **Refinance transactions** require an "Adjusted As-Is" Value and "After-Improved" Value:
    - For properties acquired ≥ 12 months prior to the case assignment date:
        - If the existing debt on the property plus allowable fees (see below) **exceeds** the "After Improved" value, an additional "As-Is" appraisal is required.
            - Financeable Repairs and Improvement Costs
            - Financeable Mortgage Fees
            - Financeable Contingency Reserves; and
            - Financeable Mortgage Payment Reserves (for Standard 203(k) only).
        - If the existing debt on the property plus allowable fees (see below) **does not exceed** the "After Improved" value, the Seller has the option of using the existing debt on the property plus the allowable fees:
            - Financeable Repairs and Improvement Costs
            - Financeable Mortgage Fees
            - Financeable Contingency Reserves; and
            - Financeable Mortgage Payment Reserves (for Standard 203(k) only).
    - For properties acquired <12 months prior to the case assignment date, an "As- Is" appraisal is required.
        - 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.

After Improved Value

An appraisal of the property must be obtained subject to the repairs and improvements. *See* Section II.A.8 of the HUD Handbook 4000.1 for complete 203(k) Standard Appraisal details.

- Appraisal must be provided to the appraiser for consideration. The Appraisal must contain copy of the Final Contractor Bid or the Work Write Up.
- Additional photos are required for any improvements with a contributory value that are not captured in the front and rear photos.

Architectural Exhibits

- The following inspections, if required by the appraiser, must be completed:
  - Termite/pest
  - Well or Septic certification
  - Additional HVAC or system certifications
  - Additional architectural exhibits as required
- Construction related inspections are completed by the consultant (if applicable)

AUS

All loans must be submitted to FHA Total Scorecard through DU or LPA. Please note that ARM products may only be submitted through DU. Manual Underwriting is permitted. All loans must be QM / Safe Harbor eligible.

Available Markets

- **Delegated Sellers**

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

- **Non-Delegated Sellers**

  Planet will purchase loans from the non-delegated Sellers in all states on FHA products. **All** loans require Planet underwriting approval.

- Sellers must receive approval from Planet to deliver loans with properties located in Puerto Rico.
- The U.S. territories of Guam and the Virgin Islands are ineligible regardless of delegation.

Borrower Eligibility

See **FHA Conforming and High Balance Program Guidelines** "Borrower Eligibility" on page 345.

CLTV/Secondary Financing

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 individuals.

Contingency Reserve

A minimum of 10% is required and no more than 20% can be financed.

- The reserves may be financed.
- If Utilities are not on at time of inspection, 15% Contingency reserve is required.
- Underwriter or HUD Consultant may require up to 20% of the Financeable Repair and Improvement Costs.

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 and the FHA 203(K) Calculator must show as Paid in Cash.

Additional Contingency Reserve — Utilities

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.

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 will accept alternative documentation to validate the condition of utilities.

- If home was winterized, a winterization certification indicating all utilities were working properly when turned off.
- 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.

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.

Contractor Validation

Standard 203(k): One general contractor (GC) to be selected by the borrower.

Seller must review Contractor qualifications to establish contractor is qualified to complete the work described in the Work Write -Up or Contractors bid. The review must include contractor's credentials, work experience, and client references and ensure that the contractor meets all jurisdictional licensing and bond references.

- File must evidence contractor validation and bid acceptance.
- Non-Delegated Sellers may submit a request for Planet to validate the contractor prior to underwriting or locking the loan.

A sample checklist and documentation are available on the Core Seller Portal at www.phlcorrespondent.com under **Forms and Resources**.

Credit Report/Scores

Per TOTAL Scorecard Findings.

See **FHA Conforming and High Balance Program Guidelines** "Credit Report/Scores" on page 353.

DTI

Per TOTAL Scorecard Findings.

See **FHA Conforming and High Balance Program Guidelines** "DTI" on page 361.

Employment and Income

See **FHA Conforming and High Balance Program Guidelines** "Employment and Income" on page 367.

Financeable Repair Cost and Charges

The following fees and charges apply, as applicable, and are included in the rehabilitation costs:

- Cost of construction, repairs, and rehabilitation
- Architectural/engineering professional fees
- HUD Consultant Fee (subject to the limits set by HUD)
- Inspection Fees during construction period – amount determined by HUD Consultant
- Title Update Fees
- Permit Fees
- Feasibility Study, when necessary to determine the rehabilitation is feasible
- Contingency Reserve
- Discount points – Not to exceed an amount equal to the discount point percentage multiplied by the total of the repair cost plus financed fees above
- Supplemental Origination Fee - $350 or 1.5% of the total renovation cost (above)
- Consultant Fees are regulated by HUD

Consultant Fees*			
Renovation Cost	**Fee**	**Renovation Cost**	**Fee**
$5,000 - $7500	$400.00	$50,001 - $75,000	$800.00

Consultant Fees*			
$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		

*An additional $25.00 per unit applies

Financed Properties

Planet will purchase a maximum of five loans to one borrower with an aggregate loan amount up to $2.5M.

Hazard Insurance

- 1-year Homeowner Policy must be in place for the after-improved value of the property at the time of loan closing. If the property is not insurable, borrower can obtain a Builders Risk Policy. Loan Escrows will need to be established using quote for standard HOI with sufficient funds to pay full premium at expiration of Builders Risk Insurance.
- Hazard insurance must be in place for the after-improved value of the property at the time of loan closing.

Identity of Interest/Conflict of Interest

- Sales transactions between family members and tenants/landlords that meet the requirements for the exceptions to the maximum LTV. *See* FHA Conforming and High Balance Program Guidelines for additional requirements for the exception to the maximum LTV.
- Both the borrower(s) and consultant must sign an Identity of Interest Certification stating there is no relationship between them and **any party** to the transaction.

Improvements

Eligible Improvements

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:

- Changes to improve function/modernization (bath/kitchen remodel).
- Converting single family to 2,3 or 4 unit dwelling or from a multi-family to a 1-4 unit.

- Elimination of health/safety hazards (lead-based paint, mold, etc.) Follow state and local government requirements where property is located for removal and testing.
- Enhancing accessibility for a disabled person.
- Installation of new well and/or septic system.
- Interior/exterior painting.
- Major landscaping that adds permanent value to the property and/or corrects any fire, health or safety issue.
- Major structural alterations/additions (room/garage additions, finish attics/basements, repair of termite damage).
- Repair/replace flooring, appliances.
- Repair/replace roofing, gutters and down spouts.
- Repair/replacement/upgrade of plumbing, heating, air conditioning and electrical systems.
- Repairs to existing swimming pool.
- Weatherization including storm windows/doors, insulation, weather stripping.
- Well/septic repair/replacement work. Must be completed prior to beginning other repairs.
- Window and door replacement.

See Section II.A.8 of the HUD Handbook 4000.1 for complete eligible improvement details.

Ineligible Improvements

Luxury items and improvements that do not become part of the real property are **not** eligible as a cost of rehabilitation. Examples of items not eligible as an improvement or for repair, include, but are not limited to:

- Additions or alterations to allow for commercial use.
- Barbeque pits, outdoor fireplaces or hearths.
- Exterior hot tubs, saunas, spas or whirlpool baths.
- Photo murals.
- Swimming pool installation.
- Television satellite dishes/antennas.
- Tennis courts.
- Tree trimming/removal.

Inspections

- The following inspections, if required by the appraiser and/or consultant, must be completed:
    - Termite/pest
    - Well or Septic certification

  - Additional HVAC or system certifications
  - Additional architectural exhibits as required
- Construction related inspections are completed by the consultant (if applicable)

Inspections and Draw Disbursement

Funds must be disbursed and documented as follows:

Inspections

- An authorized Form HUD 9746-A must be signed by borrower and contractor which certifies completion of work and included in the case file.
- Evidence of compliance with federal, state and local ordinances (i.e., final permit(s) as applicable). For structures being moved special guidelines apply.
- Inspections by appraisers or consultants as applicable

Draw Disbursements

Certain fees can be disbursed at closing with supporting documentation:

- Permit fees (the permit must be obtained before work commences)
- Prepaid architectural or engineering fees – invoices are required
- Prepaid consultant fees- invoice required
- Origination fees
- Discount points

Post Closing

- Material costs for items, prepaid by the borrower or by the contractor, where a contract is established with the supplier and an order is placed with the manufacturer for delivery at a later date, and
- Up to 50% of material costs for items, not yet paid for by the borrower or contractor, where a contract is established with the supplier and an order is placed with the manufacturer for delivery at a later day.
- Inspections
- Title Updates
- Maximum of 5 draws
- All draws are subject to 10% Holdback
- Funds must be released within five business days after receipt of a properly executed inspection, title update, and draw request.
- Maximum of 5 draws/disbursement (four intermediate and one final draw). 10% is withheld from each draw.

- **Exception:** No holdbacks required if a work item is 100% complete, and the necessary Lien Waivers or equivalent have been provided.
- 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.

See **Release of Funds** in the HUD Handbook 4000.1 for detailed release instructions.

Disbursements Made by Seller Prior to Purchase by Planet

The Seller has the option to disburse the initial draw at closing. Initial draws disbursed by the Seller must be reflected on the CD.

- Planet must be notified if Seller disburses draws outside of closing.
- Seller must provide required documentation to support draw disbursement including Executed Draw Request, Lien Waivers, Invoices, copy of disbursement check and other supporting documents.
- A completed Renovation Escrow Validation Form to be completed prior to purchase of the loan by Planet. A sample Renovation Escrow Validation Form is available on the Core Seller Portal at www.phlcorrespondent.com under **Forms and Resources**

Maximum Mortgage Amount

Purchase Transaction is the lesser of:

1. The appropriate LTV multiplied by the lesser of:
    - The Adjusted As-Is Value, plus:
        - Repair and improvement cost
        - Mortgage fees
        - Contingency Reserves, and
        - Mortgagee Payment Reserves (Standard 203(k) only), required when the property is uninhabitable during the project
    - 110% of the After Improved Value (100% for Condominiums); or
2. The Nationwide Mortgage Limits.

See "Property Flips" on page 423 for FHA requirements when a property is being re-sold within one year of acquisition.

Refinance Transaction is the lesser of:

1. The existing debt associated with the new mortgage, plus:

- Repair and improvement cost
- Mortgage Fees
- Contingency Reserves, and
- Mortgage Payments Reserves (Standard 203(k) only), required when the property is uninhabitable during the project or

2. Appropriate LTV multiplied by the lesser of:
    - The Adjusted As-Is Value, plus:
        - Repair and improvement cost
        - Mortgage fees
        - Contingency Reserves, and
        - Mortgage Payments Reserves (Standard 203(k) only), required when the property is uninhabitable during the project or
    - 110% of the After Improved Value (100% for Condominiums); or
3. The Nationwide Mortgage Limits

Minimum Loan Amount

$40,000.00

Mortgage Insurance

Mortgages to be insured under Section 203(k) must comply with the MIP requirements found in the MIP Chart.

- Divide the base loan amount by the After Improved Value

Occupancy

- Owner-occupied primary residence
- HUD-approved second homes.

Power of Attorney

See **FHA Conforming and High Balance Program Guidelines** "Power of Attorney" on page 385.

Product

Fixed Rate: 30-year only

ARM: 3/1 and 5/1; 1-Year CMT; Caps: 1/1/5; Margin/Floor: 2.00; Qualified at Note rate

Property Eligibility

Condominiums

Condos subject to the following:

- Permitted in FHA approved Condominium Projects (HRAP approval only and must be valid when case number is issued) or on units approved in accordance with the FHA Single Unit approval process. Single Unit approvals must have an AUS "Accept" recommendation or LTV is limited to 90%. *See* HUD Handbook 4000.1 for underwriting details and Case Number assignment process.
- Condo must be located in an FHA-approved condominium project at the time of case number assignment.
- 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.
- Maximum mortgage cannot exceed 100 percent of the "After-Improved" value.
- Rehab at any one time is limited to the lesser of:
    - 5 units, or
    - 25% of the total number of units in the project.
- The individual condo **building** 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 **as a whole** 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).
- 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.

Eligible Properties

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. The following property types are eligible for financing:

- 1-4 unit single family, including a condominium unit
- Site condominium units

- Manufactured homes where the rehabilitation does not affect the structural components of the Structure that were designed and constructed in conformance with the Federal Manufactured Home Construction and Safety Standards and must comply with all other requirements for Manufactured Housing (Must be titled as real property and meet FHA Requirements)
- Mixed use property with 1-4 residential units are acceptable if
  - 51% of the Gross Building Area (GBA) is for residential use, and
  - The commercial use does not affect the safety of residential occupants
- Modular Homes
- PUDs (attached/detached). PUDs do not require a questionnaire/warranty form.
- HUD Real Estate Owned (REO) property
  - The Property is identified as eligible for 203(k) financing as evidenced in the sales contract or addendum. Investor purchases of HUD REO Properties are not eligible for 203(k) financing.

Ineligible Properties

- Commercial property
- Condo Hotels (projects managed or operated as hotel/motel, hotel/motel conversions)
- Cooperative projects
- Farms, orchards, ranches
- Mobile homes
- New Construction (Certificate of Occupancy was issued within the previous 12 months)
- Property located in the Hawaiian Islands in lava zones one or two
- Properties not completed
- Properties that will be completely torn down during the rehab process (eligible if some of the existing foundation remains in place)
- Unique properties

Property Flips

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.

Properties Listed for Sale

For refinance transactions, properties listed for sale in the previous 12 months must be taken off the market prior to the Application date.

Rehabilitation Escrow Account

Planet will manage the funds in the Rehabilitation Escrow Account per HUD Handbook 4000.1.

Planet is responsible for ensuring all funds from the escrow account are properly distributed.

- After closing all proceeds designated for the rehabilitation, including Contingency Reserves, Inspection fees, and any mortgage payments will be placed in an interest-bearing account.
- Any net income earned by the rehabilitation escrow account will be disbursed to the Borrower through an agreed upon method of payment.
- Planet will complete the Escrow Closeout Certification screen in FHAC.

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.
- Mortgage Payment Reserves remaining in the Escrow account after the Final Release Notice is issued will be applied to the principal balance.

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:

1. Divide the monthly mortgage payment by the number of units in the property.
2. 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.

Sales Contract

File must evidence a copy of the sales contract with a provision indicating 203(k) financing was obtained, and contingent on loan approval and the borrower's acceptance of additional required improvements as determined by the Seller.

Special HUD REO Sales Incentives

Good Neighborhood Next Door (GNND)

The GNND sales incentive permits an owner-occupant borrower who is a full-time Law Enforcement Officer, Teacher, Firefighter or Emergency Medical-technicians who meet HUD's requirements to purchase a specifically designated HUD REO property, located in a HUD-designated revitalization area with FHA-insured financing at a 50% discount from the purchase price.

When using FHA-insured financing, the borrower may purchase the HUD REO property with a minimum down payment of $100. In addition, the borrower may include in the mortgage amount customary and reasonable closing costs.

Eligible Borrower(s)

At the time the bid is submitted and at the time of closing, the borrower must be employed full-time as a Law Enforcement Officer, Teacher or Firefighter/EMT.

- Law Enforcement Officer
- Must be employed by a law enforcement agency of the federal government, a state, a unit of local government, or an Indian tribal government, and
- Sworn to uphold, and make arrests for violations of federal, state, tribal, county, township, or municipal laws.
- Teacher
- Must be an employee of a state-accredited public or private school providing direct service to students in grades pre-K through 12.
- Must serve in the area where the property is located.
- Fire Fighter/Emergency Medical Technician
- Must be employed by a fire department or emergency medical services responder unit of the federal government, a state, unit of general local government, or an Indian tribal government, and
- Must serve the area where the property is located

All buyers must certify to the good faith intention to continue employment as a law enforcement officer, teacher or firefighter/EMT for at least one year after the date of closing.

$100 Down

The $100 Down sales incentive permits a Borrower to purchase a HUD REO property FHA-insured financing with a minimum down payment of $100.

Transaction Eligibility

Eligible Transactions

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

- Transactions where the work will require ≤ 6 months to complete

Ineligible Transactions

- Transactions where the work will require > 6 months to complete
- 203(k) to 203(k) transactions
- **Energy Efficient Mortgages (EEM)**

203(k) Forms and Documents

- 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.
- Final FHA 203(k) Calculator from FHA Connection
- Borrower/Consultant Identity of Interest Certification
- Most recently completed Federal W-9 by Contractor (Rev. October 2018) from the general contractor and the HUD Consultant.
- Consultant Borrower Agreement
- Consultant Identity of Interest Certification
- Consultant Fee Agreement
- Consultant Work Write-Up and Cost Estimate.
  - Must specify the type of repair and cost of each work item, and
  - Ensure that all health and safety issues identified were addressed before, including additional work items.
  - Architectural Exhibits
- Contractor Acknowledgement or equivalent disclosure explaining program expectations
- Contractor bid(s)
- Contractor Profile (Fannie Mae Form 1202 or equivalent). Profile must include:
  - Evidence of current liability insurance which meets, local/state insurance requirements
  - Evidence of current workman's Comp insurance (if applicable)
  - Copy of current license and bond as required by local/state jurisdiction
- Master Draw Request (9746-A).
- Feasibility Site Report, aka Feasibility Study (not required).

- Homeowner/Contractor Certification (from the general contractor).
- Fully executed Homeowner/Contractor Agreement-HUD Form 2420 (HOCA)
- Mortgage Payment Reserve Disclosure (recommended but not required)
- Fully executed Rehabilitation Loan Agreement with accurate project completion date.
- Rehabilitation Loan Rider.

Texas Loans require an Attorney to prepare the closing documents. The Attorney should be knowledgeable in Texas Law regarding renovation lending and provide the following documents in the closing package:

- Mechanic's Lien Contract and Transfer of Lien – must include verbiage to create the Mechanic's Lien and assignment to the Lender. Amount of renovation must match final contractor estimate.
- Rehabilitation Rider with Renewal and Extension language
- Contractor Affidavit of Compliance with Texas Law
- Rehabilitation Loan Agreement
- Non-Commencement Affidavit

FHA Limited 203(k) Conforming and High Balance Program Grid

FIXED RATE & ARM Primary Residence Full Documentation					
Transaction Type	**Units**	**LTV**	**CLTV**[2]	**Loan Amount**[1]	**Credit Score**
Purchase	1-4	96.50%[3]	110%	FHA Limit	Per AUS
Limited Cash-Out	1-4	97.75%	110%	FHA Limit	
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. **Maximum 110% CLTV allowed on all subordinate financing transactions**.
3. LTV can exceed 96.50 if borrower is qualified for Sales Incentive for $100 Down on HUD REO.

See Planet's FHA 203(k) Standard Conforming & High Balance Matrix for Standard guidelines. Complete HUD guidelines can be found at HUD Handbook 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 per contractor is allowed.

- The mortgage amount is based on the projected value of the property with all work completed ("After-Improved" value).
- 1-year Homeowner Policy must be in place for the after-improved value of the property at the time of loan closing. If the property is not insurable, Borrower can obtain a Builders Risk Policy. Loan Escrows will need to be established using quote for standard HOI with sufficient funds to pay full premium at expiration of Builders Risk Insurance.
- State/county/municipality licensing requirements must be followed. **Planet does not allow "self-help" (borrower completes work); work must be completed by a licensed contractor.**

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

For topics not addressed in this guide, see "FHA Conforming and High Balance Program Guidelines" on page 336 **and the HUD Handbook 4000.1.**

Ability to Repay/Qualified Mortgage

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:

- Compliance findings validating a pass of ATR
- Compliance findings validating a pass of QM, where applicable
- Automated Underwriting System (AUS) approval, where applicable
- Evidence of manual approval, where applicable
- Underwriting Analysis (e.g., Final 1008/Loan Transmittal, VA Loan Analysis, FHA Transmittal Summary)
- Income Worksheet

Additionally, all disclosures and documentation required under the ATR/QM provisions of the Dodd-Frank Act must be provided.

The Seller will comply with the verification standards of the applicable agency Seller's Guide.

- Sections II.A.1 and II.A.4-5 of the Federal Housing Administration's Single Family Housing Policy Handbook.

Appraisals

- Appraisals must be provided by an FHA approved appraiser
- All 203(k) appraisals are completed "subject to" completion
- Except as described below in cases of property flipping and refinance transactions, an "As-Is" appraisal is **not** required, and alternative methods to establish the "As-Is" value may be used.

203(k) loans require both an "**Adjusted As-Is**" value and an "**After Improved**" value as outlined below. When an As-Is Appraisal is obtained, the Adjusted As-Is Value is the As-Is Property Value.

Adjusted As-Is Value

- **Purchase transactions:** the Adjusted As-Is Value is the lesser of:

    - The purchase price less any inducements to purchase
    - The As-Is Property Value.
- **Refinance transactions**: an "Adjusted As-Is" Value and "After Improved Value:
    - For properties acquired ≥ 12 months prior to the case assignment date:
        - If the existing debt on the property plus allowable fees (see below) **exceeds** the "After Improved" value, an additional "As-Is" appraisal is required.
            - Financeable Repairs and Improvement Costs
            - Financeable Mortgage Fees
            - Financeable Contingency Reserves; and
            - Financeable Mortgage Payment Reserves (for Standard 203(k) only
        - If the existing debt on the property plus allowable fees (see below) **does not exceed** the "After Improved" the Seller has the option of using the existing debt on the property plus the allowable fees:
            - Financeable Repairs and Improvement Costs
            - Financeable Mortgage Fees
            - Financeable Contingency Reserves; and
            - Financeable Mortgage Payment Reserves (for Standard 203(k) only

For properties acquired < 12 months prior to the case assignment date, an "As- Is" appraisal is required.

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.

After Improved Value

An appraisal of the property must be obtained subject to the repairs and improvements. *See* Section II.A.8 of the HUD Handbook 4000.1 for complete 203(k) Limited Appraisal details.

- Final Contractor Bid must be included in the appraisal.
- Additional photos are required for any improvements with a contributory value that are not captured in the front and rear photos.

Architectural Exhibits

- The following inspections, if required by the appraiser, must be completed:
    - Termite/pest
    - Well or Septic certification

    - Additional HVAC or system certifications
    - Additional architectural exhibits as required
- Construction related inspections are completed by the consultant (if applicable)

AUS

All loans must be submitted to FHA Total Scorecard through DU or LPA. Please note that ARM products may only be submitted through DU. Manual Underwriting is permitted. All loans must be QM / Safe Harbor eligible.

Available Markets

- **Delegated Sellers**

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

- **Non-Delegated Sellers**

  Planet will purchase loans from the non-delegated Sellers in all states on FHA products. **All** loans require Planet underwriting approval.

- Sellers must receive approval from Planet to deliver loans with properties located in Puerto Rico.
- The U.S. territories of Guam and the Virgin Islands are ineligible regardless of delegation.

Borrower Eligibility

See **FHA Conforming and High Balance Program Guidelines** "Borrower Eligibility" on page 345.

CLTV/Secondary Financing

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 individuals.

Contingency Reserve

A Contingency Reserve is not mandated however it is recommended that a reserve of at least 10% be established. No more than 20% can be financed.

- The reserves may be financed.
- If Utilities are not on at time of inspection, 15% Contingency reserve is required.
- Contingency Reserves remaining in the account after repairs are completed will be applied to unpaid principal balance unless they were paid in cash at closing.

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 and the FHA 203(K) Calculator must show as Paid in Cash.

Additional Contingency Reserve — Utilities

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.

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 will accept alternative documentation to validate the condition of utilities.

- If home was winterized, a winterization certification indicating all utilities were working properly when turned off.
- 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.

If the utility inspection reveals utilities are not in good working order, the Contractor Estimate or Work Plan must include detailed required repairs.

Contractor Validation

Limited 203(k): No more than three specialty contractors or one general contractor.

Seller must review Contractor qualifications to establish contractor is qualified to complete the work described in the Work Write -Up or Contractors bid. The review must include contractor's credentials, work experience, and client references and ensure that the contractor meets all jurisdictional licensing and bond references.

- File must evidence contractor validation and bid acceptance.
- Non-Delegated Sellers may submit a request for Planet to validate the contractor prior to underwriting or locking the loan.

A sample checklist and documentation are available on the Core Seller Portal at www.phlcorrespondent.com under **Forms and Resources**.

Credit Report/Scores

Per TOTAL Scorecard Findings.

See **FHA Conforming and High Balance Program Guidelines** "Credit Report/Scores" on page 353.

DTI

Per TOTAL Scorecard Findings.

See **FHA Conforming and High Balance Program Guidelines** "DTI" on page 361.

Employment and Income

See **FHA Conforming and High Balance Program Guidelines** "Employment and Income" on page 367.

Financeable Repair Cost and Charges

The following fees and charges apply, as applicable, and are included in the rehabilitation costs:

- Cost of construction, repairs and rehabilitation
- Inspection Fees during construction period – 2 per Contractor
- Title Update Fee
- Permit Fees
- Contingency Reserve
- Discount points – Not to exceed an amount equal to the discount point percentage multiplied by the total of the repair cost plus financed fees above.
- Supplemental Origination Fee – $350 or 1.5% of the total renovation cost (above)

Costs and Fees that may not be financed

The following fees and costs may not be financed under the Limited 203(k) program:

- Mortgage Payment Reserves
- Architectural/Engineering Professional Fees
- 203(k) Consultant Fee
- Feasibility Study

Financed Properties

Planet will purchase a maximum of five loans to one borrower with an aggregate loan amount up to $2.5M.

Hazard Insurance

- 1-year Homeowner Policy must be in place for the after-improved value of the property at the time of loan closing. If the property is not insurable, borrower can obtain a Builders Risk Policy. Loan Escrows will need to be established using quote for standard HOI with sufficient funds to pay full premium at expiration of Builders Risk Insurance.
- Hazard insurance must be in place for the after-improved value of the property at the time of loan closing.

Identity of Interest/Conflict of Interest

- Sales transactions between family members and tenants/landlords that meet the requirements for the exceptions to the maximum LTV. *See* FHA Conforming and High Balance Program Guidelines for additional requirements for the exception to the maximum LTV.
- Both the borrower(s) and consultant must sign an Identity of Interest Certification stating there is no relationship between them and **any party** to the transaction.

Improvements

Eligible Improvements

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.

All health, safety and energy conservation items must be addressed prior to completing general home improvements.

All improvement to existing structures must comply with HUD's MPR and meet or exceed building codes.Items eligible for 203(k) funds include, but are not limited to:

- Changes to improve function/modernization (bath/kitchen remodel). Cannot include structural changes
- Elimination of health/safety hazards (lead-based paint, mold, etc.) that violate HUD's MPR
- Connecting to water public water and sewage systems
- Repair/replacement/upgrade of plumbing, heating, air conditioning and electrical systems
- Repair/replace/installing roofs, sidings, gutter, down sprouts, flooring, appliances, windows and doors improvements
- Elimination of obsolescence
- Repairs to existing swimming pool
- Well/septic repair/replacement work.

NOTE: Patios and decks must increase the "As-Is" value equal to the dollar amount spent on the improvements.

Ineligible Improvements

- The repair or improvements are expected to require more than 6 months to complete.
- The rehabilitation activities require more than two payments per contractor.
- The repairs prevent the Borrower from occupying the property for more than 15 days during renovation.
- The required repairs are such that a HUD Consultant would need to prepare a Work Write Up or require planes or architectural exhibits.
- Landscaping or site improvements
- Structural Repairs of any type

See **Limited 203(k) Eligible Improvements** section of the HUD Handbook 4000.1 for complete details.

Inspections

- The following inspections, if required by the appraiser, must be completed:
  - Termite/pest
  - Well or Septic certification
  - Additional HVAC or system certifications

Inspections and Draw Disbursement

Inspections

The following funds can be disbursed at closing:

- An authorized Form HUD 9746-A must be signed by borrower and contractor which certifies completion of work and included in the case file.
- Evidence of compliance with federal, state and local ordinances (i.e., final permit(s) as applicable). For structures being moved special guidelines apply.
- Inspections by appraisers or consultants as applicable.

Draw Disbursements

The following funds can be disbursed at closing:

- Permit fees (the permit must be obtained before work commences)
- Origination fees

- Discount points; and
- Up to 50% of the estimated materials and labor costs before beginning construction:
  - Only when the contractor is not willing or able to defer receipt of payment until completion of the work, or
  - Payment represents the cost of materials incurred prior to construction. A statement from the contractor is sufficient to document.

Post-Closing

- Maximum of 2 disbursements per contractor.
- Inspection Fee
- Title Update
- Funds must be released within five business days after receipt of a properly executed inspection, title update, and draw request.
- 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.

Disbursements Made by Seller Prior to Purchase by Planet

The Seller has the option to disburse the initial draw. Initial draws disbursed by the Seller must be reflected on the CD.

- Planet must be notified if Seller disburses draws outside of closing.
- Seller must provide required documentation to support draw disbursement including Executed Draw Request, Lien Waivers, Invoices, copy of disbursement check and other supporting documents.
- A completed Renovation Escrow Validation Form to be completed prior to purchase of the loan by Planet. A sample Renovation Escrow Validation Form is available on the Core Seller Portal at www.phlcorrespondent.com under **Forms and Resources**

Maximum Mortgage Amount

Purchase Transaction is the lesser of:

1. The appropriate LTV multiplied by the lesser of:
   - The Adjusted As-Is Value, plus:
     - Repair and improvement cost
     - Mortgage fees
     - Contingency Reserves

- 110% of the After Improved Value (100% for Condominiums); or

2. The Nationwide Mortgage Limits.

See "Property Flips" on page 440 for FHA requirements when a property is being re-sold within one year of acquisition.

Refinance Transaction is the lesser of:

1. The existing debt associated with the new mortgage, plus:
   - Repair and improvement cost
   - Mortgage Fees
   - Contingency Reserves, and
2. Appropriate LTV multiplied by the lesser of:
   - The Adjusted As-Is Value, plus:
     - Repair and improvement cost
     - Mortgage fees
     - Contingency Reserves, and
   - 110% of the After Improved Value (100% for Condominiums); or
3. The Nationwide Mortgage Limits

Minimum Loan Amount

$40,000.00

Mortgage Insurance

Mortgages to be insured under Section 203(k) must comply with the MIP requirements found in the MIP Chart.

- Divide the base loan amount by the After Improved Value

Occupancy

- Owner-occupied primary residence
- HUD-approved second homes.

Power of Attorney

See **FHA Conforming and High Balance Program Guidelines** "Power of Attorney" on page 385.

Product

Fixed Rate: 30-year only

ARM: 3/1 and 5/1; 1-Year CMT; Caps: 1/1/5; Margin/Floor: 2.00; Qualified at Note rate

Property Eligibility

Condominiums

Condos subject to the following:

- Permitted in FHA approved Condominium Projects (HRAP approval only and must be valid when case number is issued) or on units approved in accordance with the FHA Single Unit approval process. Single Unit approvals must have an AUS "Accept" recommendation or LTV is limited to 90%. *See* HUD Handbook 4000.1 for underwriting details and Case Number assignment process.
- Condo must be located in an FHA-approved condominium project at the time of case number assignment.
- 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.
- Maximum mortgage cannot exceed 100 percent of the "After-Improved" value.
- Rehab at any one time is limited to the lesser of:
  - 5 units, or
  - 25% of the total number of units in the project.
- The individual condo **building** 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 **as a whole** 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).
- 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.

Eligible Properties

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. The following property types are eligible for financing:

- 1-4 unit single family, including a condominium unit
- Site condominium units
- Manufactured homes where the rehabilitation does not affect the structural components of the Structure that were designed and constructed in conformance with the Federal Manufactured Home Construction and Safety Standards and must comply with all other requirements for Manufactured Housing (Must be titled as real property and meet FHA Requirements)
- Mixed use property with 1-4 residential units are acceptable if
  - 51% of the Gross Building Area (GBA) is for residential use, and
  - The commercial use does not affect the safety of residential occupants
- Modular Homes
- PUDs (attached/detached). PUDs do not require a questionnaire/warranty form.
- HUD Real Estate Owned (REO) property
  - The Property is identified as eligible for 203(k) financing as evidenced in the sales contract or addendum. Investor purchases of HUD REO Properties are not eligible for 203(k) financing.

Ineligible Properties

- Commercial property
- Condo Hotels (projects managed or operated as hotel/motel, hotel/motel conversions)
- **Cooperative projects**
- Farms, orchards, ranches
- New Construction (Certificate of Occupancy was issued within the previous 12 months)
- Properties currently condemned and uninhabitable
- Property located in the Hawaiian Islands in lava zones one or two
- Properties not completed
- Properties that will be completely torn down during the rehab process (eligible if some of the existing foundation remains in place)
- Unique properties

Property Flips

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.

Properties Listed for Sale

For refinance transactions, properties listed for sale in the previous 12 months must be taken off the market prior to the Application date.

Rehabilitation Escrow Account

Required on all loans, no exceptions. *See* **Rehabilitation Escrow Account** guidelines in the HUD Handbook 4000.1.

The Custodian of the repair escrow funds is responsible for ensuring all funds from the escrow account are properly distributed.

- 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.
- Any net income earned by the rehabilitation escrow account must be disbursed to the Borrower through an agreed upon method of payment.

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.

Financeable Mortgage Payment Reserves

Not applicable on 203(k) Limited

Sales Contract

File must evidence a copy of the sales contract with a provision indicating 203(k) financing was obtained, and contingent on loan approval and the borrower's acceptance of additional required improvements as determined by the Seller.

Special HUD REO Sales Incentives

Good Neighborhood Next Door (GNND)

The GNND sales incentive permits an owner-occupant borrower who is a full-time Law Enforcement Officer, Teacher, Firefighter or Emergency Medical-technicians who meet HUD's requirements to purchase a specifically designated HUD REO property, located in a HUD-designated revitalization area with FHA-insured financing at a 50% discount from the purchase price.

When using FHA-insured financing, the borrower may purchase the HUD REO property with a minimum down payment of $100. In addition, the borrower may include in the mortgage amount customary and reasonable closing costs.

Eligible Borrower(s)

At the time the bid is submitted and at the time of closing, the borrower must be employed full-time as a Law Enforcement Officer, Teacher or Firefighter/EMT.

- Law Enforcement Officer
- Must be employed by a law enforcement agency of the federal government, a state, a unit of local government, or an Indian tribal government, and
- Sworn to uphold, and make arrests for violations of federal, state, tribal, county, township, or municipal laws.
- Teacher
- Must be an employee of a state-accredited public or private school providing direct service to students in grades pre-K through 12.
- Must serve in the area where the property is located.
- Fire Fighter/Emergency Medical Technician
- Must be employed by a fire department or emergency medical services responder unit of the federal government, a state, unit of general local government, or an Indian tribal government, and
- Must serve the area where the property is located

All buyers must certify to the good faith intention to continue employment as a law enforcement officer, teacher or firefighter/EMT for at least one year after the date of closing.

$100 Down

The $100 Down sales incentive permits a Borrower to purchase a HUD REO property FHA-insured financing with a minimum down payment of $100.

Transaction Eligibility

Eligible Transactions

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

- Transactions where the work will require ≤ 6 months to complete

Ineligible Transactions

- Transactions where the work will require > 6 months to complete
- 203(k) to 203(k) transactions

- **Energy Efficient Mortgages (EEM)**

203(k) Forms and Documents

- 203(k) Borrower's Acknowledgment (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.
- Final FHA 203(K) Calculator from FHA Connection Borrower Identity of Interest Certification
- Most recently completed Federal W-9 by Contractor (Rev. October 2018) (1 from each contractor)
- Contractor Written Proposal and Work Plan
  - Must list each work item that requires permits and indicate that repairs are non-structural, and
  - Cost Estimate must indicate the nature and type of repair and cost for each work item, broken down by labor and materials
  - Evidence that the contractor is licensed and bonded
- Contractor Acknowledgment – Limited 203(k) Program
- Contractor Profile (Fannie Mae Form 1202 or equivalent). Profile must include:
  - Evidence of current liability insurance which meets, local/state insurance requirements
  - Evidence of current workman's Comp insurance (if applicable)
  - Copy of current license and bond as required by local/state jurisdiction
- Homeowner/Contractor Agreement-HUD Form 2420 (HOCA) (1 for each contractor)
- Fully executed Rehabilitation Loan Agreement with accurate project completion date
- Rehabilitation Loan Rider

Texas Loans require an Attorney to prepare the closing documents. The Attorney should be knowledgeable in Texas Law regarding renovation lending and provide the following documents in the closing package:

- Mechanic's Lien Contract and Transfer of Lien – must include verbiage to create the Mechanic's Lien and assignment to the Lender. Amount of renovation must match final contractor estimate.
- Rehabilitation Rider with Renewal and Extension language
- Contractor Affidavit of Compliance with Texas Law
- Rehabilitation Loan Agreement
- Non-Commencement Affidavit

Optional Consultant Documentation

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:

- Consultant Borrower Agreement
- Consultant Identity of Interest Certification
- Consultant Work Write-Up and Cost Estimate

VA Conforming and High Balance Program Grid

FIXED RATE & ARM Primary Residence Full Documentation					
Transaction Type	**Units**	**LTV**	**CLTV**	**Loan Amount**[1,5]	**Credit Score**
Purchase	1	90%	90%	VA Limit	580[4]
Purchase	1-4	100%	100%[3]		600
Cash-out	1	90%	90%		580[4]
Cash-out[2]	1-4	100%	100%[3]		600
Manufactured Homes					
Purchase	1	100%	100%[3]	VA Limit	640
Cash-out[2]	1	100%	100%[3]		

Footnotes:

1. VA loan limits can be found at VA Loan Limits.
2. **Cash-out > 90% LTV limited 30- and 25-year fixed rate, conforming loan amounts only.**
3. 100% LTV/CLTV allowed for 30-year fixed rate loans.
4. Borrowers with a credit score of 580-599 are subject to specific guideline restrictions. *See* "Credit Score 580-599" on page 453 to view requirements.
5. **Maximum $1,500,000 loan amount. Total loan amounts exceeding $1,000,000 require a minimum FICO of 700 and AUS Approve/Eligible.**

VA guidelines can be found at: VA Lenders Handbook - VA Pamphlet 26-7.

VA Conforming and High Balance Program Guidelines

Planet Home Lending follows the VA Handbook for topics not addressed in this guide.

4506-C

- Tax transcripts are required per AUS findings or can be obtained in lieu of W-2 or tax returns both personal and business.
- 4506-C must be signed by all borrowers at loan closing if transcripts were not obtained to qualify the borrower.

Ability to Repay/Qualified Mortgage

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:

- Compliance findings validating a pass of ATR
- Compliance findings validating a pass of QM, where applicable
- Automated Underwriting System (AUS) approval, where applicable
- Evidence of manual approval, where applicable
- Underwriting Analysis (e.g., Final 1008/Loan Transmittal, VA Loan Analysis, FHA Transmittal Summary)
- Income Worksheet

Additionally, all disclosures and documentation required under the ATR/QM provisions of the Dodd-Frank Act must be provided.

The Seller will comply with the verification standards of the applicable agency Seller's Guide.

- Chapter 4 of the U.S. Department of Veterans Affairs' Lenders Handbook

Affidavit of Identity

Planet 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 (180 days for new construction). Appraisal must be dated within 180 days of the Note date.

Appraisals

- 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 business day of the appraisal assignment on purchase transactions.
- The Notice of Value (NOV) must be provided to the veteran within five business days of receipt of appraisal.
- The NOV must be issued at the appraised value reflected on the appraisal report.
- The appraiser must not include the value of any leased mechanical systems or any other leased equipment in the estimated market value as leased items are not suitable security for a loan.
- 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.
- A post construction inspection must be performed on proposed construction cases
- Building sketch must include the following:
    - Calculation of the gross living areas and dimensions of dwelling, basement, and any other improvements contributing value.
    - Floor plan layout (interior room dimensions and portioning are not required).
    - If interior access is not provided on a liquidation appraisal, a sketch is not required.
- The photos must be clear, labeled and include the following:
    - Front and rear from opposite angles showing all sides of the dwelling, if possible
    - Kitchen
    - All bathrooms
    - Main living area
    - Any physical deterioration and recent updates that materially impact the market value or marketability of the subject property (i.e., remodel, restoration, renovation)
    - Interior photos are not required on liquidation appraisals when access is not available.
- The appraisal must include, at minimum, three closed sales and add comments supporting the selection
    - Comparable must be based on location and physical characteristics and not price
    - When sales data from the market area is limited, the appraiser must provide as much information and professional opinion regarding the market, reasons for limited data and the difference between the subject property and comparable
    - Use of a sale of REO properties or short sales as a comparable is acceptable
    - Property is in a new subdivision or condominium, the appraiser must include, if available for comparison, properties constructed by a competing builder in the subject market area as well as properties within the subject subdivision or condominium.
- A photograph of the front of each comparable is required

- Real estate marketing photographs are acceptable with an explanation, for example, to exhibit condition at the time of sale, or if a comparable sale is in a gated community that was not accessible to the appraiser
- For condominiums, if the subject and sales are in the same building or identical buildings, the appraiser may comment instead of providing photographs of the sales

NOTE: *See* VA Pamphlet 26-7, Chapter 11 for complete comparable sales requirements.

NOTE: The appraiser is always allowed to provide more than three comparable sales in order to support the property value.

- The subject and all comparables must be appropriately identified. *See* "Minimum Property Standard (MPR)" on page 468 for property requirements.
- Properties located in a FEMA Disaster Declaration area will be subject to additional appraisal review. *See* "Chapter 8: Loan Purchasing" on page 576 for detailed requirements.

Natural Disasters During the Appraisal Process

The standard appraisal process must be followed when the appraisal has been ordered but property has not been inspected prior to date of the disaster. No additional documentation is required.

Properties appraised on or before the date of the declared disaster and not closed prior to that date must include the following items that must be submitted with the VA guaranty request

- A signed and dated certification from the lender confirming:
  - There was no damaged to the property during the recently declared disaster, or
  - The property has been restored to its pre-disaster condition or better.
- A signed and dated certification from the borrower confirming:
  - The post disaster condition of the property is acceptable.
  - No disaster related expenses will be charged to borrower, and
  - The closing process can proceed.

A new appraisal is required if there is an indication that the property value may have declined due to the disaster, despite the completion of repair.

- The payment of the appraiser’s fee for this service will be a contractual matter between the buyer and seller.

NOTE: *See* VA Lenders Handbook VA Pamphlet 26-7 for complete appraisal details.

Assets

If assets are required to close, the following is required to indicate sufficient funds:

- *See* "Credit Score 580-599" on page 453 for additional requirements.
- 2 months most recent bank statements or per AUS 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).
- Verification and documentation of the deposit amount and source of funds is required, if the earnest money:
    - Appears to be excessive based on the borrower's history of accumulated savings.
        - Satisfactory documentation includes:
            - Copy of the canceled check and a copy of the bank statement showing the withdrawal
            - Certification from the deposit holder acknowledging receipt of the funds
            - Bank statements (all pages) for the most recent 2 months.

NOTE: VODs are acceptable as the primary source of verification.

- Cash on hand and unsecured funds are ineligible sources for assets.

Gift Funds

- *See* "Credit Score 580-599" on page 453 for additional requirements.
- A gift can be provided by a donor that does not have any affiliation with the builder, developer, real estate agent, or any other interested party to the transaction. A gift letter must:
    - Specify the dollar amount of the gift,
    - Include the donor's statement that no repayment of the gift funds is expected, and
    - Indicate the donor(s) name, address, phone number, and relationship to the borrower.
- The Seller must verify that sufficient funds to cover the gift have been transferred to the borrower's account or will be documented as received by the closing agent at the time of closing. Acceptable documentation includes the following:
    - Evidence of the borrower's deposit,
    - A copy of the donor's funds by check/electronic transfer of the closing agent, or
    - The CD showing receipt of the donor's funds.

Marijuana/Cannabis

Assets derived from employment in the marijuana or cannabis industry is not an eligible source of assets, regardless of state law. Assets from employment in industries that are not prohibited at the federal level, such as the legal hemp industry, is eligible.

Reserves

- 1-unit property: Not required
- 2-4 unit property: 6 months PITI. Reserves not required if rental income not used for qualifying.
- Other rental real estate owned: 3 months PITI for each additional property owned. Reserves not required if rental income not used for qualifying.

Assumptions

Planet follows agency guidelines.

AUS

Planet accepts the following AUS Findings on VA Loans:

- Desktop Underwriter (DU):
  - “Approve/Eligible”
  - “Refer/Eligible” (manual underwrite required)
- Loan Product Advisor (LPA):
  - "Accept/Ineligible"
  - “Refer/Ineligible” (manual underwrite required).
- An “Approve/Eligible” or "Accept/Ineligible" Finding must be downgraded to a manual underwrite when any of the following are present:
  - **Mortgage history has more than a 1 x 30 in the previous 12 months**
  - **Borrower is in an IRS tax repayment plan,**
  - **There are active disputed tradelines**
  - **The subject loan was previously a restructured/modified mortgage.**
    - **A minimum of 12 months of 0x30 payments have been made on the modification.**
    - **If the mortgage was in default at the time of modification, it is not eligible.**

Available Markets

- **Delegated Sellers**

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

- **Non-Delegated Sellers**

  Planet will purchase loans from non-delegated Sellers in all states on VA products. **All** loans require Planet underwriting approval.

- Sellers must receive approval from Planet to deliver loans with properties located in Puerto Rico.
- The U.S. territories of Guam and the Virgin Islands are ineligible regardless of delegation.

Blue Water Navy Vietnam Veterans Act of 2019

- The maximum loan guaranty may be expanded on loans greater than the Freddie Mac conforming loan limits in certain circumstances. The following transaction are eligible:
  - Purchase
  - Construction, and
  - Cash-out Refinance

NOTE: No change to the maximum amount available to veterans for loans ≤ the $144,000 regardless of conforming limits.

- Full entitlements do not require Freddie Mac CLL consideration.
- Entitlements previously used but has not been restored:
  - The maximum guaranty amount is the lesser of 25% of the loan amount, or the maximum amount of guaranty available.
    - The maximum amount of guaranty entitlement is 25% of the Freddie Mac CLL, reduced by the amount of entitlement previously used (not restored) .
    - Entitlements may be restored for a cash-out refinance of active VA-guaranteed loans when ordering or correcting the Certificate of Eligibility (COE).

Borrower Eligibility

Eligible Borrowers

Eligible per VA guidelines

- The following situations require VA review and approval:
  - Joint loan of a veteran and one or more non-veteran (not spouse) – the 25% coverage must be covered through the Veteran's Entitlement and the Non-Veteran's Down Payment (see VA Handbook Chapter 7.1 for examples of calculating the maximum loan amount)
  - Loans to veterans in receipt of VA non-service connected pension
  - Veterans rated incompetent by the VA

- Proposed construction that is ≤ 95% complete
- IRRRL being used to refinance a VA loan that is ≥ 30 days past due

CAIVRS

CAIVRS

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.

Chain of Title

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). If more than one transfer in previous 12 months **or** property has significant increase in value since prior transfer, an appraisal addendum addressing all transfers is required.

Compensating Factors

VA considers the following when considering compensating factors:

- Excellent credit history
- Conservative use of consumer credit
- Minimal consumer debt
- Long-term employment
- Military benefits
- High residual income
- Low DTI ratio
- Significant liquid assets
- Sizable down payment
- Existence of equity in refinance loans
- Little or no payment shock
- Satisfactory homeownership experience
- Tax credits for childcare
- Tax benefits of home ownership

Credit Report/Scores

- **A minimum credit score of 580 is required regardless of AUS Findings. Credit scores of 580- 599 are subject to specific guidelines.** *See* "Credit Score 580-599" below for requirements.
- **A minimum credit score of 600 is required on cash-out transactions > 90% LTV.**
- A tri-merged credit report is required for all borrowers.
- The primary borrower (the borrower with the highest income) must meet the minimum credit score requirement.
- The representative credit score is determined as follows:
    - If there are three valid scores, the middle score is used. If two of the three scores are a duplicate, the duplicate score is used.
    - If there are two valid scores, the lower of the two is used.
    - If there is one valid score, that score is used.
- The borrower(s) must address **all** 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).

Credit Report – Fraud Alert

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:

- A letter of explanation from the borrower, and
- A copy of the identity theft report, and
- An additional form of identity verification, and
- 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.

Credit Score 580-599

The following applies when the borrower's credit score is between 580-599:

- **Maximum LTV/CLTV**
    - **Purchase transactions: 90% LTV/CLTV. Minimum 12 months documented housing history, indicating 0x30 in 12 months is required. < 12 months housing history is ineligible.**
    - **Refinance transactions: 90% LTV/CLTV. Minimum 2-year payment history on the current loan with 0x30 in previous 24 months is required.**

NOTE: Document with in-file credit report trade line rating or checks/money orders with evidence of bank withdrawals.

- **1-unit properties only (attached/detached SFR, PUDs, condos)**
- **10% down payment from the borrower's own funds is required. No gift funds/ DPA can be utilized until after 10% of the borrower's own funds has been contributed. 2 months of bank statement dated prior to the loan application date and a signed letter attesting all funds are the borrower's fund.**
- **Maximum payment shock is 100%. Payment shock > 50% - 100% requires double residual income (i.e., if VA normally requires residual income of $350, a minimum of $700 would be required).**
- **Property flips (property being re-sold ≤ 90 days from acquisition) are ineligible.**

Derogatory Credit

In circumstances not involving bankruptcy, satisfactory credit is generally considered to be re-established after the borrower has made satisfactory payments for 12 months after the date of the last derogatory credit item was satisfied. If a credit report reveals numerous unpaid collections and/or accounts that are not being paid timely, including some which have been outstanding for many years, then once the borrower has satisfied the obligations, then makes timely payments on subsequent obligations for at least 12 months, satisfactory credit is considered re-established.

Bankruptcy

- **Chapter 13**
  - If the veteran has finished making all payments and the payments were paid satisfactorily, the veteran is considered to have re-established credit.
  - If the veteran has not finished making payments, the veteran is eligible subject to:
    - A minimum of 12-months' payments have been made satisfactorily, and
    - The trustee or bankruptcy judge provides written permission for the veteran to enter into the mortgage transaction.
- **Chapter 7**
  - >2 years since discharge date from closing for purchase and refinance transactions
  - If bankruptcy was discharged within 1 to 2 years (discharge date to application date), may be considered if both of the following are met:
    - The bankruptcy 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 bankruptcy and accounts have been made satisfactory payments over a continued period.
  - Discharged < 12 months is ineligible
- A letter of explanation for any bankruptcy filing is required.

NOTE: *See* Chapter 4 of the VA Lenders Handbook for complete details.

Collections/Charge Off Accounts

- Collection and charge-offs are generally not required to be paid off, however follow AUS findings if payoff is required.
  - Medical collections and charged-off medical accounts do not need to be considered in qualifying ratios or when determining the residual income.
  - The presence of medical collections and/or charged-off medical accounts should not be considered when determining an applicant's creditworthiness.
- Collections accounts must be considered part of the borrower's overall credit history and unpaid collection. Non-medical collections without minimum payment amounts listed on the credit report should be considered at 5% of the outstanding balance.
- Borrowers with a history of collection accounts should have re-established a 12-month satisfactory credit history.
- A letter of explanation may be required for all collection/charge-off/judgment accounts if a loan is downgraded to a manual underwrite.

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

- If a borrower(s) has good prior credit and are participating in a Consumer Credit Counseling plan, there are no restrictions.
- If a borrower(s) has prior adverse credit and are participating in a Consumer Credit Counseling plan, the following are required:
  - >12 months satisfactory payments, and
  - Written permission from the Counseling Agency to enter into a mortgage transaction.

Delinquent Child Support

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

Foreclosure

- >2 years since completion from date of closing
- If foreclosure completed within the past 1-2 years from date of closing, 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

NOTE: If the foreclosure was included in a 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.

Deed in Lieu or Short Sale

If the borrower's payment history on the property was not affected before the short sale or deed in lieu and was voluntarily communicating with the servicer or holder, then a waiting period from the date transfer of the property may not be necessary.

NOTE: If the foreclosure was included in a 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.

Down Payment

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.

Down Payment Assistance/Grants

Funds from grants/down payment assistance (DPA) programs are eligible per VA guidelines.

DTI

- DTI > 41% requires additional documentation/justification unless:
    - The ratio is > 41% is due solely to the existence of tax-free income, or
    - Residual income exceeds the guidelines by at least 20%
    - The debt-to income ratio includes the following:
        - Monthly housing expense, and
        - Additional recurring charges extending 10 months or more, such as
            - Installment accounts
            - Child support or separate maintenance payments

  - Revolving accounts
  - Alimony.

- Tax free income may be “grossed up” for purposes of calculating the DTI ratio only (not for residual income).
- Significant debts and obligations include:
  - Debts and obligations with a remaining term of 10 months or more; that is, long-term obligations, and
  - Accounts with a term of less than 10 months that require payments so large as to cause a severe impact on the family’s resources for any period of time.
- Deferred Student Loans
  - Payments deferred or in forbearance > 12 months from the Note date may be excluded from the DTI ratios. See VA Lenders Handbook for complete details on student loan debt.

30-Day Charge Account

For open 30-day change accounts, it must be determined if the borrower pays the balance in full each month and has verified funds to cover the account balance in addition to any funds required for closing costs.

- If there are sufficient funds, the payment does not need to be included in the Loan analysis, but the obligation should continue to be listed.
- If there are not sufficient funds, a minimum payment of 5% of the balance must be included in the loan analysis.

Co-Signed Debt

The borrower may have a contingent liability based on co-signing a loan. The Seller may exclude the loan payments from the monthly obligations factored into the net effective income calculation in the loan analysis if:

- There is evidence that the loan payments being made by someone else, and the obligation is current, and
- There is no reason to believe that the borrower will have to participate in repayment of the loan.

Employment and Income

- A two-year employment history is required.
- 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.
- 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.

- Self-employed borrower's business requires verification of the business by a third-party source (e.g. CPA, Federal Ta x ID Certificate, Business License).
- 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).
- Follow AUS Findings for income documentation requirements.
- Amended tax returns are allowed with an exception from an Underwriting Manager, subject to the following requirements:
  - Original and amended tax returns are required. Tax transcripts for the amended tax returns must be obtained and be provided from the IRS. Borrower obtained tax transcripts for amended tax returns are not allowed.
  - Tax returns must be amended prior to the application date. Tax returns amended after the application date are not allowed.
  - Amended tax returns must be accepted by the IRS.
  - If the borrower owes taxes to the IRS, the full amount must be paid in full. Installment agreements for taxes are allowable if Agency guidelines are met.
  - An explanation for the amended tax returns is required to be obtained from the borrower if the income is being used to qualify.
- **Self-Employed Borrowers**
  - Follow AUS Findings for documentation requirements
  - Manual underwrite requires:
    - 2 years signed personal tax returns or tax transcripts
    - 2 years signed business/corporate tax returns
    - 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

  See VA Handbook, Chapter 4 Section 8 for complete requirements.
- **Commissioned Income**

  File must include VOE or other written verification that evidence the following:

  - Year-to-date amount of commissions paid
  - Basis for payments (salary plus commission, straight commission, or draws against commission, or other), and

- How often commissions are paid (bi-weekly, monthly, quarterly, etc.)
- Copies income tax returns for the previous 2-year years (signed and dated) including all applicable schedules
- Analyze Income derived from Commissions
    - Income must be stable for at least 2 years
        - Employment less than 2 years is not considered stable income unless the borrower has worked previously in a related field and/or completed specialized training.
        - Employment less than 1 year is not generally allowed for qualification. However, an in-depth evaluation may be conducted to reach a final conclusion
- Commission income < 25%
    - The expenses from commission income < 25% of the total annual employment income is as follows:
        - IRS Form 2106 expenses are not required to be deducted from income even if they are reported on IRS Form 2106
        - The expenses are not required to be added as a monthly liability for the borrower.
- Commission income ≥ 25%
    - The expenses from commissioned income ≥ 25% of the annual employment income is as follows:
        - IRS Form 2106 expenses must be deducted from gross commission income regardless of the length of time the borrower has filed the expenses with the IRS.
- Exception
    - One exception is an automobile lease or loan payment. An automobile lease or loan payments are not subtracted from the borrower's income; they are considered part of the borrower's recurring monthly debts/obligations in Section D on VA Form 26-6393, *Loan Analysis*.

- **Marijuana/Cannabis**
    - Income derived from employment in the marijuana or cannabis industry is not an eligible source of income, regardless of state law. Income from employment in industries that are not prohibited at the federal level, such as the legal hemp industry, is eligible.
- **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.

Analysis of Rental Property Income

- A 2-year rental history must be itemized on the borrower's tax return
- Property depreciation claimed as a deduction on the tax may be included as effective income
  - If after adding depreciation to the negative rental income, the borrower still has rental loss, the negative income should be deducted from the overall income as it reduces the borrower's income.
- If rental income will not, or cannot be used, then the full mortgage payment should be considered and reserves do not need to be considered.

Residual Income

- Residual income is the net income remaining after deducting:
  - Federal and state taxes, Social Security and Medicare,
  - Proposed PITI mortgage payment,
  - Revolving and installment debt,
  - Child support or alimony obligations,
  - Child care or job expenses, and
  - Home maintenance (calculated at 14¢ per square foot)
- Grossed-up income cannot be used to meet residual income requirements.
- Residual income requirement can be reduced by 5% if:
  - the veteran is an active duty or retired serviceperson, or
  - there is a clear indication that the borrower will receive the benefits resulting from use of military-based facilities located near the property.
- Only the borrower's actual income may be used to calculate the residual income.

The following residual income charts detail VA's requirement by loan amount, family size and region.

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 for each additional family member up to 7			

Exceptions to the above:

- 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:
  - A spouse not obligated on the Note that has stable and reliable income sufficient to support their living expenses, or
  - A child for whom sufficient foster care payments or child support payments are received regularly.
  - A parent who has sufficient stable and reliable non-taxable income.

Geographic Regions as Identified 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	Idaho	Utah
	Arizona	Montana	Washington
	California	Nevada	Wyoming
	Colorado	New Mexico	
	Hawaii	Oregon	

See VA Lenders Handbook for Income details.

Escrow/Impound Account

Required on all loans, no exceptions.

Fees and Charges

VA allows the following fees and charges:

- 1% origination fee based on total loan amount. Fees determined by VA as unallowable **cannot** be charged, or
- 1% unallowable fees based on the total loan amount. An origination fee **cannot** be charged, or
- 1% blend of origination fee and unallowable fees based on the total loan amount. Combined fees cannot exceed 1% of the total loan amount.
- The veteran **cannot** pay any of the following fees:
    - Attorney fees (unless the veteran independently retains an attorney)
    - Prepayment fees
    - Real estate broker fees

VA Funding Fees

- The Veteran is required to pay a Funding Fee to help defray the costs of the VA loan program
- Locate the appropriate percentage on the funding fee table posted on: http://www.benefits.va.gov/homeloans/documents/docs/funding_fee_table.pdf
- Apply this percentage to the loan amount to arrive at the funding fee
- The Funding Fee can be financed in the loan, or can be paid in cash; however, a partial funding fee is not allowed (cannot be part cash and part financed)
- Funding Fees are waived for active-duty, Purple Heart recipients

VA Funding Fee*			
Type of Loan	**Down Payment**	**First Time Use**	**Subsequent Use**
Purchase and Construction	<5%	2.15%	3.3%
	5% - 10%	1.5%	1.5%
	≥ 10%	1.25%	1.25%
Cash-Out Refinance	N/A	2.15%	3.3%
IRRRLs	N/A	0.50%	0.50%
Loan Assumptions	N/A	0.50%	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.

NOTE: Funding fee is waived for active-duty Purple Heart recipients.

Follow ALL requirements surrounding the validation of the Funding Fee as outlined in VA Circular 26-19-17

Allowable Closing Costs

The following fees may be charged:

- Loan Origination
- Reasonable Discount Points
- Appraisal Fee/Compliance Inspections
- Credit Report Fee (actual cost)
- Title Examination/Title Insurance Fee
- Recording Fees & Taxes
- Prorated Taxes
- Hazard Insurance
- Flood Insurance
- Flood Determination
- Federal Express/Express Mail (refi only)
- Closing Protection Letter
- VA Funding Fee
- MERs Registration
- Survey/Plot Plan
- Well and Septic Inspections Fees

The above lists may not be all inclusive. *See* VA Lenders Handbook for detailed guidance on allowable/unallowable fees and charges.

Unallowable Fees

The following fees cannot be charged if a 1% origination fee is charged:

- Lender's Inspections
- Lender's Appraisal
- Closing/Settlement Fee
- Doc Prep Fees
- Conveyance Fee
- Underwriting Fee
- Pest Inspection Fee
- Commitment Fees
- Fax/Email/Copying Fee
- Escrow Fee
- Fees to Loan Brokers, Finders or Other 3rd Party Fees
- Notary Fees
- Trustee Fee
- Interested Rate Lock Fee
- Postage/Mail Charges
- Amortization Schedule
- Tax Service Fee
- Attorney's Services other than title work
- Loan Application/Processing Fee
- Fees for preparing TRID
- Prepayment Penalties (refi)
- Any other fee(s) not listed as allowable by VA

Subordination Fees

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.

Third Party Charges

Third party charges are limited to the actual charge of the third party. VA limits the fee charged for an appraisal. View the appraisal fee list at VA Appraisal Fee Schedules.

Example:

If a credit report is obtained at a cost of $30, the Seller may only charge the borrower for $30 for the credit report, The Seller may not charge $35, even if it believes that a $5 handling charge is fair.

In additional, the borrower may not pay a duplicate fee for services that have not already been paid for by another party.

Example:

An appraisal is completed on a property and paid for by a prospective purchaser, but the sale is never completed. A second purchaser applies for the loan before the validity period of the NOV expires. The Seller uses the same NOV. The Seller may not charge the second purchaser an appraisal fee if no second appraisal is ordered.

Financed Properties

- Owner-occupied properties: No limit.
- **Planet will purchase a maximum of five loans to one borrower with an aggregate loan amount up to $2.5M.**

Guaranty/Entitlement

- A minimum 25% guaranty is required
- 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 **adds someone other than their spouse to title**, the final loan guaranty would be half of the veteran's entitlement).

Inspections

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. *See* VA Department- Local Requirements for additional details.

- Well inspections are required in all cases (private or shared)
- 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.

NOTE: Connection to public water and/or sewer is only mandatory when required by local building, planning or health authorities.

Manufactured Housing

- **30-year Fixed Rate only**
- **Manual underwrite is ineligible**

Credit Score

Minimum 640 FICO

Eligible Properties

- The manufactured home must be:
  - 1-unit, multi-wide dwelling
  - Classified as real estate
  - Condominiums
  - Existing or New construction
  - Property affixed to a permanent foundation
  - PUD

Ineligible Properties

- 2-4 units
- **Leasehold**
- **Properties located in a 100-year Flood zone**
- **Singlewide**

Manufactured Homes Titled as a Condo

- All condominium units, including site condominiums and manufactured home condominiums, must be located in a condominium development that has been accepted by VA prior to loan guaranty.
- SARs receiving an appraisal for a condominium unit in a development that has not been at least conditionally accepted by VA may not issue the NOV.

New Construction

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.”

In those cases, each set of construction exhibits must include:

- Specifications for the foundation and a plot plan as required for conventional site-built homes
- In double-wide homes, a detail of the mating line piers, if applicable location and a cross sectional
- A foundation plan showing the detail of the supporting piers. In all cases, include drawings of the foundation anchorage details.
- 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.
- 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.
- 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.
- 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.
- 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.

Maximum Loan Amount

Maximum base loan amount is VA Conforming Loan Limits.

- Maximum total loan amount **$1,500,000** in all states.
  - **Loan amounts >$1,000,000 require a 700 FICO score and AUS approval. An exception can be granted for the minimum FICO score on a case-by-case basis.**

Loan Amount > Conforming limit

- **Credit score 580 - 639 requires full credit qualification.**
- **Credit score ≥ 640 non-credit qualifying eligible.**
- **Maximum LTV is 100%.**

- **Full credit report required for both credit and non-credit qualifying to verify mortgage history.**
- **Mortgage history**
  - **0x30 in12 months for credit qualifying.**
  - **0x30 in 24 months for non-credit qualifying.**

See "Transaction Eligibility" on page 476 for detailed information on allowable inclusions in the loan amount.

Minimum Loan Amount

$40,000.00

Minimum Property Standard (MPR)

VA has the following minimum property standards (MPR).

- Each property must have sufficient space for:
  - Living
  - Sleeping
  - Cooking and dining accommodations,
  - Sanitary facilities
- Mechanical systems must:
  - Be safe to operate, and
  - Be protected from destructive elements
- Heating must be permanently installed and maintain a temperature of at least 50° in areas where there is plumbing.
- Each unit must have a water supply and sanitary facilities as follows:
  - Domestic hot water
  - A continuous supply of safe and potable water for drinking and other household uses,
  - 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.
  - Any required well or septic tests/certifications are valid for 90 days unless local health authority indicates differently.

Mortgage/Rental History

- Credit score of 580-599 requires the following:

- **Purchase transactions:** A minimum 12 month documented housing history with 0x30 in previous 12 months. Borrowers without a 12 month housing history are **ineligible**. Housing history must be evidenced by:
  - In-file credit report trade line rating, or
  - 12 months canceled checks/money orders or evidence of consistent bank withdrawals.

NOTE: VOR, including VOR from professional management company, or landlord letters are **not eligible** to document housing history.

- **Refinance transactions:** Minimum 2 year payment history on the current loan with 0x30 in previous 24 months required; < 2 year payment history the loan is ineligible.

- 0x30 in 12 months. A manual downgrade is required for any mortgage debt with more than 1 x 30 in 12.
- Mortgage must be current and due for the month closing
- Verification of Mortgage (VOM) or Verification of Rent (VOR) are required if an “Approve/Eligible” Finding is not received.
- 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:
  - A direct verification of rent (VOR) provided by a professional management company, or
  - Copies of Money Orders.

Mortgage Seasoning

Loan seasoning applies to any loan being refinanced into a VA loan. A cash-out refinance, Type I or Type II, is not eligible for guaranty if the VA guaranteed loan being refinanced has not been seasoned as of the closing date. A loan is considered seasoned if all of the following conditions have been met as of the closing date:

- **The note date of the refinance loan must be on, or after, the later of:**
  - **The date on which the applicant has made at least six-monthly payments on the loan being refinanced, and**
  - **The date that is 210 days after the first payment due date of the loan being refinanced.**
  - **If the loan has been modified, the seasoning starts with the first payment due date of the modification.**

NOTE: Refinance of loans on which fewer than six consecutive regularly scheduled payments have been made are not eligible for financing.

Multiple VA Loans

- 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.
- A previously used entitlement may be restored if:
  - The property which secured the VA loan has been sold, **and** the loan has been paid in full, or
  - 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.
- 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:
  - 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
  - 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, one time only. 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.

Non-Purchasing Spouse

The debts of the non-purchasing spouse must be included in the borrower's qualifying ratios, unless specifically excluded by state law, if:

- Borrowers reside in a community property state, or
- Property being purchased is located in a community property state.

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.

Occupancy

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.

Power of Attorney

The following requirements apply to all transactions when a Power of Attorney (POA) is utilized:

- Use of the POA must meet all applicable state, federal, and agency guidelines.
- The attorney-in-fact must be an eligible person (the following are examples of ineligible persons: real estate agent, seller or a person related to the seller, any employee of the lender, any employee of the title company, title agent or settlement agent, or any other party with a financial interest in the transaction (other than a relative of the borrower).
- The POA must be signed and notarized.
- A trustee of a trust cannot sign using a POA.

Prepayment Penalty

Not permitted.

Products

- **Fixed Rate:** 15-, 20-, 25-, and 30-year
- **ARM:** 3/1 and 5/1 1-Year CMT index
  - Caps: 1/1/5
  - Margin/Floor: 2.00
  - Qualified at note rate

See "Manufactured Housing" on page 466 for limitations.

Property Eligibility

Eligible Properties

- 1-4 unit primary residence
- Condominiums (VA approved prior to submission). Site condos require VA Project Approval, except in the state of Michigan. *See* VA Lenders Handbook Chapter 16 for complete Condominium requirements in the state of Michigan.
- Construction must be > 95% complete
- Manufactured homes. Manufactured housing is defined as any dwelling built on a permanent chassis (1-unit, multi-wide dwelling, new/existing construction, PUDs)
- 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.

- New Construction (completed < 1 year and never occupied)
- Townhomes/PUDs (attached/detached). PUDs do not require questionnaire/warranty form.

Ineligible Properties

- Agricultural properties (farms, ranches, orchards, etc.)
- **Cooperative projects**
- Income producing properties
- **Leasehold properties**
- Manufactured homes that include an accessory dwelling unit (ADU)
- Mobile home (any property with wheels/axles and towing hitch etc.)
- Non-VA approved condo projects
- Properties located in an unacceptable noise zone (e.g., airport)
- Properties located in the Hawaiian Islands in lava zones one or two
- Properties located within electrical line easements
- Properties subject to regular flooding
- Proposed construction
- Single-wide manufactured home
- Unique properties (geodesic domes, earth berm homes, log homes, etc.)

Property Flips

Property flips are subject to additional underwriting review and are subject to the following:

- Appraisal must sufficiently support the appraised value increases
- Two full appraisals may be required at underwriter discretion, and
- The borrower must have an excellent credit history, employment history, a strong savings pattern, etc.

Properties Listed for Sale within the Previous 12 Months

If the property was listed for sale within the prior 12 months but is not currently listed for sale:

- **A property listed for sale will be considered for a cash-out refinance if the listing was canceled, expired, or withdrawn at least 180 days prior to the application date.**
- **The appraised value should be at least 10% below the lowest listing price. If the appraised value is not 10% less than the lowest list price, the underwriter must address the variance satisfactorily.**
- **The borrower must provide written confirmation of their intent to occupy the property as their primary residence.**

Purchase Agreements – Escape Clause

The Escape Clause must be contained in the sales contract for all VA-guaranteed loans. The Seller is responsible for ensuring that the paragraph is in the sales contract prior to closing. In the event the clause is not in the sales contract, VA may not guaranty the loan.

Builder and Realtors:

- The builders/realtors that initiate contracts on new construction must ensure that the Escape Clause is in the contract and the contract is signed by the Veteran and the property seller.
- Upgrades are not considered earnest money and the builder is not required to refund this money. When the NOV is below the sales contract price, this clause protects the Veteran with negotiation of the sales contract.

If the sales contract was signed by the Veteran prior to receipt of the NOV, the contract must include, or be amended to include, the clause below:

> "It is expressly agreed that, notwithstanding any other provisions of this contract, the purchaser shall not incur any penalty by forfeiture of earnest money or otherwise or be obligated to complete the purchase of the property described herein, if the contract purchase price or cost exceeds the reasonable value of the property established by the Department of Veterans Affairs. The purchaser shall, however, have the privilege and option of proceeding with the consummation of this contract without regard to the amount of the reasonable value established by the Department of Veterans Affairs (38 U.S.C. 501, 3703(c)(1))."

Rent Back

The property seller is allowed to rent back the property from the buyer (borrower) for a maximum of 60 days after close.

Seller Contribution

- VA defines seller concessions as anything of value added to the transaction by the seller or builder which the buyer pays nothing additional and which the seller is not customarily expected or required to pay or provide.
- Seller concessions include, but are not limited to:
  - Payment of the borrower's VA funding fee,
  - Prepayment of the borrower's property taxes and insurance,
  - Gifts (e.g., T.V., microwave, etc.),
  - Payment of extra points to provide permanent interest rate buydowns,
  - Provision of escrowed funds to provide temporary interest rate buydowns, and
  - Payoff of credit balances or judgments on behalf of the borrower
  - Seller concessions do **not** 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.

- Any seller concession or combination of concessions which exceeds 4% of the established reasonable value of the property is considered excessive, and unacceptable for VA-guaranteed loans.
- Do not include normal discount points and payment of the buyer's closing costs in total concessions for determining whether concessions exceed the 4% limit.

Short Sale

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.

Special Flood Hazard Area

Properties located in a FEMA Special Flood Hazard Area (SFHA) must be covered by a flood insurance policy.

- Properties located in a SFHA are not eligible if flood insurance is not available.
- Properties in areas that are subject to regular flooding are not eligible, whether or not the area has been designated an SFHA.
- Although flood zone information is required on the appraisal report, flood zone maps do not typically indicate the location of specific properties. The file must evidence the flood zone information.
- SFHA's flood zones are usually designated as follows:
  - A, AO, AH, A1-A30, AE, A99, AR, AR/AE, AR/AO, AR/A1-A30, AR/A, V, VE, and V1-V30.
  - Flood insurance is not required in Zones B, C, X, and D.
- At the borrower's request, non-residential improvements such as detached garages and small sheds may be excluded from the flood insurance policy if they are also excluded from the appraised value.
- The cost of flood insurance with and without coverage for the detached building should be compared as excluding a detached building may not be worthwhile.
- The borrower may elect to obtain private flood insurance instead of obtaining flood insurance through the National Flood Insurance Program.

Subordinate Financing

- Eligible subject to the CLTV limits on the "VA Conforming and High Balance Program Grid" on page 445.
  - The loan (in conjunction with the first mortgage) may not exceed the NOV.

- 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.

Temporary Buydown

2/1 and 1/0 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 any type of VA-guaranteed loan. The terms of the buydown are limited to 2% for the first year and 1% for the second year for a 2/1 buydown, and 1% for the first year for a 1/0 buydown.

Qualifying Rate

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.

- Routine cost of living increases cannot be used for this purpose
- Increases resulting from confirmed future promotions or wage percentage increases guaranteed by labor contracts (for example, teachers, autoworkers) may be given favorable consideration.

The assistance payment must run for a minimum of one year. Scheduled reductions in the assistance payments must occur annually on the anniversary of the first mortgage payment.

Compensating Factors Allowed

If the residual income and/or DTI ratio is marginal, the buy down along with other compensating factors may be used to qualify. *See* Chapter 4 of the VA Lenders Handbook for complete requirements.

NOTE: A signed statement from the underwriter providing reason for the approval required.

Seller Concessions Allowed

- Payment of extra points to provide permanent interest rate buydowns
- Provision of escrowed funds to provide temporary interest rate buydowns,

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.

Documentation

Sellers are responsible for delivering an executed buydown agreement with closing package. Unapplied buydown funds will be netted from the purchase of the loan.

Transaction Eligibility

Eligible Transactions

- Purchase
- Cash-Out Refinance (Type I and Type II)

Ineligible Transactions

- **EEM (Energy Efficient Mortgage)**
- Rate and Term Refinance
- Interest Rate Reduction Refinance Loan (IRRRL). *See* **VA IRRRL Program Guidelines>**"Transaction Eligibility" on page 504 for all requirements.
- Second home and investment transaction
- Texas Section 50(a)(6)
- Transactions that result in < 25% guaranty based on available Entitlement and Down Payment

Purchase

- 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.
- 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.

Land Contracts

Land contracts are considered a refinance transaction and are subject to the following:

- Maximum mortgage amount is limited to 100% of the lesser of the sales price or Notice of Value (NOV)
- Land contract must be recorded
- Seller on contract must be the owner of record
- No liens can be title except for the lien to be paid with the proceeds of the transaction, and
- 0x30 in previous 12 months required on monthly payments. Copies of canceled checks front and back are required to document payment.

Refinance Transactions

- 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.

Cash-out Refinance

- **Maximum 90% LTV unless the specific Cash-out Refinance > 90% LTV requirements are met.**
- All VA refinance transactions not defined under "Other Refinancing Loans" are cash-out.
- 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.
- The loan must be secured by a first lien on the property (min. $1.00 lien required).
- Veteran must occupy the home.
- The loan amount cannot exceed the county limit.

Cash-out Refinance > 90% LTV Requirements

- **Loan amount cannot exceed the county limit**
- **Minimum credit score is 600**
- **30- and 25-year fixed loan term only**

See VA Lenders Handbook, Chapter 6, for VA's definition of "Other Refinancing Loans".

NOTE: VA test cases are eligible.

Cash-out Refinance (effective on application dates on or after February 15, 2019).

This section is specific to the VA Cash-Out Refinance requirements. For any topic not covered in this section, refer to the VA Handbook 26-7 for complete details.

- Effective on applications dated on or after February 15, 2019, eligible borrowers must meet the requirements below. Eligible Loan Types
  - *TYPE I*
    - Loan amount (including funding fees) must not exceed payoff amount of the loan being refinanced.
    - Recoupment applicable on VA to VA transactions only. Recoupment period of all fees, closing cost and expenses must not exceed 36 months.
      - Fees do not include taxes, escrow or insurance.
    - Fixed to Fixed transaction rate reduction not < .50%
    - Fixed to ARM transaction rate reduction not < 2%
  - *TYPE II*

- Loan amount (including VA funding fee) does exceed the payoff amount of the loan being refinanced.
- Recoupment not applicable for this loan type.

- **Maximum LTV using total loan amount cannot exceed 90%.**
  - The LTV is determined by dividing the total loan amount, including the VA funding fee, by the Reasonable Value on the NOV.
- Net Tangible Benefits (NTB)

Net Tangible Benefits to the borrower must:

- Eliminates Mortgage Insurance (MI)
- Reduced Loan Term
- Lower Interest Rate
- Reduction in amount of monthly payment
- Borrower's residual income increases.
- Refinance of interim loan to construct or repair the property.
- LTV is ≤ 90% or less of the reasonable value of the home, or
- Loan is refinanced from an ARM to a Fixed Rate loan.

File must evidence:

- NTB was issued to the borrower outlining the key terms of the new loan vs. the existing loan within 3 business days from loan application and at closing.
- An estimate of the home equity being removed from the home as a result of the refinance and explain how the removal of home equity may affect the Veteran.
- Loan Comparison Disclosure was issued at application and closing.
  - Refinancing loan amount vs. the payoff amount of the loan being refinanced
  - Loan type of the refinancing loan vs. the loan being refinanced
  - Interest rate of the refinancing loan vs. the loan being refinanced
  - Loan term of the refinancing loan vs. the loan being refinanced
  - The total the Veteran will have paid after making all payments for the loan being refinanced and the new loan
  - LTV of the refinancing loan vs. the loan being refinanced
  - An estimate of the home equity being removed from the home as a result of the refinance and explain how the removal of home equity may affect the Veteran.

- Payment History
  - File must evidence:

- Loan was refinanced within 1 year from the date of original closing.
- Documentation of all payments validated by the servicer/Lender.

VA Alterations and Repair Program Grid

FIXED RATE & ARM Primary Residence Full Documentation					
Transaction Type	**Units**	**LTV**	**CLTV**	**Loan Amount**[1,4]	**Credit Score**
Purchase	1	90%	90%	VA Limit	580[2]
Purchase	1-4	100%	100%		600
Cash-out	1	90%	90%		580[2]
Cash-out[3]	1-4	100%	100%		600

Footnotes:

1. VA loan limits can be found at VA Loan Limits. *See* Maximum Loan Amount and Minimum Loan Amount for loan amount requirements.
2. **Borrowers with a credit score of 580-599 are subject to specific guideline restrictions.** *See* "Credit Requirements" on page 485 to view requirements.
3. **Cash-Out Refinance with LTV > 90% must be 30 Year Fixed Rate only.**
4. **Maximum $1,500,000 loan amount. Total loan amount exceeding $1,000,000 requires a minimum 700 credit score.**

VA Alterations and Repair Program Overview

Loans for alteration and repair in conjunction with a purchase allows the purchase of a home that needs improvement or where the borrower wants to alter the home to their preference.

For purchase transactions it is mandatory to use the lesser of the as-completed value or the acquisition costs for this transaction.

Loans for alteration and repair in conjunction with a cash-out refinance of an eligible residence already owned and occupied by the borrower allows the borrower to refinance the existing loan and use the as-completed value in the transaction.

The loan proceeds are paid out to the builder and/or contractor during the alteration/repair period.

General Parameters

- **Alterations and Repairs are limited to a maximum of $50,000** (plus **all** fees, Contingency Reserve, etc.).
- The total mortgage amount on the property including the cost of alteration and/or repairs, must fall

within the VA's mortgage limit for the area where the property is located. There is no minimum alteration and/or repair amount.

- All renovation work must start within 30 days of the loan closing date. The work cannot stop for more than 30 consecutive calendar days and **must be completed within 120 calendar days after the start date**.
- **A maximum of 4 draws are allowed**.
- Eligible alteration and/or repairs must be those ordinarily found on similar properties of comparable value in the community.
- The loan file must evidence written approval from the borrower before each disbursement or draw payment is made to the builder and/or contractor.
- All minimum property requirements (MPR) must be met prior to issuance of the Loan Guaranty Certificate (LGC) and the final inspection/certificate of occupancy.

VA Alterations and Repair Program Guidelines

For topics not addressed in this guide, see "VA Conforming and High Balance Program Guidelines" on page 446 **and the VA Handbook.**

4506-C

- Tax transcripts are required per AUS findings or can be obtained in lieu of W-2 or tax returns both personal and business.
- 4506-C must be signed by all borrowers at loan closing if transcripts were not obtained to qualify the borrower.

Ability to Repay/Qualified Mortgage

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:

- Compliance findings validating a pass of ATR
- Compliance findings validating a pass of QM, where applicable
- Automated Underwriting System (AUS) approval, where applicable
- Evidence of manual approval, where applicable
- Underwriting Analysis (e.g., Final 1008/Loan Transmittal, VA Loan Analysis, FHA Transmittal Summary)
- Income Worksheet

Additionally, all disclosures and documentation required under the ATR/QM provisions of the Dodd-Frank Act must be provided.

The Seller will comply with the verification standards of the applicable agency Seller's Guide.

Alterations and Repair

Eligible Alterations and Repairs

Alteration and/or Repairs **are limited to $50,000**; must meet VA MPR requirements and **must be non-structural**.

All improvement to existing structures must comply with VA's MPR and meet or exceed local building codes. Items eligible for Alterations and/or Repair funds include, but are not limited to:

- Changes to improve function/modernization (bath/kitchen remodel). **Cannot include structural changes**
- Elimination of health/safety hazards (lead-based paint, mold, etc.) that violate VA's MPR requirements
- Connecting to water public water and sewage systems
- Repair/replacement/upgrade of plumbing, heating, air conditioning and electrical systems
- Repair/replace/installing roofs, sidings, gutter, down sprouts, flooring, appliances, windows, and doors improvements
- Elimination of obsolescence
- Handicap accessibility allowed (wheelchair access ramps, widen doorways, expand showers, and lower countertops)
- Repairs to existing swimming pool
- Well/septic repair/replacement work
- Additional exterior repairs including fences, decks, patios and porches

Ineligible Alterations and Repairs

Structural work which requires building/construction or requires an engineer report or architectural specs.

Appraisals

- Specifications for materials, exhibits to be used in projects must be provided to the appraiser at the time of appraisal order.
- Contractor estimates with material and labor breakdown "must" be provided to the appraiser at the time of appraisal order to be utilized in the preparation of the appraisal report for valuation purposes.
- Appraisers will "hold" appraisal assignments until the appropriate exhibits are received.
  - All work must be inspected, to the extent determined appropriate by VA on a case-by-case basis.), **or**
  - Any re-inspections by the appraiser must ensure that the completed renovations meet at least the minimum specifications originally utilized in preparing the appraisals final value. The use of any lower grade materials or deviations that may lower the original value provided in the appraisal report must be noted as to the specific deviation and its impact.

NOTE: All work must be acceptably completed before VA guaranty of the loan.

AUS

Planet accepts the following AUS Findings on VA Loans:

Desktop Underwriter (DU:)

- “Approve/Eligible”
- “Refer/Eligible” (manual underwrite required)

Loan Product Advisor (LPA):

- "Accept/Ineligible"
- “Refer/Ineligible” (manual underwrite required).

For DU and LPTA;

- An “Approve/Eligible” or "Accept/Eligible" Finding must be downgraded to a manual underwrite when any of the following are present:
  - Mortgage history has a 1 x 30 in the previous 12 months
  - Borrower is in an IRS tax repayment plan,
  - There are disputed tradelines
  - Subject loan was a previously restructured/modified mortgage.
    - A minimum of 12 months of 0x30 payments have been made on the restructured/modified loan.
    - Mortgages in default at time of loan restructure/modification are not eligible.

Borrower Eligibility

See **VA Conforming and High Balance Program Guidelines** "Borrower Eligibility" on page 451 for requirements.

CLTV/Subordinate Financing

- **90% CLTV on Purchase and Cash-out transaction with a credit score of 580-599**.
- 100% CLTV on Purchase transactions **with a credit score of 600 and above**.
- 100% CLTV on Cash-out transactions **with a credit score of 600 and above**.
- 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.

Contingency Release

- On Purchase loans, any unused contingency reserve funds must be applied to the principal balance, unless it was paid in cash at closing by the borrower. In the case where the borrower has paid for the contingency in cash, the funds will be released back to the borrower.

- On Cash-Out Refinance loans, any unused contingency reserve funds must be returned to the borrower OR applied to the principal balance at the borrower's discretion.

Contingency Reserve

Contingency reserve of 10% of the alteration is required on all transactions. A 15% contingency reserve is required when utilities are not on at the time of inspection.

Contractor Validation

The builder or contractor must be registered with VA and the file must evidence a copy of a valid VA builder identification number prior to a VA NOV (Notice of Value) being issued. Refer to the VA Lender's Handbook, 26-7, Chapter 10. It is the Seller's responsibility to ensure that the builder or contractor is licensed, bonded, and insured according to all state and local requirements.

Sellers have the option of submitting the contractor documentation to Planet for validation. A checklist and documentation are available on the Core Seller Portal at www.phlcorrespondent.com under Forms and Resources.

Credit Requirements

Credit Report/Scores

- **A minimum credit score of 580 is required, regardless of AUS Findings**. Credit scores of 580-599 are subject to specific guidelines. *See* "Credit Score 580-599" on the next page for requirements.
- **A minimum credit score of 600 is required on cash-out transactions > 90% LTV**.
- A tri-merged credit report is required for all borrowers.
- The borrower with the highest income must meet the minimum credit score requirement.
- The representative credit score is determined as follows:
  - If there are three valid scores, the middle score is used. If two of the three scores are a duplicate, the duplicate score is used.
  - If there are two valid scores, the lower of the two is used.
  - If there is one valid score, that score is used.
- The borrower(s) must address all 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)

Credit Report – Fraud Alert

See **VA Conforming and High Balance Program Guidelines** "Credit Report/Scores" on page 453 > **Credit Report - Fraud Alert** for requirements.

Credit Score 580-599

The following applies when the borrower's credit score is between 580-599 :

- **Maximum LTV/CLTV**
  - **Purchase transactions: 90% LTV/CLTV. Minimum 12 months documented housing history, indicating 0x30 in 12 months is required. < 12 months housing history is ineligible. No gift or DPA funds allowed for down payment; all funds for down payment must be from borrower's own funds.**
  - **Refinance transactions: 90% LTV/CLTV. Minimum 2-year payment history on the current loan with 0x30 in previous 24 months is required.**

  NOTE: Document with in-file credit report trade line rating or checks/money orders with evidence of bank withdrawals.

- **1-unit properties only (attached/detached SFR, PUDs, condos)**
- **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 requirement is met.**
  - **Two 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.**
- **Twelve month housing history, indicating 0x30 in previous 12 months, is required. Borrowers without a housing history are ineligible.**
  - **0x30 12-month housing history must be verified as follows:**
    - **In-file credit report tradeline rating, or**
    - **Checks/money orders or evidence of consistent bank withdrawals.**
- **VA standard residual income requirements apply.**
- **Maximum payment shock is 100%. Payment shock > 50% - 100% is subject to the following:**
  - **Standard residual income requirement must be doubled (i.e., if VA normally requires residual income of $350, a minimum of $700 would be required).**

DTI

See **VA Conforming and High Balance Program Guidelines** "DTI" on page 456 for requirements.

Fees and Charges

- The following fees and charges apply as applicable and are included in the Alteration and/or repair cost. Discount fees are excluded. Funding fee due and payable within 15 days of loan closing.
    - Fees are not tied to commencement or completion of construction.
- Loan must be reported to the VA within 60 days of receipt of a clear VA final inspection report.
- Purchase transactions, for the purpose of reducing the funding fee, a down payment will only apply to the extent that the loan amount is based off the lessor of the NOV or the acquisition cost.
- Refinance transactions, for the purpose of reducing the funding fee, equity will count only to the extent that the loan amount is less than the NOV.

Renovation Fees

- A construction management fee of $350 in addition the VA origination fee is required.
- Inspection for interim draw — $150.00
- VA final repair inspection — VA specific
- Permit Fee — Per city/contractor
- Title Update Fee: 1x $125 at final draw

See **VA Conforming and High Balance Program Guidelines** "Fees and Charges" on page 463 for requirements and the VA Handbook, Chapter 8 for Fee and Charges requirements.

Financed Properties

Planet will purchase a maximum of five loans to one borrower with an aggregate loan amount up to $2.5M.

Inspections and Draw Disbursement

Inspections

Improvements must be completed according to local building codes. The options allowable to satisfy the inspection requirement for cases ordered as of the NOV are:

1. VA will accept the Certificate of Occupancy (CO) for the property as evidence of local authority inspections and satisfactory completion of construction. Loans for alteration and repair ordered as “Proposed” require local authority inspections according to the extent of the improvements and local requirements.
2. When an inspection is completed but no Certificate of Occupancy is issued:
    - Copies of the inspection reports are acceptable, which verify full compliance with local builder codes, or a written statement from the local authority that states that the required inspections were performed in a satisfactory manner.

3. Final Inspection
   - When the property is 100% complete, Planet Home Lending will contact the Correspondent Seller and request a Final Inspection to be ordered from the original VA fee appraiser. If the original VA appraiser is not available, the seller will contact the RLC of jurisdiction for another VA appraiser to complete the VA final inspection.

NOTE: The guaranty for alteration and repair loans will not be issued until a clear final inspection report has been completed by the VA fee appraiser. Loan must be reported to VA within 60 days of receipt of Final Inspection Report.

See VA Lenders Handbook for complete VA inspection requirements.

Draw Disbursement

- Planet will establish a custodial draw account to deposit alteration/repair funds in.
  - These funds may not be comingled with other lender funds.
- A maximum of 4 disbursements allowed (draws)
  - Initial draw upon 50% completion
  - Final draw at project completion

Manufactured Home

- **30-year Fixed Rate only.**
- **Manual underwrite is ineligible.**
- **Manufactured homes must meet VA requirements.**

Credit Score

Minimum 640 FICO

Eligible Properties

The manufactured home must be:

- 1-unit, multi-wide dwelling
- Classified as real estate
- Property affixed to a permanent foundation
- Existing or New construction
- PUD

Ineligible Properties

- 2-4 units
- **Condo**
- **Leasehold**
- **Properties located in a 100-year Flood zone**
- **Singlewide**

Maximum Loan Amount

- **Maximum total loan amount $1,500,000 in all states.**
- **Loan amounts >$1,000,000 require a 700 FICO score and AUS approval. An exception can be granted for the minimum FICO score on a case-by-case basis.**
- Loan amounts that exceed the county limit established by VA will require a down payment from the borrower.

Loan Amounts Above the Conforming Limit

- **Credit scores 580-639 require full credit qualification.**
- **Maximum 100% LTV for Purchase.**
- **Cash-Out Refinance on LTV's > 90% must be 30-year fixed only (HB not allowed on cash-out > 90% LTV)**
- **A full credit report is required for all transactions to verify the mortgage history.**
  - **0x30 in 12 months**

Minimum Loan Amount

$40,000.00

Minimum Property Requirements

All minimum property requirements must be met.

See **VA Conforming and High Balance Program Guidelines** "Minimum Property Standard (MPR)" on page 468 for requirements and the VA Handbook, Chapter 12, for Fee and Charges requirements.

Occupancy

Home improvements and refinancing loans for extensive changes to the property which will prevent the veteran from occupying the property while the work is being completed, constitutes exceptions to the “reasonable time” requirement.

The veteran must certify that they intend to occupy or reoccupy the property as a home upon completion of the improvements or repairs.

Products

- **Fixed Rate:** 15-, 20-, 25- or 30-year term
  - **Cash-Out Refinance on LTV's > 90% must be 30-year fixed only (HB not allowed on cash-out > 90% LTV)**
- **ARM:** 1-Year CMT 3/1 and 5/1
  - Caps: 1/1/5
  - Margin/Floor: 2.00
  - Qualified at Note rate

Property Eligibility

Eligible Properties

- 1-4 unit primary residence
- Townhomes/PUDs (attached/detached). PUDs do not require questionnaire/warranty form.
- Condominiums (VA approved prior to submission). Site condos require VA Project Approval, except in the state of Michigan. *See* VA Lenders Handbook Chapter 16 for complete Condominium requirements in the state of Michigan.
- New Construction (completed < 1 year and never occupied)
- Construction must be > 95% complete
- 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.
- Manufactured. Manufactured housing is defined as any dwelling built on a permanent chassis (1-unit multi-wide dwelling, new/existing construction, PUDs)

Ineligible Properties

- Agricultural properties (farms, ranches, orchards, etc.)
- Cooperative projects
- Income producing properties
- Leasehold properties (unless prior VA approval is obtained)
- Mobile home (any property with wheels/axles and towing hitch etc.)
- Non-VA approved condo projects
- Properties located within electrical line easements

- Properties subject to regular flooding
- Properties located in an unacceptable noise zone (e.g., airport)
- Properties located in the Hawaiian Islands in lava zones one or two
- Proposed construction
- Unique properties
- Single-wide manufactured home
- Manufactured Home classified as a Condo

Properties Listed for Sale within the Previous 12 Months

If the property was listed for sale within the prior 12 months but is not currently listed for sale:

- **Cash-out is only eligible if the listing is expired/canceled or withdrawn 180 days prior to the application date.**
- **The appraised value should be at least 10% below the lowest listing price. If the appraised value is not at least 10% less than the lowest list price, the underwriter must address the variance satisfactorily.**

The borrower must provide written confirmation of their intent to occupy the property as their primary residence.

Short Sale

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.

Transaction Type

Purchase

- When determining the value of the home it is mandatory to use the lesser of the:
  - As-completed value, or
  - Acquisition cost, which is the sum of the below:
    - Contract sales price
    - Total cost of alterations and repairs
    - Contingency reserve (up to 15%)
    - Inspection fees
    - Title update fees

- Permit fees
- Construction Management Fee

Refinance

- Cash-out loans for alterations and repair allow the Borrower to refinance the existing loan to make improvement and/or modifications to their home to meet their preferences.
- When determining the value of the home use the lesser of the:
  - As-completed value, or
  - Acquisition cost, which is the sum of:
    - Existing loan payoff
    - Total cost of alterations and repairs
    - Contingency reserve (up to 15%)
    - Inspection fees
    - Title update fees
    - Permit fees
    - Construction Management Fee

VA Alterations and Repair Forms

- 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.
- Maximum Mortgage Worksheet — Planet provides an online VA Alteration and/or Repairs Mortgage Calculator to assist in the completion of the worksheet.
- Completed Federal W-9 by Contractor (Rev. October 2018)
- Contractor Written Proposal and Cost Estimate
  - Must list each work item that requires permits and indicate that repairs are non-structural, and
  - Cost Estimate must indicate the nature and type of repair and cost for each work item, broken down by labor and materials
  - Evidence that the contractor is licensed and bonded
- Contractor Acknowledgement
- VA Homeowner/Contractor Agreement
- Rehab Loan Agreement
- Loan Rider

- Copy of Builder/Contractor Identification Number issued by the VA
- Permit Certification

Texas Loans require an Attorney to prepare the closing documents. The Attorney should be knowledgeable in Texas Law regarding renovation lending and provide the following documents in the closing package:

- Mechanic's Lien Contract and Transfer of Lien – must include verbiage to create the Mechanic's Lien and assignment to the Lender. Amount of renovation must match final contractor estimate.
- Rehabilitation Rider with Renewal and Extension language
- Contractor Affidavit of Compliance with Texas Law
- Rehabilitation Loan Agreement
- Non-Commencement Affidavit

VA IRRRL Program Grid

FIXED RATE & ARM Primary Residence[3]					
Transaction Type	**Units[5]**	**LTV**	**CLTV**	**Loan Amount[3,4]**	**Credit Score[1]**
IRRRL	1	90%	90%	VA Limit	580[6]
IRRRL	1-4	125%	Unlimited		600
Second Home					
Transaction Type	**Units[5]**	**LTV**	**CLTV**	**Loan Amount[2]**	**Credit Score[1]**
IRRRL	1	90%	90%	VA Limit	580[6]
IRRRL	1	125%	Unlimited		600
Investment Property					
Transaction Type	**Units[5]**	**LTV**	**CLTV**	**Loan Amount[2]**	**Credit Score[1]**
IRRRL	1	90%	90%	VA Limit	580[6]
IRRRL	1-4	125%	Unlimited		600

Footnotes:

1. **Non-credit qualifying requires minimum 640 credit score.**
2. **Conforming loan amount only for second home and investment. High balance loan amounts are ineligible.**
3. **Base loan amounts > VA Conforming Loan Limits subject to the following:**
   - **Credit score 580-639 required full credit documentation.**
   - **Credit score ≥640 non-credit qualifying eligible.**
   - **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**
4. **Maximum $1,500,000 loan amount. Total loan amount exceeding $1,000,000 requires a minimum 700 credit score.**

5. **Non-credit qualifying permitted on 1-unit properties only. 2-4 units are required to be credit qualifying.**
6. **Transactions with 580-599 credit score are subject to the restrictions outlined in** "Credit Score 580-599" on page 499.

<table>
<tr><th colspan="5">Loan Amount</th></tr>
<tr><th rowspan="2"></th><th colspan="2">Conforming</th><th colspan="2">High Balance</th></tr>
<tr><th>Credit Qualifying</th><th>Non-Credit Qualifying</th><th>Credit Qualifying</th><th>Non-Credit Qualifying</th></tr>
<tr><td>Primary 1 unit</td><td rowspan="4">Eligible 580 FICO</td><td>Eligible 640 FICO</td><td>Eligible 580 FICO</td><td>Eligible 640 FICO</td></tr>
<tr><td>Primary 2-4 units</td><td>Ineligible</td><td rowspan="3">Ineligible</td><td rowspan="3">Ineligible</td></tr>
<tr><td>Second Home/Investor 1 unit</td><td>Eligible 640 FICO</td></tr>
<tr><td>Investor 2-4 units</td><td>Ineligible</td></tr>
</table>

A loan previously purchased by Planet is not required to apply Planet overlays; standard VA IRRRL guidelines apply. Except for the following:

- **A loan amount exceeding $1,000,000 must have a minimum 700 credit score. Maximum $1,500,000**
- **All seasoning requirements listed in this guide must be met.** *See* "Mortgage Seasoning" on page 502.

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

***See* VA Program matrix for credit qualifying criteria.**

VA guidelines can be found at: VA Lenders Handbook - VA Pamphlet 26-7

VA IRRRL Program Guidelines

For topics not addressed in this guide, see "VA Conforming and High Balance Program Guidelines" on page 446 **and the VA Handbook.**

4506-C

See **VA Conforming and High Balance Program Guidelines** "4506-C" on page 446.

Ability to Repay/Qualified Mortgage

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:

- Compliance findings validating a pass of ATR
- Compliance findings validating a pass of QM, where applicable
- Automated Underwriting System (AUS) approval, where applicable
- Evidence of manual approval, where applicable
- Underwriting Analysis (e.g., Final 1008/Loan Transmittal, VA Loan Analysis, FHA Transmittal Summary)
- Income Worksheet

Additionally, all disclosures and documentation required under the ATR/QM provisions of the Dodd-Frank Act must be provided.

The Seller will comply with the verification standards of the applicable agency Seller's Guide.

- Chapter 4 of the U.S. Department of Veterans Affairs' Lenders Handbook

Affidavit of Identity

Planet 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.
- Appraisal must be dated within 180 days of the Note date.

Application (URLA)

Credit Qualifying

- Full URLA required

Non-Credit Qualifying

- The following URLA sections are not required to be completed:
  - Section 1b through 1e — Employment/Self-Employment and Income, and
  - Section 2a through 2d — Financial Information - Assets and Liabilities
  - Section 5 Declarations section should be completed as applicable

NOTE: Income should never be indicated on the application for Non-Credit Qualifying transactions.

Appraisals

- The discount points in conjunction with the base loan amount is used to determine appraisal requirement. *See* "Appraisal Requirements When Discount Points are Charged" below for additional information.
- **An AVM or 2055 is required for all loans:**
  - **Conforming Loan Amount:**
    - **An AVM with a standard deviation ≤ 18 for all loan amounts. If standard deviation > 18, a 2055 will be required; or**
    - **An AVM with a confidence score of 80% or more and/or a "high" confidence rating. If confidence score is < 80%, a 2055 will be required.**
  - **High Balance Loan Amount:**
    - **A confidence score of ≥90% or a 2055 is required.**
- The appraisal may be charged to the borrower.
- Properties located in a FEMA Disaster Declaration area will be subject to additional appraisal review (as applicable). *See* "Chapter 8: Loan Purchasing" on page 576 for detailed requirements.

Appraisal Requirements When Discount Points are Charged

The Protecting Veterans from Predatory Lending Act requires an LTV determination when discount points are charged when moving from a Fixed to an ARM. Appraisals should be ordered through a Planet-approved AMC and **not** through the VA portal. Acceptable forms of appraisal reports:

- Exterior-Only Inspection Residential Appraisal Report (Fannie Mae 2055)
- Uniform Residential Appraisal Report (Fannie Mae 1004)

- Exterior-Only Inspection Individual Condominium Unit Appraisal Report (Fannie Mae 1075)
- Individual Condominium Unit Appraisal Report (Fannie Mae 1073)
- Other industry accepted appraisal reports for manufactured and multi-unit homes

Assets

Not required.

Assumptions

Planet follows agency guidelines.

AUS

Manual underwrite only.

Available Markets

- **Delegated Sellers**

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

- **Non-Delegated Sellers**

  Planet will purchase loans from non-delegated Sellers in all states on VA products. **All** loans require Planet underwriting approval.

- Sellers must receive approval from Planet to deliver loans with properties located in Puerto Rico.
- The U.S. territories of Guam and the Virgin Islands are ineligible regardless of delegation.

Blue Water Navy Vietnam Veterans Act of 2019

See **VA Conforming and High Balance Program Guidelines** "Blue Water Navy Vietnam Veterans Act of 2019" on page 451.

Borrower Eligibility

Eligible Borrowers

- Per VA guidelines. Borrower(s) must certify that he or she previously occupied the property.
- A spouse may only be deleted from the new loan if the loan is credit qualified.

See **VA Conforming and High Balance Program Guidelines** "Borrower Eligibility" on page 451.

Cash Back to Borrower

Incidental cash back not to exceed $500.00 ($0.00 in Texas).

Credit Report

Conforming Loan Amounts

A mortgage only credit report with credit scores is required 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.

High Balance Loan Amounts

Full credit report to verify no major derogatory credit with the past 12 months. Major derogatory credit is defined as any payment > 60 days delinquent, collections and/or judgments (excludes medical/utilities).

Credit Report – Fraud Alert

See **VA Conforming and High Balance Program Guidelines** "Credit Report/Scores" on page 453.

Credit Score

- **Credit qualifying minimum 580 credit score.**
- **Non-credit qualifying minimum 640 credit score.**

Credit Score 580-599

- **Credit qualifying only.** *See* VA Lenders Handbook for complete credit qualifying guidelines.
- **1-unit only (all occupancies)**
- Conforming and high balance loan amounts allowed.
- **Maximum 90% LTV/CLTV**
- **Minimum 2-year payment history on the loan being refinanced with a 0x30 in previous 24 months; < 2-year payment history the loan is ineligible.**

Employment

Credit Qualifying

- A two-year employment history is required.
- A verbal verification of employment is required within 10 days of the Note date for salaried

borrowers and within 30 calendar days of the Note date for self-employed borrowers.

- 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.
- Self-employed borrower's business requires verification of the business by a third-party source (e.g. CPA, Federal Ta x ID Certificate, Business License).
- 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).

Non-Credit Qualifying

Employment verification/history not required.

Escrow/Impound Account

Required on all loans, no exceptions.

Fees and Charges

See **VA Conforming and High Balance Program Guidelines** "Fees and Charges" on page 463.

A copy of the borrower's recoupment statement must be provided in the loan file along with certification that all fees and incurred cost have been recouped on or before the date which is 36 months after the date of application as determined by the note date.

Recoupment periods greater than 36 months are not eligible. This includes ARM to Fixed transactions or transactions with a reduction in loan term. These transactions are not exempt from the recoupment requirement.

- Net Tangible Benefit to borrower:
  - If an existing fixed rate loan is being refinanced into a new fixed rate loan, the interest rate of the refinanced loan must not be less than .50 bps below the previous loan.
  - If an existing fixed rate loan is being refinanced into an ARM loan, the interest rate of the new refinanced loan must not be less than 2.00 bps below the previous loan, and
  - The lower interest rate is not from discount pts unless paid at closing.
    - Discount point amounts ≤ 1%, the LTV is limited to a maximum 100%
    - Discount points >1% is limited to a maximum 90% LTV.
    - *See* "Appraisals" on page 497 for minimum appraisal requirements.

Financed Properties

Planet will purchase a maximum of five loans to one borrower with an aggregate loan amount up to $2.5M.

Funding Fee

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.

Funding Fee Waived for active-duty, Purple Heart recipients.

Guaranty

- A minimum 25% guaranty is required
- 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 **adds someone other than their spouse to title**, the final loan guaranty would be half of the veteran's entitlement).

Maximum Loan Amount

$1,500,000

- **Total loan amount exceeding $1,000,000 requires a minimum 700 credit score. An exception can be granted for the minimum FICO score on a case-by-case basis.**

Loan Amount > Conforming Limit

- **Credit score 580 - 639 requires full credit qualification.**
- **Credit score ≥ 640 non-credit qualifying eligible.**
- **Maximum LTV is 100%.**
- **Full credit report required for both credit and non-credit qualifying to verify mortgage history.**
- **Mortgage history**
  - **0x30 in12 months for credit qualifying.**
  - **0x30 in 24 months for non-credit qualifying.**

Calculating Maximum Loan Amount

Maximum Base Loan Amount ≤ VA Conforming Loan Limits. Lesser of:

- 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, or

- **The appraised value (AVM or 2055) x125%.**

Maximum Base Loan Amount > VA Conforming Loan Limits. Lesser of:

- 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, or
- **The appraised value (AVM or 2055) x 100% as applicable.**

See "Fees and Charges" on page 500 for details on allowable/unallowable fees.

Minimum Loan Amount

$40,000.00

Mortgage History

Credit Qualifying

0x30 in previous 12 months on loan amounts > VA Conforming Loan Limits.

Non-Credit Qualifying

0x30 in previous 24 months for loan amounts > VA Conforming Loan Limits.

If < 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.

Mortgage Seasoning

Loan seasoning applies to all IRRRL made to refinance a VA-guaranteed loan (VA-to-VA). A cash-out refinance, Type I or Type II, is not eligible for guaranty if the VA guaranteed loan being refinanced has not been seasoned as of the closing date. A loan is considered seasoned if all the following conditions have been met as of the closing date:

- **The note date of the refinance loan must be on, or after, the later of:**
  - **The date on which the applicant has made at least six-monthly payments on the loan being refinanced, and**
  - **The date that is 210 days after the first payment due date of the loan being refinanced.**
  - **For loans being paid off that include a loan modification, seasoning is based on the first payment due date on the modification.**

- **For loans being paid off that include a loan modification, seasoning will be based off the 1st payment due date on the modification.**

NOTE: Refinance of loans on which fewer than six consecutive regularly scheduled payments have been made are not eligible for financing.

Occupancy

- 1-4 unit owner-occupied primary residence **(2-4 unit ineligible on high balance)**
- 1 unit second home **(ineligible on high balance)**
- 1-4 unit investment **(ineligible on high balance)**

Power of Attorney

See **VA Conforming and High Balance Program Guidelines** "Power of Attorney" on page 471.

Prepayment Penalty

Not permitted.

Products

- **Fixed Rate:** 15-, 20-, 25-, and 30-year
- **ARM:** 3/1 and 5/1 1-Year CMT index
  - Caps: 1/1/5
  - Margin/Floor: 2.00
  - Qualified at note rate

Properties Listed for Sale within the Previous 12 Months

If the property was listed for sale within the prior 12 months but is not currently listed for sale:

- **Cash-out is eligible if the listing has expired, was cancelled, or expired 180 days prior to the application date.**
- **The appraised value should be at least 10% below the lowest listing price. IF the appraised value is not at least 10% less than the lowest list price, the underwriter must address the variance satisfactorily.**
- **The borrower must provide written confirmation of their intent to occupy the property as their primary residence.**

Refinance Transactions

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.

Transaction Eligibility

Eligible Transactions

- Interest Rate Reduction Refinance Loans (IRRRL)

Ineligible Transactions

- Purchase
- Cash-Out Refinance (Type I and Type II)
- **Energy Efficient Mortgages**
- Texas Section 50(a)(6)
- Transactions that result in < 25% guaranty
- 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.

Subordinate Financing

New loan proceeds cannot be used to pay off any existing subordinate financing. Existing subordinate financing must subordinate to the new loan

Documents and Forms

- Report and Certification of Loan Disbursement (VA Form 26-1802)
- Debt Questionnaire (VA 26-0551) – credit qualifying only
- Federal Collection Policy Notice (VA 26-0503)
- Counseling Checklist for Military Homebuyers (VA 26-0592) - active duty only
- Child Care Certification required on credit qualifying if dependents disclosed or at underwriter's discretion. (sample form on website)
- VA Lender Certification (sample form on website)

All Loans

- Legible photo ID and social security card
- Most recent mortgage statement

- Copy of existing Note
- Payoff statement with valid expiration

USDA Purchase and Non-Streamlined Refinance Program Grid

Primary Residence Full Documentation Fixed Rate			
Transaction	**Units**	**LTV/CLTV[1]**	**Credit Score**
Purchase	1	100%	Per GUS
Limited Cash-Out[2]	1	100%	

Footnotes:

1. The LTV may exceed 100 percent of the market value of the property when the Guarantee Fee is financed. Max CLTV unlimited if secondary financing is from a government entity.
2. The loan being refinanced must be a USDA Guaranteed or Direct loan; conventional, FHA or VA loans cannot be refinanced under this program. *See* "Transaction Eligibility" on page 540 > **Refinance Transactions** for additional requirements and restrictions.

USDA Purchase and Non-Streamlined Refinance Program Guidelines

Planet Home Lending follows USDA Handbook 3555 for topics not addressed in this guide.

4506-C

Seller must provide a completed and signed IRS Form 4506-C for all adult household members for the previous two tax years at the time of loan application. The 4506-C must be used to request full transcripts with all schedules.

Ability to Repay/Qualified Mortgage

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:

- Compliance findings validating a pass of ATR
- Compliance findings validating a pass of QM, where applicable
- Automated Underwriting System (AUS) approval, where applicable
- Evidence of manual approval, where applicable
- Underwriting Analysis (e.g., Final 1008/Loan Transmittal, VA Loan Analysis, FHA Transmittal Summary)
- Income Worksheet

Additionally, all disclosures and documentation required under the ATR/QM provisions of the Dodd-Frank Act must be provided.

The Seller will comply with the verification standards of the applicable agency Seller's Guide.

Affidavit of Identity

Planet 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.
- Appraisal is valid for 150 days from the effective date and must be valid at time of Conditional Commitment request.

Appraisals

- If the appraisal **is not completed by an FHA roster appraiser, a property inspection report will be required in addition to the appraisal**.
- An appraisal report with the interior and exterior inspection of the subject property must include the following:
    - A front view of the subject property;
    - A rear view of the subject property;
    - A street scene identifying the location of the subject property and showing neighboring improvements;
    - The kitchen, main living area, bathrooms, bedrooms;
    - Any other rooms representing overall condition, recent updates such as restoration, remodeling or renovation;
    - Basement, attic, crawlway;
    - Comparable sales, listings, and/or pending sales utilized in the valuation analysis must include at least a front view of each comparable utilized;
    - Condo projects should include additional photographs of the common areas and shared amenities.
- 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.
- 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 Mac/HUD/VA).
- 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:
    - A Multiple Listing Service (MLS), or
    - MRIS (http://www.mris.com), or
    - Midwest Real Estate Data (MRED) (www.mredllc.com), or
    - North Texas Real Estate Information Systems, Inc. NTREIS) at (www.ntreis.net), or
    - San Antonio Board of Realtors (www.sabor.com), or
    - GeoData at www.geodataplus.com, or
    - Comps Inc. at www.compsny.com.

NOTE: Comparables from a public independent source are only eligible in the states of Vermont and Maine.

- 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)
        - 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, 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 in order to support the property value.

- The 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 Score of Work which requires the appraiser to inspect each comparable sale from the street.
- The appraiser must certify that an existing property meets the requirements detailed in HUD Handbooks 4000.1. USDA defines “existing” as a property that has been completed for 12 months or more or has been completed < 12 months but has been previously occupied.
- All appraisals must be completed using the sales comparison approach. The appraiser will determine if the cost approach is required.
- The economic life of the property must meet or exceed the term of proposed loan.
- 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:
    - 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.
    - The appraisal must include, at a minimum, two active listings or pending sales.
- At minimum, Planet requires the following on all properties:
    - A conventional heat source
    - Any broken glass that is a health hazard must be removed, and the opening closed.
- Appraisals are valid 240 days from the effective date (150 for the original plus 90 days for the Appraisal Update Report).
- REO appraisals are not eligible

- Properties located in a FEMA Disaster Declaration area will be subject to additional appraisal review. *See* "Chapter 8: Loan Purchasing" on page 576 for detailed requirements.

Appraisal Transfers

- The initial lender must agreed to the transfer of the report. A letter from the initial lender who ordered the appraisal report must be retained in the mortgage file.
- The appraisal report must be no older than 150 days old at the time of loan closing to be valid.

Assets

Business Accounts

- The following documentation is required:
  - Two months of recent bank statement, or
  - Verification of Deposit (VOD) and a recent bank statement, or
  - Alternative evidence to support account activity and monthly balances
- The lesser of the current balance or the previous month's ending balance must be used.

Cash on Hand

- Borrowers must supply a letter of explanation to state how the funds were accumulated (how much weekly/ monthly/ etc.).
- The Seller must determine the reasonableness of accumulation on income stream, spending habits, etc.
- Cash on hand is an ineligible source of reserves.

Depository Accounts: Checking, Saving, and Money Market Accounts

- The following documentation is required:
  - Two months of recent bank statement, or
  - Verification of Deposit (VOD) and a recent bank statement
- Investigate all deposits on the account statements are not attributed to wages or earnings. Confirm deposits are not from undisclosed income sources. There is not tolerance or percentage of the deposit amount that is not required to be investigated.
- The lesser of the current balance or the previous month's ending balance must be used.

Earnest Money

- A copy of the check, money order receipt, etc. that was remitted for the earnest money must be retained in the loan file.

Gift Funds

- Gift funds are considered the borrower's own funds and are eligible to be returned to the borrower at the loan closing, if applicable.
- Gift funds may not be contributed from any source that has an interest in the sale of the property (seller, builder, real estate agent, etc.).
- Gift funds must be properly sourced:
  - If the funds have been deposited to the borrower's bank account, obtain a gift letter to state the funds do not have to be repaid and bank statement as evidence of source of funds from the donor's account. Cash on hand is not an acceptable explanation for the source of funds.
  - If the funds have not been deposited in the borrower's account, obtain a gift letter to state the funds do not have to be repaid, a certified check, money order, or wire transfer and a bank statement showing the withdrawal from the donor's bank account. Cash on hand is not an acceptable explanation for the source of funds.
  - If the gift funds will be sent directly to the settlement agent, the Seller must obtain a gift letter to state the funds do not need to be repaid, a bank statement as evidence of funds from the donor's account, and verify the funds have been received by the settlement agent by the donor. Cash on hand is not an acceptable explanation for the source of funds.
- If cash back is received at loan closing, it cannot exceed monies advanced by the borrowers minus utilized gift funds.
- Gift funds are ineligible as a source of reserves.

Gift of Equity/Sweat Equity/ Rent Credits

- Gift of equity or rent credits musty be applied as a reduction to the purchase price of the property.
- Ensure the appraiser is aware of the gift and/or credit.
- The borrower may not receive cash back at loan closing for these gifts and/or credits.
- Ineligible for reserves and funds to close.

Marijuana/Cannabis

- Assets derived from employment in the marijuana or cannabis industry is not an eligible source of assets, regardless of state law. Assets from employment in industries that are not prohibited at the federal level, such as the legal hemp industry, is eligible.

Reserves

Not required.

See USDA Handbook, Attachment 9-A, for additional asset requirements.

Assumptions

Planet follows agency guidelines.

AUS

All loans must be submitted to the Guaranteed Underwriting System (GUS). Acceptable GUS Findings are:

- "Accept/Eligible," or
- "Refer/Eligible" and "Refer with Caution" 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.

Available Markets

- **Delegated Sellers**
  - Planet will purchase USDA loans underwritten and closed by the delegated Seller in **all** states.
- **Non-delegated Sellers**
  - Planet will purchase loans from the non-delegated Seller in all states on USDA products. All loans require Planet underwriting approval.
- Sellers must receive approval from Planet to deliver loans with properties located in Puerto Rico.
- The U.S. territories of Guam and the Virgin Islands are ineligible regardless of delegation.
- Property must be located in a rural area as defined by Rural Development.

Borrower Eligibility

Adding or Deleting Borrowers

Borrowers may be added or deleted on a refinance transaction as long as one original borrower remains on the loan.

Eligible Borrowers

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:

- A U.S. citizen, or
- 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

- Revocable Inter-vivos trust, or
- A non-permanent resident alien. Non-permanent resident aliens are eligible as follows:
  - Borrower has a valid social security number (cannot be used as evidence of eligible work status).
  - Borrower has an unexpired Employment Authorization Document (EAD), such as Form I-766, issued by the United States Department of Homeland Security.

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.

- All borrowers are required to have a social security number; a TIN is not acceptable.
- 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.

Ineligible Borrowers

- Foreign Nationals
- Borrowers with diplomatic immunity
- Borrowers without a social security number
- Non-U.S. citizens with no lawful residency in the U.S.
- Non-occupant co-borrowers
- Co-Signers
- Borrowers who qualify for conventional credit

CAIVRS

CAIVRS

- 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.
- All federal debt and judgments must be paid in full or otherwise resolved and have supporting documentation.
- CAIVRS claims: The borrower must provide official documentation that the delinquency has been paid in full or otherwise resolved prior to loan processing.

Cash Back to Borrower

The borrower cannot receive any cash back from the transaction with the exception of out-of-pocket money (with supporting documentation) as follows:

- Earnest money deposit
- First year of homeowners insurance paid
- Loan application fees
- Appraisal/Inspection fees
- Paid repairs

Tax credits, excess loan funds, excess seller concessions, and items paid with credit cards **cannot** be refunded to the borrower; a principal reduction is required.

NOTE: Any excess gift funds at closing may be returned to the borrower.

Chain of Title

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). If more than one transfer in previous 12 months **or** property has significant increase in value since prior transfer, an appraisal addendum addressing all transfers is required.

Construction-to-Perm

This section is specific to Construction to Perm transactions. For any topic not covered in this section, refer to the topics within the guide.

Single Close Loans (SCL)

Planet will permit a “single-close loan” which combines the features of a construction loan, which is a short-term interim loan for financing the cost of construction, and the traditional long-term permanent residential mortgage. The agency considers this a purchase transaction.

- For SCL loans, closing occurs prior to the start of construction and must be listed as a purchase transaction only. SCL loans must be coded as “construction only” when submitted to GUS/GLS.
  - Funds disbursed must cover the cost of land and all applicable closing costs subject to the maximum loan value.
  - The Seller will manage the disbursements to the builder or contractor for the balance of mortgage proceeds (lender construction holdbacks).
  - Borrower must give approval to the Seller in writing prior all disbursements.

If the borrower's current principal residence is pending sale, but the transaction will not be completed prior to the commencement of the borrower's new SFHGLP construction loan, the existing PITI payment and the proposed PITI payment must be used in qualifying the borrower for the new guaranteed mortgage loan.

The Seller may exclude the existing PITI payment under the following conditions:

- The new loan is a SFHGLP single close construction loan.
- The Seller can document an executed sales contract for the current residence, and
- The Seller can confirm that any financing contingencies have been cleared.

The permanent mortgage loan interest rate, which is used for underwriting is established at closing.

The Loan Note Guarantee may be issued once the interim construction loan is closed without waiting for completion of the subject property.

Seller and Contractor Approval

Sellers must have explicit approval from USDA Rural Development to originate and administer Single Close construction loans.

Construction contractors and builders of homes financed with the loans must meet the following requirements:

- Two or more years of experience building and constructing all aspects of single-family dwellings similar to the type of project being proposed.
- Evidence of a state-issued construction or contractor license, as required by state law or local law.
- Evidence of commercial general liability insurance with a minimum coverage of $500,000.
- An acceptable credit history being free of open judgments, collections or liens related to previous construction projects.
  - An individual credit report is required in addition to a commercial report on the business.
- The builder/contractor must not have any previous felony criminal record.
- A builder may be limited to an Agency determined number of units or terminated from participating in this program due to poor workmanship or failure to meet program guidelines.
- Owner-builders are ineligible.

NOTE: The above criteria must be met prior to requesting a commitment for loan Note guarantee.

Appraisals

- The maximum loan amount is determined by the fair market value of the proposed property. Land value is based on the value as reported in the Appraisal Report, with no seasoning requirement.

Documentation

File must evidence the following:

- Certification of plans
- Confirmation of thermal requirements
- Builder Warranty (Refer to chapter 12.9 of the USDA Handbook)
- Standard industry Closing documents
- Applicable state-specific documentation
- Construction Rider or
- Allonge to the Note
- Construction Loan Agreement
- Certificate of Occupancy or final inspection
- Certificate of Completion from the appraiser
    - Photos of completed property required
- Verification of the acquisition and transfer of ownership of the land if the borrower acquired the land as a gift or inheritance.
- All executed HUD-1/CD's
- Borrower certification after conversion that the property is free and clear of all liens other than the mortgage and all construction costs have been fully drawn.
- Final Title Insurance policy with Planet in the first lien position.
- Copies of all canceled checks, paid receipts, draw requests, lien waivers, change orders, title endorsements, etc. for all property related requirements for new construction.

Age of Documents

- All credit, income and asset documentation must be dated within 120 days from the original closing date.
    - Documentation exceeding the condition time frame will require the following before the loan note guarantee can be requested and/or issued:
        - Updated appraisal and/or credit documentation, and
        - The borrower must be re-qualified.

See USDA Handbook for complete Loan Note Guarantee requirements.

Cash Back

Cash back is not permitted unless funds from prepaid expenses remain after closing, and the borrower paid these expenses from his/her personal funds.

Eligible Properties

- 1-Unit Properties only
- Primary Residence
- Site Condos that meet USDA PUD eligibility requirements.

Ineligible Properties

- Condos
- New Construction Modular Homes

Loan Cost

Loan costs are subject to the maximum LTV (see matrix above). Construction loan costs include the following:

- Acquisition cost of the land
- Payoff balance of land to be utilized in the construction of the dwelling.
- Construction hard cost:
  - Costs inside the contract to be detailed on the construction budget agreed upon by the builder and borrower; and
  - Costs outside of the contract, paid to subcontractors, for contributive work such as well and septic installation, roads/driveways, utility hookups, landscaping, etc.
- Construction Soft Costs:
  - Appraisal fees
  - Architecture or design fees
  - Builder acceptance or review fees
  - Contingency reserve
  - Engineering fees
  - Inspection fees
  - Interest reserve including interim interest accrued during the construction period, on a warehouse line of credit up to 12 months.
  - Lender construction administration fees
  - Other reasonable and customary closing cost not exceeding the maximum LTV are permitted per USDA Chapter 6 - Loan Purpose.
  - Permits
  - Plan review fees
  - Project review fees
  - Survey

- Tax and insurance reserve
- Title updates

NOTE: Any item included in the cost to construct the home must be commonly and customarily included in the cost to construct other homes in the area where the subject property is located.

Loan Closing

- Loan must be fully amortized to achieve full repayment within its remaining term.
- Dual loan disclosures to the borrower is permitted (Interim construction period disclosure and terms of permanent loan disclosure), or
- A single disclosure combining both interim construction period and permanent loan terms.

The loan may be re-amortized for full repayment within the remainder of the loan term, after applying excess funds as a principal curtailment.

Product

Fixed Rate: 30 years term

Reserves

A contingency reserve to cover eligible expenses associated with unplanned problems with construction or change orders may be utilized.

- If used, the reserve is limited to 10% of the cost of construction (including labor, materials, and soft costs).
- Reserve funds must be deposited into the construction escrow account.

NOTE: Personal items, items such as furniture, electronic and home entertainment equipment are not permitted as cost to construct items.

See USDA Handbook Chapter 12 for complete Construction-To-Perm requirements

Credit Requirements

Credit Exceptions

Credit exceptions are acceptable subject to USDA guidelines. USDA does not approve the Seller's credit exception.

GUS Accept/ Accept with Full Documentation

- No credit exception is needed. GUS has determined that the credit is an acceptable risk.

GUS Refer, Refer with Caution, or manually underwritten loans

- The credit exception must include the documented rationale on the underwriting transmittal summary or similar underwriting gorm. The rationale must meet the following:
  - The circumstances that led to the derogatory credit were temporary in nature, beyond the borrower's control and due to the current employment/financial/health of the household are likely to recur. (Ex. Job/unemployment, delay or reduction in benefits, illness, etc.);
  - The seller must explain the rationale for issuing the credit exception (identified compensating factors, etc.) and why the borrower remains an acceptable credit risk; AND
  - The borrower must provide documentation to the Seller to be included in the loan file that supports the extenuating circumstances.
- Previous USDA losses, delinquent non-tax Federal debts, delinquent child support, and ineligible CAVIRS results are **not** eligible for lender approved credit exceptions.

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.

Credit Report/Scores

- A tri-merged credit report is required for all borrowers.
- The primary borrower (the borrower with the highest income) must meet the minimum credit score requirement.
- At least one borrower, whose income and assets were used for loan qualification, must have a minimum of two tradelines that have been/were/are open for 12 months based on the date the account was opened as stated on the credit report.
- The representative credit score is determined as follows:
  - If there are three valid scores, the middle score is used. If two of the three scores are a duplicate, the duplicate score is used.
  - If there are two valid scores, the lower of the two is used.
  - If there is one valid score, that score is used.
- The borrower(s) must address **all** 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.
  - New installment or revolving accounts that are not reflected on the credit report in GUS and/or are not listed on the loan application but discovered during the mortgage loan application process must be manually entered on the GUS Assets and Liabilities page under the Liabilities – Credit, Cards, Other Debts and Leases that You Owe section.
- Authorized user tradelines may be used to validate the credit score when one of the following is met:

- The tradeline belongs to another borrower on the loan application, or
- The owner of the tradeline is the spouse of one of the borrowers, or
- The borrower has been making the payments on the tradeline for the past 12 months.

- If none of the above can be documented, the loan is ineligible.
- A GUS Accept recommendation may be retained if any of the following are met:
  - Account has a zero balance,
  - Account is marked “paid in full” or “resolved,”;
  - Account is more than 24 months old'
  - The disputed tradeline is current and paid as agreed;
  - The payment stated on the credit report is included in the monthly debts;
  - A documented payment from the creditor is included in the monthly debts; or
  - 5% of the stated account balance on the credit report is included in the monthly debts.

NOTE: 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.

Non-Traditional Credit

Applicants that do not have the required traditional credit history, a validated credit score, or no credit score may document their willingness to pay debt obligations through alternate sources. The use of a non-traditional credit history is not a reason to deny a loan.

Borrowers with a 12-month VOR: Two tradelines are required- the VOR plus one additional tradeline. The tradeline must be an eligible traditional tradeline from the credit report within a 12-month history or an eligible non-traditional tradeline.

Borrowers with no rent history: Three tradelines are required. Tradelines may be a combination of traditional tradelines from the credit report with 12-month history or eligible non-traditional tradelines.

Non-traditional credit can be documented as:

1. A non-traditional mortgage credit report (NTMCR)
2. Self-reported tradelines on a traditional credit report, or
3. Evidence from a third-party verification, cancelled checks, money order receipts, electronic payments, payment histories from the creditor/company, bank statements that clearly identify debt payments for the service/products, etc.

An eligible non-traditional tradeline must have a 12-month history and cannot have been closed more than 6 months prior to the loan application. Examples include, but are not limited to the following:

- Rent or housing payments,
- Utility Services,
- Insurance payments
  - Premiums paid through payroll deduction for employee offered coverage plans are ineligible.
  - Premiums paid quarterly or annually are acceptable when the payments provide 12 months of coverage.
- Childcare,
- School tuition,
- Payments for uninsured portions of medical bills,
- Internet or cell phone services,
- Automobile leases.
- Personal loans with repayment terms in writing, supported with cancelled checks, money order receipts, or electronic payment receipts.
- 12 month documented history of savings that demonstrate regular deposits which equal 3 months of proposed mortgage payments (PITI) payments that will be retained as cash reserves post-closing.
- Child support, alimony, garnishments, court-ordered debts, monthly subscription services, gym memberships, etc. are not eligible non-traditional credit tradelines.

Credit Report – Fraud Alert

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:

- A letter of explanation from the borrower, and
- A copy of the identity theft report, and
- An additional form of identity verification

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.

Derogatory Credit

Chapter 7 Bankruptcy

Bankruptcy must be discharged a minimum of 36 months from date of application.

Chapter 11, 12, or 13 Bankruptcy

Borrower must have 12 months history with paid as agreed and permission from the bankruptcy court is required.

Collections

If the cumulative total of all non-medical collections exceeds $2,000, the following options will apply:

- Requires payment in full prior to or at closing, or
- Verification of payment arranged with creditor and include monthly payment amount in DTI ratios, or
- Use 5% of each collection account balance in the debt ratio.

All open accounts require the payment to be included in the Asset and Liabilities section on the 1003.

Consumer Credit Counseling

- Include the monthly payment amount due from the counseling plan.
- If an “Accept/Eligible” Finding is received, no explanation or other documentation is required from the borrower.
- For GUS Refer, Refer with Caution, and manually underwritten files require the following documentation:
  - One year of payout under the plan has elapsed,
  - All payments have been made on time, and.
  - The Counseling Agency has provided written permission for the borrower to enter into a new mortgage loan debt.
  - No credit exception is required.

Delinquent Child Support

A borrower that is delinquent on court ordered child support that is subject to collection by an administrative offset is ineligible for a guaranteed loan unless the payments are brought current, the debt is paid in full, or otherwise satisfied by a documented release of liability.

A borrower that is delinquent on court ordered child support that is not subject to an administrative offset is ineligible for a guaranteed loan unless the applicant has an approved repayment agreement in place with three timely payments made prior to loan closing, the arrearage is paid in full prior to loan closing, or a release of liability is documented.

In all cases, the Seller must provide certification of the applicant’s eligibility as part of the application submission. Any documentation obtained to support the lender’s certification to the Agency will be retained in the loan file.

Foreclosure

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.

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. *See* "Credit Requirements" on page 518 > **Credit Exceptions** for detailed requirements.

Judgments

Court orders judgments must be paid in full or have evidence of 3 timely payment made per an agreement with the creditor. The monthly payment must be included in the DTI ratio, if applicable. An Accept/Accept with Full documentation file is not required to be downgraded.

Short Sales

- A short sale closed 3 years prior to the loan application date does not require a credit exception. Borrowers with a short sale are subject to the following:
- Borrowers with a short sale in the previous 3 years may be eligible for a credit exception. *See* "Credit Requirements" on page 518 > **Credit Exceptions** for detailed requirements.

See USDA Handbook Attachment 10-A for all credit requirements.

DTI

- Per GUS Findings.
- Non-purchasing spouse debts must be included in the borrower's debt ratio.
- If an amount other than the amount reflected on the credit report is used in the total DTI ratio calculation, the Seller must provide documentation of the amount utilized.
- When a balloon or deferred payment is due within 12 months, the Seller must evaluate the complete loan application to determine the borrower's repayment ability.

401(k) Loans/Personal Asset Loans

Loans pledging personal assets do not require a payment to be included in the monthly debts.

Business Debt

Business debts listed on personal credit reports may be excluded if there is evidence of payment of the most recent 12 months payments has been made by the business.

Co-Signed Debt

- Co-signed debts must be included in the monthly debt unless the borrower provides evidence another obligor has successfully made the payment for the previous 12 months prior to the loan application.

- Acceptable evidence included but is not limited to canceled checks, money order receipts and/or bank statements of the obligor.
- Late payments reported in the previous 12 months prior to the application will require the monthly liability to be included in the monthly debts.
- If the borrower can provide evidence from the creditor that they will not pursue debt collection against the borrower should the other party default, the 12-month payment history of the additional party is not required.
- Debts identified as "individual" on a credit report must be included in the debt ratio regardless of who is making the monthly payment.

Court Ordered Debts: Alimony/Child Support/Garnishments

- Court ordered debts must have the payment included in the total debt ratio unless the borrower provides a release of liability from the court/creditor and acceptable evidence is documented.
- Select pages from the applicable agreement/ court order will be utilized to document the required monthly payment due and the duration of that debt.
- Debts with 10 or less payment remaining may be excluded if the payment does not exceed 5% of the monthly repayment income.
- For GUS transactions, manually enter the obligation(s) as a monthly liability. A manual entry of this monthly obligation does not require the underwriting recommendation to be downgraded to a "Refer".
- Sellers must confirm repayment agreements are current.

Expenses allowed

- An automobile or other expense allowance will not cancel out a monthly debt for an automobile or expense loan/debt.
- The full amount of the monthly debt associated with the expense (such as a car or equipment payment) must be included in the total debt ratio calculation

Installment Debt

- Accounts that will be paid in full through a specified number if fixed payments (auto, personal, secured/unsecured, etc.) must have the monthly payment included.
- Installment debt may be paid down to 10 months or less of remaining debt.
- If 10 or less months of repayment remains per the credit report, credit verification, etc., the monthly debt may be excluded if the payment does not exceed 5% of the monthly repayment income.

Non-Purchasing Spouse Debts

The debts of the non-purchasing spouse must be included in the borrower's qualifying ratios, unless specifically excluded by state law, if:

- Borrowers reside in a community property state, or
- Property being purchased is located in a community property state

NOTE: In community property states, 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.

Community property states include Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin.

Revolving Debt

- Credit cards, lines of credit, secured/unsecured, etc. must include the minimum monthly payment documented on the credit report or other creditor verification in the total debts.
- If the credit report shows an outstanding balance but no minimum monthly payment, the payment must be calculated as 5% of the balance reported on the credit report.
- A current account statement or creditor verification documentation may be obtained to document the actual monthly payment and include that amount in the monthly debts.
- USDA will not require a revolving account to be closed.

Student Loans

For outstanding student loans, regardless of the payment status, lenders must use:

- The payment amount reported on the credit report or the actual documented payment, when the payment amount is above zero; or
- One half (.50) percent of the outstanding loan balance documented on the credit report or creditor verification, when the payment amount is zero.

Student loans in the applicant’s name alone but paid by another party remain the legal responsibility of the applicant. The applicable payment must be included in the monthly debts.

Student loans in a "forgiveness" plan/program remain the legal responsibility of the applicant until they are released of liability from the creditor. The applicable payment must be included in the monthly debts.

Obligations Not Included in DTI Ratios

Obligations not considered or included in the DTI ratio calculations include:

- Medical collections
- Medical payments
- Federal, state, and local taxes, unless a payment plan is in place

- Federal Insurance Contribution Act (FICA) contributions
- Other retirement contributions such as 401(k) accounts, including the repayment of loans secured by 401(k) funds
- Automatic deductions to savings accounts, mutual funds, stocks, bonds, certificates of deposit, including the repayment of loans secured by such funds
- Collateralized loans secured by depository accounts
- Utilities
- Insurance, other than property insurance
- Commuting costs
- Union dues
- Open accounts with zero balances
- Childcare
- Voluntary deductions.

All liabilities disclosed by the borrower should be listed in GUS. The seller may "omit" liabilities as permitted.

Down Payment

Not required.

Employment and Income

Employment Requirements

A two-year employment history is required.

Amended tax returns are allowed with an exception from an Underwriting Manager, subject to the following requirements:

- Original and amended tax returns are required. Tax transcripts for the amended tax returns must be obtained and be provided from the IRS. Borrower obtained tax transcripts for amended tax returns are not allowed.
- Tax returns must be amended prior to the application date. Tax returns amended after the application date are not allowed.
- Amended tax returns must be accepted by the IRS.
- If the borrower owes taxes to the IRS, the full amount must be paid in full. Installment agreements for taxes are allowable if Agency guidelines are met.
- An explanation for the amended tax returns is required to be obtained from the borrower if the income is being used to qualify.

NOTE: If the borrower has any gaps in employment that are **> 30 days**, a letter of explanation from the borrower will be required unless employment is clearly seasonal

Wage Earners

- A verbal verification of employment (VVOE) is required within 10 business days of the Note date for salaried borrowers.
- 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.

Self-Employed Borrowers

- A verbal verification of employment (VVOE) is required within 30 calendar days for 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, Business License).
    - Self-employed borrower with 1-2 year 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 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.

        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 USDA guidelines.
    - 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.
    - Depreciation and/or depletion may be added back.
    - Signed and dated individual tax returns, with all applicable tax schedules, for the most recent two years, are required.
    - 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.

Employed by Family Business

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:

- Copies of signed personal tax returns, or
- Signed copies of the corporate tax returns showing ownership percentage.

Income Requirements

The borrower's adjusted household income cannot exceed the limit set by Rural Development for the state/county where the property is located. View the GRH income limits by state on the Rural Development Single Family Housing Guaranteed Loan Income Limits website.

The seller is responsible for determining the borrower's annual, adjusted, and repayment income eligibility and enter the information on the Rural Development Income Eligibility website.

NOTE: The Rural Development system will indicate eligible/ineligible for both the Guaranteed Rural Housing Loan Program **and** the Direct Rural Housing Loan Program. Planet **only** offers the **Guaranteed Rural Housing** program. A screen shot of the Income Eligibility Determination Summary is required.

Rural Development has three separate income calculations that are required:

Annual Income

The total income of all adult household members, regardless of whether they will be parties to the promissory note must be verified for the previous two years. Spouses and Non-spouse household members income must be included unless they have been living apart for at least three months. 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.

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.

The following are **ineligible** for annual income calculations:

- Earned income tax credits,
- Adoption assistance in excess of $480 per adopted child,
- Employer provided fringe benefit packages unless reported as taxable income.

If an adult member of the household is currently unemployed but is seeking new employment must have their previous earnings included in the annual income. The previous earnings are not required to be included when there is documented evidence to support they are not seeking to be reemployed.

Calculating Income from Assets

Household members with cumulative net family assets(non-retirement) in excess of $50,000 must be reviewed for annual income purposes. Sellers must review asset information provided by borrowers and household members at the time of the loan application. Net family assets with actual earnings will use the stated rate of interest to calculate annual income. New family assets that do not earn interest will use a current passbook savings rate (verified though the seller's personal bank rates, online website, etc.) to calculate annual income.

If the applicants have ownership in a business, or are self-employed, the lender should closely review the asset accounts to verify assets are not transferred between a personal account and a business account and vice versa. These accounts should function as two separate financial tools, one for personal transactions and one for business transactions. In the event the assets from the business account and personal account are co-mingled, the co-mingled assets would need to be included in the calculation of net family assets.

Net family assets include the value of equity in real property, cash on hand in savings and checking accounts, trust accounts, lump sum receipts such as lottery winnings, capital gains, and inheritances, personal property held as an investment, market value of stocks, bonds and other forms of capital investments.

Adjusted Annual 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 who is under 18, disabled and is 18 or older or full- time student who is 18 or older
- Childcare Expenses
  - Care for children 12 years old and under which enables the applicant to work, seek employment, or attend school.
  - Calculate the anticipated childcare expenses for the ensuing 12 months.

    - Borrowers that have not placed their child into care or have no evidence to support payments, deposits, or registration fees are ineligible for this deduction.
- Disability Expenses
    - Deduction for eligible expenses that exceed 3% of the annual income. Eligible expenses:
        - Allow the disabled individual or another household member to work,
        - Are non-reimbursable by insurance or other sources, and
        - Do not exceed the income earned by the person who is working due to the care provided.
    - Examples include but are not limited to daily living assistance, wheelchairs, ramps, adaption needs, workplace equipment, etc.
    - Utilize documentation to estimate annual expenses.
- Elderly Household deduction
    - Borrower or co-borrower is 62 years of age and older.
    - One $400 allowed.
- Medical Expenses (Elderly and Disabled Households only)
    - Deduction for eligible expenses exceeding 3% of the annual income for the entire family.
    - Utilize documentation to estimate anticipated annual expenses.

Repayment Income

Determined by the stable/dependable income of the borrowers only. Borrower must generally have a two-year history of receiving the income, and there must be a reasonable expectation of continued receipt for three years.

Repayment income is the qualifying income and is used to calculate DTI.

- The income source must be documented.
- There must be evidence to support the historical receipt of earnings.
- Establish the likelihood of its continuance for at least three years into the mortgage.
- Analyze any gaps in employment to make a final determination of stable and dependable income.
- Caution should be utilized for any borrower that has documented declining wages or earnings. Sellers must ensure repayment income is not inflated/ overstated.
- Caution should be utilized for any borrower that has a documented sharp increase or decrease in earnings. A sharp increase or decrease is defined as 20% or greater variance in income from the previous 12 months. Sellers must determine if an increase is supported and logical, and if a decrease has/will continue or if there is evidence to support the earnings have stabilized.
- Income that is not subject to federal taxed may be grossed up 25%.

Income Documentation

Income must be documented for the previous two years for all adult household members. *See* USDA Handbook Chapter 9.

Salaried Borrowers

- Current pay stubs for previous four weeks earnings with YTD income,
- W -2s for prior two years, and
- Written VOE or electronic verifications

Self-Employed Borrowers

- 2 years signed tax returns including all schedules,
- 2 years signed tax returns for the business,
- YTD P&L (audited or unaudited), and
- YTD Income & Expense Statement

See USDA Handbook Attachment 9-A for additional income requirements.

Marijuana/Cannabis

Income derived from employment in the marijuana or cannabis industry is not an eligible source of income, regardless of state law. Income from employment in industries that are not prohibited at the federal level, such as the legal hemp industry, is eligible.

Escrow Account

Required on all loans — no exceptions.

Escrow Holdback

Permitted. *See* "Chapter 8: Loan Purchasing" on page 576 for additional requirements.

First Time Homebuyer

First time homebuyers may be required to complete homebuyer education at the discretion of Rural Development.

Inspections

- The water quality must meet state/local standards. Not required on refinance transactions.
- Septic inspections are only required when the appraiser indicates there is evidence the septic system

may be failing.
- Termite inspections are only required when the purchase contract requires one, or the appraiser indicates there is evidence of active infestation.

Loan Amount

Purchase Transactions

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.

Non-Streamlined Refinance Transactions

- Maximum loan amount cannot exceed the current appraised value except the guarantee fee may be financed.
- Permissible discount points financed may not exceed 2% of loan amount.

Minimum Loan Amount

$40,000.00

Mortgage/Rental History

GUS Accept/ Accept with Full Documentation

- No Verification of Rent (VOR) is required. No credit exception is required

GUS Refer, Refer with Caution, or Manually Underwritten Loans

- A VOR may be required. Refer to the GUS Underwriting Findings Report to determine if a VOR is required for a complete loan application.
- If a full 12-month VOR is not available, Sellers may verify the amount of rental history that has been unpaid.
- One rent or mortgage payment paid 30 or more days past due in the previous 12 months is significant derogatory credit and will require a credit exception.

Mortgage Seasoning

The existing loan must have closed 12 months prior to the Agency's receipt of a Conditional Commitment request and have a mortgage payment history which must not reflect a delinquency equal to or greater than 30 days within the previous 180-day period.

Non-Arms Length/Identity of Interest

- 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
- Non-ARM's length transactions are eligible for re-sale properties
- 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.

Occupancy

- Owner-occupied 1-unit primary residence
- Borrowers must occupy the property within 60 days of signing the security instruments.

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.

Other Real Estate Owned

Borrowers retaining their current home are eligible subject to the following:

- Current residence is not financed by a USDA RD Guaranteed, Direct 502/504 or active grant.
- The borrower is qualified to own more than one house.
- The borrower will occupy the home financed with the guaranteed loan as their primary residence throughout the term of the loan;
- 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:
  - Relocation due to a new job opportunity.
  - Requires a larger home to provide for a growing family.
  - Obtaining a divorce and the ex-spouse will retain the dwelling.
  - Is a non-occupying co-borrower or co-borrower on another mortgage and want to purchase their own dwelling.
- *See* Chapter 8 of the USDA Handbook for additional requirements.

Power of Attorney

The following requirements apply to all transactions when a Power of Attorney (POA) is utilized:

- Use of the POA must meet all applicable state, federal, and agency guidelines.
- The attorney-in-fact must be an eligible person (the following are examples of ineligible persons: real estate agent, seller or a person related to the seller, any employee of the lender, any employee of the title company, title agent or settlement agent, or any other party with a financial interest in the transaction (other than a relative of the borrower).
- The POA must be signed and notarized.
- A trustee of a trust cannot sign using a POA.

Prepayment Penalty

Not permitted.

Product

- 30-year fixed rate
- 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%)

Property Eligibility

Eligible Properties

The property must be located in an eligible rural area as determined by the USDA Rural Development department for purchase transactions. Refinance transactions, the property, is not required to still be in a rural area. To determine eligibility, click here: Rural Housing Property Eligibility, 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.

- A Planet Condo/PUD Warranty form is required. Detached PUD projects do not require a questionnaire/warranty form.
- Condominium (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 not allowed).
- Hawaiian Home Lands property subject to USDA requirements.
- PUD (attached/detached). Detached PUD projects do not require a questionnaire/warranty form.

- Single family dwellings
- Site condos are eligible subject to the following:
  - The unit must be completely detached with no shared garage or other attached buildings (e.g., archway, breezeway, etc.)
  - The unit consists of the entire structure, site and air space that are not considered to be common areas or limited common areas.

NOTE: Site condos not meeting the above criteria are ineligible.

- Manufactured Homes (Double-wide or greater). *See* **Manufactured Homes** below.
- New construction

Manufactured Homes

The following are eligible loan purposes for the financing of manufactured homes:

- Purchase of an eligible new unit, transportation, set-up costs, and site development work that conforms to the standards imposed by the state and local government. Loan must close as a Single-Close Loan (SCL) construction-to-perm transaction. Refer to the Single-Close Loan (SCL) topic within these guidelines for details. The following criteria outlines an eligible manufactured unit for guarantee with the SFHGLP:
  - Must be a new unit in stock that has never been installed or occupied at any other site or location. Manufactured units may be moved only from the manufacturers or dealer's lot to the site on which the unit will be financed.
  - Must be double width or greater and have a floor area of not less than 400 square feet.
  - Must be placed on a permanent foundation built to FHA guidelines in effect at the time of certification. Guidelines are presently published in the "Permanent Foundation Guide for Manufactured Housing" (HUD-4930.3G) which is found at http://www.huduser.org/portal/publications/destech/permfound.html.
  - Meet or exceed the Federal Manufactured Home Construction and Safety Standard (FMHCSS) Uo Value Zone for the geographic area the unit will be placed. The Uo Value Zone will be indicated on the Comfort Heating and Cooling Certificate. Builder must certify thermal requirements at time of purchase have been met.
- Purchase of an existing unit due to a transfer of an existing Section 502 Direct or Guarantee loan or purchase of a USDA Real Estate Owned (REO) property. Repairs associated with these transactions may be included.
- Purchase of an existing unit located in a Pilot State. Refer to Existing Manufactured Home (Pilot Program) topic below.
- Refinance transactions are not eligible.

Rural Development will not guarantee loans used to finance the following:

- The purchase of a unit without an eligible site.
- Repairs not associated with a transfer, Real Estate Owned (REO) sale, or unit that is already financed with a Section 502 loan.
- Furniture, including movable articles of personal property such as drapes, beds, bedding, chairs, sofas, divans, lamps, tables, televisions, radios, stereo sets, and other similar items of personal property. Furniture does not include wall-to-wall carpeting, refrigerators, ovens, ranges, washing machines, clothes dryers, heating or cooling equipment, or other similar equipment.
- Additions and modifications on new or existing units are prohibited except for porches, decks, or other structures built to engineered designs and inspected and approved by a local building code official.
- Purchase of a unit to be moved from a site other than the manufacturer/dealer lot to the site securing the mortgage loan.
- Manufactured home units with a manufacture date exceeding 12 months of the purchase agreement contract.
- A unit with a tow hitch or running gear remaining.

Appraisal Requirement:

Manufactured Home Appraisal Report and addendum (FNMA Form 1004C/FHLMC Form 70B) for all manufactured homes.

Construction and Site Requirements:

The borrower will contract with a licensed manufactured dealer. Manufactured homes must meet the site and other requirements for new dwellings in accordance with HB-1-3555, Chapter 12. The Seller's permanent file must contain the following:

- An itemized cost breakdown of the total package, including the base unit, eligible options, site development, installation, set-up, lot costs, and any credit for wheels and axles.
- Dealer certification that any cash payment or rebate as a result of the purchase will be deducted from the price of the unit and not paid directly to the applicant.
- Dealer certification that proposed cost is the full price of the unit. If furniture is being purchased by the applicant with personal funds, a lien will not be filed against the security property.
- Foundation plan designed to meet the HUD Handbook 4960.3 "Permanent Foundations Guide for Manufactured Housing, (PFGMH) guidelines. The PFGMH guide is available at: http://www.huduser.org/portal/publications/destech/permfound.html.
- Plot and site development plans.
- Inspections in accordance with HB-1-3555, Chapter 12.
- Contractor certification that multi-sectioned units were properly joined and sealed according to the manufacturer's specifications and the home sustained no damage during transportation and set-up.

Closing Requirements:

- A dealer must provide the borrower with a copy of all manufacturer warranties. The warranty must identify the unit by serial number. A copy of all warranties and certifications will be retained in the lender's permanent file.
- Attachments 13-A and 13-B which can be found in Chapter 13 of HB-1- 3555, may be used to document manufactured dealer and contractor certifications.
- The dealer must furnish a manufacturer's certificate of origin indicating that the unit is free and clear of all legal encumbrances. A copy of the manufacturer's statement or certificate of origin will be retained in the lender's mortgage file.
- As required by the local taxing authority, the unit and site must be classified, zoned, and taxed as real estate. Certificate of title to the manufactured home must be surrendered to the appropriate state government authority, if state law permits.
- Both the unit and the site must be evidenced by a recorded mortgage or deed of trust. A combination of a chattel and real estate mortgage is not acceptable. If the certificate of title cannot be surrendered, the lender must indicate its lien on the certificate of title.

Existing Manufactured Home (Pilot Program)

USDA will finance the purchase of an existing manufactured home in the below eligible pilot states: CO, IA LA, MI, MS, MT, NV, NH, NY, ND, OH, OR, PA, SD, TN, TX, UT, VT, VA, WA, WI, WV, WY.

Approved lenders in the SFH Guaranteed Loan Program do not require additional approval to participate provided the home is in a pilot state and meets the requirements listed below.

The loan request must be from an eligible applicant and all the pilot conditions must be met. To be eligible for financing under this pilot, existing manufactured homes (including new units which have been on the dealer's lot more than 12 months) must meet the following pilot conditions in addition to all other program requirements:

- The unit must have been constructed on or after January 1, 2006, in conformance with the Federal Manufactured Home Construction and Safety Standards (FMHCSS), as evidenced by an affixed Housing and Urban Development (HUD) Certification Label.
- The unit inspection is required using one of two methods:
    - Form HUD-309, "HUD Manufactured Home Installation Certification and Verification Report" completed in accordance with 24 CFR 3286.511 by a qualified party as follows:
        - A manufactured home or residential building inspector employed by the local authority having jurisdiction over the site of the home, provided that the jurisdiction has a residential code enforcement program.
        - A professional engineer.
        - A registered architect.

- A HUD-accepted Production Inspection Primary Inspection Agency (IPIA) or a Design Approval Primary Inspection Agency (DAPIA); or
- An International Code Council (ICC) certified inspector.

- Obtain a certification that the foundation design meets HUD Handbook 4930.3, "Permanent Foundations Guide for Manufactured Housing (PFGMH)." The foundation certification must be from a licensed professional engineer, or registered architect, who is licensed/registered in the state where the manufactured home is located and must attest to current guidelines of the PFGMH. The certification must be site specific and contain the engineer's or registered architect's signature, seal and/or state license/certification number. This certification can take the place of Form HUD 309.

- The unit must not have had any alterations or modifications to it since construction in the factory, except for porches, decks or other structures which were built to engineered designs or were approved and inspected by local code officials.
- Guaranteed loan applications submitted under the pilot must be manually underwritten.

The applicant and property must meet all other criteria set forth in 7 CFR Part 3550 and HB-1- 3550 for Direct loans or 7 CFR Part 3555 and HB-1-3555 for Guaranteed loans, as applicable. These criteria include, but are not limited to, the following:

- The unit must have a floor area of not less than 400 square feet.
- The unit must meet the Comfort Heating and Cooling Certificate Uo Value Zone for the location.
- The towing hitch and running gear must have been removed; the manufactured home must be classified and taxed as real estate.
- The remaining economic life of the property must meet or exceed the 30 year term of the proposed loan.
- The unit replacement cost coverage must be equal to the insured value of the improvements or the unpaid principal balance with deductible(s) of up to but not exceeding the greater of $1,000 or one percent (1 %) of the policy.

Appraisal Requirement:

Manufactured Home Appraisal Report and addendum (FNMA Form 1004C/FHLMC Form 70B) for all manufactured homes.

Ineligible Properties

- 2-4 units
- Commercial property
- Condo Hotels (projects managed or operated as hotel/motel, hotel/motel conversions)
- Condominium projects not approved by Fannie Mae (or not eligible with Full Review, FHA, or VA)
- **Cooperative projects**

- Farms, orchards, ranches
- Income producing properties
- Investment property
- Leaseholds
- Log Homes
- Modular homes
- Properties identified by Rural Development as "remote" rural
- Properties not located in a rural area as defined by USDA Rural Development.
- Properties utilizing cisterns
- Properties where the value of the lot exceeds 30% of the appraised value
- Properties with large farm service building or with buildings/equipment for specific income producing purposes. Out buildings used for storage are acceptable
- Properties with wind mills/wind turbines or cell phone towers located on the property
- Property located in the Hawaiian Islands in lava zones one or two
- Second/vacation homes
- Unique properties (geodesic domes, earth berm homes, log homes, etc.)

Purchase Agreements Amended/Renegotiated

- Not eligible if the sales price was increased **after** the original appraisal was completed if:
  - The appraised value is higher than the originally contracted sales price that was provided to the appraiser, and
  - The new purchase agreement and/or addendum to the purchase agreement is dated after the appraisal, and
  - The only change to the purchase agreement was the sales price.
- If the purchase agreement was renegotiated after the completion of the appraisal, the LTV will be based on the **lower** of the original purchase price or the appraised value, unless
  - The re-negotiation was only for seller paid closing costs and/or pre-paids where the seller paid closing costs/pre-paids are common and customary for the area and are supported by the comparables.
  - 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.
- Assignment of the purchase contract is not allowed.

Rent Back

The property seller is allowed to rent back the property from the buyer (borrower) for a maximum of 60 days after close.

Seller Contribution

Seller contributions (or other interested parties) are limited to 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.

Seller contributions cannot be used to pay a borrower's personal debt or as an inducement to purchase by including moveable articles of personal property, such as furniture, cars, electronic equipment, etc. This does not include household appliances that are typically a part of the purchase transaction.

Temporary Buydown

2/1 and 1/0 buydowns are eligible when the applicable guidelines are met.

- The mortgage loan must be underwritten at the full note rate.
- Buydown funds may come from the seller, lender, or other third party.
- Buydown funds may not come from the borrower.
- Loan must be submitted through GUS and receive an "Accept/Eligible" recommendation.
- The terms of the buydown are limited to 2% for the first year and 1% for the second year for a 2/1 buydown, and 1% for the first year for a 1/0 buydown.
- Scheduled reductions in the payments must occur annually.
- The borrower must agree in writing that the temporary buydown funds will be placed in an escrow account with a financial institution supervised by a Federal or State agency and paid directly to the lender each month to reduce the monthly mortgage payment.
- The buydown account must be fully funded at origination.
- A copy of the escrow agreement, signed by the borrower and the provider of the funds, must be retained in the Seller's loan file.

Transaction Eligibility

Eligible Transactions

- Purchase
- Non-Streamline Refinance

See "USDA Streamlined Refinance Program Guidelines" on page 544 and "USDA Streamlined Assist Refinance Program Guidelines" on page 553 for additional requirements.

Ineligible Transactions

- Cash-out
- Properties located in a Special Flood Hazard Area and flood insurance through the National Flood Insurance Program is not available
- Refinance of any loan that is not a current Rural Development loan
- Rural Housing Direct Loan (purchase transactions)
- Texas Section 50(a)(6)

Refinance Transactions

USDA offers 3 types of refinance transactions: Non-Streamline Refinance, Streamline Refinance, and Streamline Assist Refinance. The following requirements must be met for Non-Streamlined Refinances:

- A new appraisal is required.
- The maximum loan may include the principal and interest balance of the existing loan, and reasonable and customary closing costs up to the new appraised value. The appraised value may only be exceeded by the amount of the financed upfront guaranteed fee.
- Additional borrowers may be added to the new guaranteed loan. Existing borrowers on the current mortgage note may be removed when one of the original borrowers remains on the refinanced loan.
- The existing loan must have closed 12 months prior to the Agency’s receipt of a Conditional Commitment request and have a mortgage payment history which must reflect 0x30 within the previous 180-day period.
- All credit requirements must be met.

See "USDA Streamlined Refinance Program Guidelines" on page 544 and "USDA Streamlined Assist Refinance Program Guidelines" on page 553 for additional information for those specific programs.

Subordinate Financing

- Eligible on purchase transactions when provided by a government entity.
- No new subordinate financing on refinance transactions. Any existing subordinate refinancing must be resubordinated.

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 Forms and Links

USDA Rural Development forms and guidelines are available at: USDA LINC Training and Resource Library

- ***Request for Single Family Housing Loan Guarantee*** (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).

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 which will delay the loan process. Loans cannot be closed with a higher loan amount/interest rates than noted on the Conditional Commitment; a new Commitment will be required.

- ***Conditional Commitment for Single Family Housing Loan Guarantee*** (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.

USDA Streamlined Refinance Program Grid

Primary Residence Full Documentation Fixed Rate			
Transaction	**Units**	**LTV/CLTV[1]**	**Credit Score**
Streamlined Refinance[2]	1	100%	Per GUS

Footnotes:

1. The LTV may exceed 100 percent of the market value of the property when the Guarantee Fee is financed. Max CLTV unlimited if existing secondary financing is from a government entity.
2. 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.

USDA Streamlined Refinance Program Guidelines

For topics not addressed in this guide, see "USDA Purchase and Non-Streamlined Refinance Program Guidelines" on page 507 **and the USDA Handbook 3555.**

4506-C

See **USDA Purchase and Non-Streamlined Refinance Program Guidelines** "4506-C" on page 507 for all requirements.

Ability to Repay/Qualified Mortgage

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:

- Compliance findings validating a pass of ATR
- Compliance findings validating a pass of QM, where applicable
- Automated Underwriting System (AUS) approval, where applicable
- Evidence of manual approval, where applicable
- Underwriting Analysis (e.g., Final 1008/Loan Transmittal, VA Loan Analysis, FHA Transmittal Summary)
- Income Worksheet

Additionally, all disclosures and documentation required under the ATR/QM provisions of the Dodd-Frank Act must be provided.

The Seller will comply with the verification standards of the applicable agency Seller's Guide.

- Chapter 4 of the U.S. Department of Agriculture's Field Office Handbook for the Direct Single Family Housing Program; and
- Chapters 9 through 11 of the U.S. Department of Agriculture's Handbook for the Single-Family Guaranteed Loan Program.

Affidavit of Identity

Planet 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

Asset verification is required when funds are needed to close.

Reserves

Not required.

See **USDA Purchase and Non-Streamlined Refinance Program Guidelines** "Assets" on page 510 for all requirements.

Assumptions

Planet follows agency guidelines.

AUS

All loans must be submitted to the Guaranteed Underwriting System (GUS). Acceptable GUS Findings are:

- "Accept/Eligible," or
- "Refer/Eligible" and "Refer with Caution" 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.

Available Markets

- **Delegated Sellers**
  - Planet will purchase USDA loans underwritten and closed by the delegated Seller in **all** states.
- **Non-delegated Sellers**
  - Planet will purchase loans from the non-delegated Seller in all states on USDA products. All loans require Planet underwriting approval.
- Sellers must receive approval from Planet to deliver loans with properties located in Puerto Rico.
- The U.S. territories of Guam and the Virgin Islands are ineligible regardless of delegation.
- Property must be located in a rural area as defined by Rural Development.

Borrower Eligibility

Adding or Deleting Borrowers

Borrowers may be added. Only deceased borrowers may be removed from the loan.

See **USDA Purchase and Non-Streamlined Refinance Program Guidelines** "Borrower Eligibility" on page 512 for all requirements.

CAIVRS

See **USDA Purchase and Non-Streamlined Refinance Program Guidelines** "CAIVRS" on page 513 for all requirements.

Cash Back to Borrower

See **USDA Purchase and Non-Streamlined Refinance Program Guidelines** "Cash Back to Borrower" on page 514 for all requirements.

Chain of Title

See **USDA Purchase and Non-Streamlined Refinance Program Guidelines** "Chain of Title" on page 514 for all requirements.

Credit Requirements

Credit Report/Scores

- A tri-merged credit report is required for all borrowers.

See **USDA Purchase and Non-Streamlined Refinance Program Guidelines** "Credit Requirements" on page 518 > **Credit Report/Scores** for all requirements.

Credit Report – Fraud Alert

See **USDA Purchase and Non-Streamlined Refinance Program Guidelines** "Credit Requirements" on page 518 > **Credit Report - Fraud Alert** for all requirements.

Derogatory Credit

See **USDA Purchase and Non-Streamlined Refinance Program Guidelines** "Credit Requirements" on page 518 > **Derogatory Credit** for all requirements.

DTI

- Maximum 29%/41%. Exceptions may be granted subject to all of the following being met:
  - The PITI payment is between 29% and 32% and the total DTI is between 41% and 44%, and
  - All borrowers have a credit score of ≥ 680, and
  - A minimum of one compensating factor is identified and substantiated with supporting documentation:
    - 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; or
    - Borrower has accumulated liquid assets (savings, cash reserves) after close of a minimum of 3 months PITI payments verified with two months bank statements or VOD, dated within 45 days of the loan application. Cash on hand is not eligible; or
    - All employed borrowers have been continuously employed, with their current respective employer, for a minimum of two 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.

  NOTE: Only wage earners may use 2-year employment as a compensating factor; not eligible for self-employed borrowers.

- Debt waiver ratios are subject to Rural Development approval of the Debt Waiver Request.
- All debts are entered in GUS to ensure accurate GUS Findings.

Employment and Income

Employment Requirements

A two-year employment history is required.

NOTE: If the borrower has any gaps in employment that are **> 30 days**, a letter of explanation from the borrower will be required unless employment is clearly seasonal.

Income Documentation

See **USDA Purchase and Non-Streamlined Refinance Program Guidelines** "Employment and Income" on page 526 > **Income Documentation** for all requirements.

Income Limits

The borrower's adjusted household income cannot exceed the limit set by Rural Development for the state/county where the property is located. View the GRH income limits by state on the Rural Development Single Family Housing Guaranteed Loan Income Limits website.

To determine income eligibility, complete the USDA Income Eligibility Questionnaire and enter the information on the Rural Development Income Eligibility website.

Escrow Account

Required on all loans — no exceptions.

Escrow Holdback

Not allowed.

Impound Account

Required on all loans — no exceptions.

Inspections

Not required.

Maximum Loan Amount

- The maximum loan amount may include the principal and interest balance of the existing loan, and reasonable and customary closing costs, including any financed portion of the upfront guarantee fee.
- Unpaid fees, past-due interest, and late fees/penalties due the servicer cannot be included in the new loan amount.
- Loan discounts points not eligible for inclusion except to reduce the effective interest rate.

Minimum Loan Amount

$40,000.00

Mortgage/Rental History

See **USDA Purchase and Non-Streamlined Refinance Program Guidelines** "Mortgage/Rental History" on page 532 for all requirements.

Mortgage Seasoning

The existing loan must have closed 12 months prior to the Agency's receipt of a Conditional Commitment request and have a mortgage payment history which must not reflect a delinquency equal to or greater than 30 days within the previous 180-day period.

Occupancy

Owner-occupied

Other Real Estate Owned

See **USDA Purchase and Non-Streamlined Refinance Program Guidelines** "Other Real Estate Owned" on page 533 for all requirements.

Power of Attorney

See **USDA Purchase and Non-Streamlined Refinance Program Guidelines** "Power of Attorney" on page 534 for all requirements.

Prepayment Penalty

Not permitted.

Product

Fixed Rate: 30-year

Property Eligibility

Properties located in areas since determined by USDA to be non-rural will remain eligible for a refinance. USDA will correct the property determination during the loan review and processing.

See **USDA Purchase and Non-Streamlined Refinance Program Guidelines** "Property Eligibility" on page 534 for all requirements.

Temporary Buydown

2-1 and 1-0 interest rate buydowns are eligible.

See **USDA Purchase and Non-Streamlined Refinance Program Guidelines** "Temporary Buydown" on page 540 for all requirements.

Transaction Eligibility

Eligible Transactions

- Streamline Refinance

Ineligible Transactions

- Cash-out refinances
- Purchase
- Refinance of a USDA Section 502 Direct Loan.
- Refinance of any loan that is not a current Rural Development loan.
- Streamline Assist Refinance. *See* **USDA Streamline Assist Refinance Program Guidelines** "Transaction Eligibility" on page 557 > **Ineligible Transactions** for all requirements.

Subordinate Financing

Subordinate financing such as leveraged loans, down payment assistance loans or home equity lines of credit cannot be included in a new guarantee refinance loans. These types of financing must be subordinated to the new guaranteed loan or be paid in full.

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 Forms and Links

USDA Rural Development forms and guidelines are available at: USDA LINC Training and Resource Library

- ***Request for Single Family Housing Loan Guarantee*** (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).

  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 which will delay the loan process. Loans cannot be closed with a higher loan amount/interest rates than noted on the Conditional Commitment; a new Commitment will be required.

- ***Conditional Commitment for Single Family Housing Loan Guarantee*** (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.

USDA Streamlined Assist Refinance Program Grid

Primary Residence Full Documentation Fixed Rate			
Transaction	**Units**	**LTV/CLTV[1]**	**Credit Score**
Streamlined-Assist Refinance	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.

USDA Streamlined Assist Refinance Program Guidelines

For topics not addressed in this guide, see "USDA Purchase and Non-Streamlined Refinance Program Guidelines" on page 507 **and the** **USDA Handbook 3555**.

4506-C

See **USDA Purchase and Non-Streamlined Refinance Program Guidelines** "4506-C" on page 507 for all requirements.

Ability to Repay/Qualified Mortgage

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:

- Compliance findings validating a pass of ATR
- Compliance findings validating a pass of QM, where applicable
- Automated Underwriting System (AUS) approval, where applicable
- Evidence of manual approval, where applicable
- Underwriting Analysis (e.g., Final 1008/Loan Transmittal, VA Loan Analysis, FHA Transmittal Summary)
- Income Worksheet

Additionally, all disclosures and documentation required under the ATR/QM provisions of the Dodd-Frank Act must be provided.

The Seller will comply with the verification standards of the applicable agency Seller's Guide.

Affidavit of Identity

Planet 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.

Assumptions

Planet follows agency guidelines.

AUS

Manual underwrite only.

Available Markets

- **Delegated Sellers**
  - Planet will purchase USDA loans underwritten and closed by the delegated Seller in **all** states.
- **Non-delegated Sellers**
  - Planet will purchase loans from the non-delegated Seller in all states on USDA products. All loans require Planet underwriting approval.
- Sellers must receive approval from Planet to deliver loans with properties located in Puerto Rico.
- The U.S. territories of Guam and the Virgin Islands are ineligible regardless of delegation.
- Property must be located in a rural area as defined by Rural Development.

Borrower Eligibility

Adding or Deleting Borrowers

Borrowers may be added. Only deceased borrowers may be removed from the loan.

See **USDA Purchase and Non-Streamlined Refinance Program Guidelines** "Borrower Eligibility" on page 512 for all requirements.

CAIVRS

See **USDA Purchase and Non-Streamlined Refinance Program Guidelines** "CAIVRS" on page 513 for all requirements.

Cash Back to Borrower

See **USDA Purchase and Non-Streamlined Refinance Program Guidelines** "Cash Back to Borrower" on page 514 for all requirements.

Credit Report/Score

A mortgage only credit report on the subject property is required. *See* "Mortgage Seasoning" on the next page requirements for additional information

DTI

The borrower is not required to meet the repayment ratio requirements.

Employment and Income

See **USDA Purchase and Non-Streamlined Refinance Program Guidelines** "Employment and Income" on page 526 for all requirements.

Income Limits

The borrower's adjusted household income cannot exceed the limit set by Rural Development for the state/county where the property is located. View the GRH income limits by state on the Rural Development Single Family Housing Guaranteed Loan Income Limits website.

To determine income eligibility, complete the USDA Income Eligibility Questionnaire and enter the information on the Rural Development Income Eligibility website.

Repayment income calculation is not required to be completed for Streamline Assist Refinance transactions.

NOTE: The Rural Development system will indicate eligible/ineligible for both the Guaranteed Rural Housing Loan Program and the Direct Rural Housing Loan Program. Planet only offers the Guaranteed Rural Housing program. *See* USDA Purchase and Non-Streamlined Program Guidelines for additional income details.

Escrow Holdback

Not allowed.

Impound Account

Required on all loans — no exceptions.

Inspections

Not required.

Maximum Loan Amount

Loan amount may not exceed the total of:

- The principal balance of the existing
- Eligible closing cost
- Fund necessary to establish a new tax and insurance escrow account
- Upfront guarantee fee
- Loan discount points not eligible for inclusion except to reduce the effective interest rate

NOTE: Unpaid fees, past due interest, late fees and penalties cannot be included in the new loan amount.

Minimum Loan Amount

$40,000.00

Mortgage History

- The existing mortgage payment history must not reflect a delinquency equal to or greater than 30 days within the previous 12 months.
- Mortgage payment history must be verified through a Verification of Mortgage (VOM) or a credit report.

NOTE: If a credit report is ordered to determine timely mortgage payments, other credit accounts will not be reviewed.

Mortgage Seasoning

The existing loan must have closed 12 months prior to the Agency's receipt of a Conditional Commitment request.

Net Tangible Benefit

- The borrower must receive a $50 or greater reduction in their principal, interest, and annual fee monthly payment compared to the existing principal, interest and annual fee monthly payment.
- Must not exceed the interest rate of the original loan.

Occupancy

Owner-occupied

Other Real Estate Owned

See **USDA Purchase and Non-Streamlined Refinance Program Guidelines** "Other Real Estate Owned" on page 533 for all requirements.

Power of Attorney

See **USDA Purchase and Non-Streamlined Refinance Program Guidelines** "Power of Attorney" on page 534 for all requirements.

Prepayment Penalty

Not permitted.

Product

Fixed Rate: 30-year

Property Eligibility

Eligible Properties

Properties located in areas since determined by USDA to be non-rural will remain eligible for a refinance. USDA will correct the property determination during the loan review and processing.

See **USDA Purchase and Non-Streamlined Refinance Program Guidelines** "Property Eligibility" on page 534 for all requirements.

Temporary Buydown

2-1 and 1-0 interest rate buydowns are eligible.

See **USDA Purchase and Non-Streamlined Refinance Program Guidelines** "Temporary Buydown" on page 540 for all requirements.

Transaction Eligibility

Eligible Transactions

- Streamline Assist Refinance

Ineligible Transactions

- Cash-out refinances
- Purchase
- Refinance of a USDA Section 502 Direct Loan.
- Refinance of any loan that is not a current Rural Development loan.
- Streamline Refinance. *See* **USDA Streamline Refinance Program Guidelines** "Transaction Eligibility" on page 550 > **Ineligible Transactions** for all requirements.

Subordinate Financing

Subordinate financing such as leveraged loans, down payment assistance loans or home equity lines of credit cannot be included in a new guarantee refinance loans. These types of financing must be subordinated to the new guaranteed loan or be paid in full.

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 Forms and Links

USDA Rural Development forms and guidelines are available at: USDA LINC Training and Resource Library

- ***Request for Single Family Housing Loan Guarantee*** (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).

  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 which will delay the loan process. Loans cannot be closed with a higher loan amount/interest rates than noted on the Conditional Commitment; a new Commitment will be required.

- ***Conditional Commitment for Single Family Housing Loan Guarantee*** (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.

Chapter 6: Lock Registration and Commitments

Lock Registration

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

Closing Package Submission

The Seller is required to submit the loan closing package by 5:00 P.M. Pacific time on the day of lock expiration, or earlier.

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 P.M. Pacific time and are available online at www.phlcorrespondent.com. Access to online rate sheets are restricted to the approved Seller with an assigned login and password.

Locking a Loan

The Seller can lock a loan with Planet by going to www.phlcorrespondent.com and logging into Planet's CORE Seller Portal using its CORE User Name and Password. Loans can be locked prior to submission by clicking the **New Loan Actions** button. To lock an existing loan, select the loan in the pipeline and click the **Lock** button.

Lock registrations are accepted from the approved Seller only and may be locked anytime during the day prior to the cut-off time of 5:00 P.M. Pacific time.

Maximum Locks per Day

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

The daily limit begins with the issuance of the morning rate sheet and ends at 5:00 P.M. Pacific time or when there is a mid-day price change. In the event of a mid-day price change, the limit resets when the new rate sheet is issued (i.e., Seller who has locked $3 million in loans based on the morning rate sheet is eligible to lock up to an additional $5 million based on the rate sheet issued with the mid-day price change for a total of $8 million in locks for the day). This reset also applies to 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 is available to the Seller on a daily basis and is available at www.phlcorrespondent.com. Due to market conditions and other circumstances, Planet may have periods when no pricing is available. During these periods, the Seller 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 determines cut-off times for intra-day pricing changes.

Lock a Loan Where Subject Property is To Be Determined AKA: Lock & Shop

The extended lock term is designed to give borrowers time to look for a property with the confidence of a locked-in interest rate. Loan must be a purchase of a primary residence. Available for Agency and Government loan products with commitment lock for 75, 90, or 120 days.

To 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)

If the borrower is still deciding on a property at the expiration of the lock, standard lock extensions apply. Float down option available with an initial commitment lock of 120 days, see the float down policy for details.

Once an actual property is determined, the Seller should import an updated 3.4 file that has the property address.

Credit Exceptions

Any loan that does not meet Planet’s published guidelines may require an exception and is subject to a pricing change.

Locked Loan Changes

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

A Change In	Receives
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.

Specific fields that cannot be changed by the Seller 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
- 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 locked with incorrect information should be reported to Planet within one business day of lock. Any error, omission, or mistake in locking a loan is 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 business day time frame requires that the loan be re-priced subject to worst case pricing.

Lock Commitments

Planet requires 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

Best Efforts Commitment

Single Loan: Best effort commitments are used 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 are used 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 are used 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.

Long Term Rate Lock Commitment

Single Loan: Long-term rate lock commitments are used 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 is charged and is due from the Seller within five business days of the lock commitment. On the sixth business day, if the fee has not been received, the lock is automatically canceled. The 1% upfront fee is 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 is not 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:

M&T Bank
One M&T Plaza
Buffalo, NY 14203
ABA: 022000046
Account #: 9877201229
Account Name: Planet Home Lending Operations Support

Check Instructions:

Planet Home Lending, LLC
Attn: Treasury
11000 Broken Land Parkway, Suite 200
Columbia, MD 21044

Float Down Policy Long Term Locks

Planet offers a one-time option for a borrower to reduce the locked mortgage rate for lock periods of 120, 180, 270 or 360 days.

- The interest rate market has favorably improved to a point that a 1/8th reduction to the locked rate is available.
- Once the rate has been floated down, the rate cannot be changed in a subsequent transaction that will cause it to exceed the renegotiated rate.
- Email: Correspondentlocks@planethomelending.com.

  - The Seller must include the final rate and price being requested for the borrower.
- The Float Down Rate calculation is: Current Market minus 0.500%. The resulting price cannot exceed the original locked price.

  For example:

  Original Locked Pricing = 4.5% @ 100.00

  Current Market Pricing = 4.25% @ 100.00; 4.375% @ 100.50; 4.5% @ 100.75

  Float Down Pricing Options: 4.25% @ 99.5; 4.375% @100.00

  In the above scenario, 4.5% @ 100.25 is not an available option as it does not provide a 1/8th reduction of the locked rate, and the final price would exceed the original locked price.

Interest Rate Renegotiation Policy – Best Efforts

When pricing conditions improve significantly, Planet will offer a **one-time** Rate Renegotiation on loans locked Best Effort and subject to all of the below guidelines:

- The rate to the borrower is reduced by 0.25% or more.
- Pricing Comparison will be to the same Lock Day term (45-day lock vs. 45-day lock, etc).
- Renegotiation Adjustment of -0.500 from Current Base Price will be applied.
- All LLPA's and applied Extension or Exception Fee's will remain.
- Rate cannot increase once the renegotiation has been applied.
- Current Lock expiration does not change.
- Loans subject to the Float Down Policy for Long Term Lock Policy are not eligible.

In order to execute on the Rate Renegotiation, email correspondentlocks@planethomelending.com with the Loan number and desired rate and the Lock Desk will confirm the pricing for the renegotiation and will execute once the seller agrees in writing.

Lock Confirmations

The Seller receives 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

The Seller may request a rate lock extension with Planet by logging onto www.phlcorrespondent.com and providing the necessary information to obtain a rate lock extension.

The extension is 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.

Extension fees are as follows:

Expiration Date	Fee
1 Day	(.020)
2 Days	(.040)
3 Days	(.060)
4-7 Days, regardless of the number of days selected	(.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 no later than 5:00 PM, Pacific time, on 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 is subject to relock at worst case pricing. For locks expiring on a weekend or holiday, the expiration rolls 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

Number of Days from Original Lock Expiration to Re-lock	Loan Submitted to Planet	Pricing
		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 rolls into the following business day.

Locked Loan Delivery Policy

The closing package for all loans locked under a best efforts or mandatory commitment must be received by 5:00 PM Pacific time on the day of lock expiration, or earlier.

Deficiency Fees

When the review of a file is completed, a purchase disposition is issued to notify the Seller of certain conditions including, but not limited to, underwriting and purchasing conditions, which must be met prior to purchase.

A loan is eligible for "Grace" when the closed loan package is delivered no later than 5:00 PM Pacific time on the lock expiration date. The "Grace" period is applied to your lock upon the purchase disposition being issued. The purchase disposition will be issued with a Purchase By Date. The "Grace" period is the greater of 10 calendar days from the date of the purchase disposition issue date or the lock expiration date. If the "Grace" period falls on a holiday or weekend, it rolls to the next business day.

If the loan is not purchased by the Purchase By Date, the Seller is responsible for a deficiency fee per the schedule below. The lock will auto extend for a total of 12 deficiency fee periods.

Deficiency fees to purchase loans are as follows:

Deficiency Fee Period	Number of Calendar Days to Extend Purchase Date	Deficiency Fee
Grace Period	10 days	No Fee
1st Deficiency Period	5 days	.125%
2nd - 12th Deficiency Period	7-day Increments	.125% per extension

- Timing may differ if expiration falls on a weekend or holiday
- If the loan is not purchased by the final deficiency fee expiration date, the Seller will need to manage their lock by manually extending via the portal or emailing the Lock Desk. Failure to extend will require a re-lock 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 examples of the calculation of pair off fees for a $200,000 loan amount with either negative or positive market movement.

Negative Market Movement	Mortgage loan not received by lock expiration date	
	Price at expiration date	101.000
	Price at lock date	101.500
	Negative market movement	(0.500)
	Pair off fee	0.000
	Administrative fee	0.125
	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

Positive Market Movement	Mortgage loan not received by lock expiration date	
	Price at expiration date	101.000
	Price at lock date	100.500
	Positive market movement	0.500
	Pair off fee	0.500
	Administrative fee	0.125
	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

Example 2: Mortgage loan not received by lock expiration date—positive market movement: Price at expiration date 101.000 Price at lock date 100.500 Positive market movement 0.500 Pair off fee 0.500 Administrative fee 0.125 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 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

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 CORE Seller Portal.

The CORE Seller Portal is a secure website that can be accessed by the approved Seller to conduct business with Planet. The CORE Seller Portal is available at www.phlcorrespondent.com under the **Seller Login** button.

The Seller can submit and lock loans, request pipeline reports, view and print purchase advices, and access the Planet Seller Guide, all within the CORE Seller Portal.

Another option allows the Seller to export closed loan packages directly from the Encompass LOS to Planet's CORE Seller Portal utilizing Investor Connect. The Seller's Encompass System Administrator will be required to create new credentials specifically for Planet Home Lending. The User ID must be set to the Seller's Planet Correspondent ID. If a Seller is unaware of their Planet Correspondent ID, please email ClientAdminGroup@PlanetHomeLending.com.

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 undergoes a comprehensive review to ensure continued quality in the loans purchased.

In addition, Quality Control conducts 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 partners 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/closed loan package must be submitted to Planet in accordance with the Closing Package Submission requirements in Chapter 6: Lock Registration and Commitments.

A Quick Start Reference Sheet, Upload a Closing Package, is available on the CORE Seller Portal at www.phlcorrespondent.com under **Training Tools**.

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 **Import Loan File**. 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.

Incomplete Closing Packages

Upon a review of the closing package, a Purchasing Disposition, which outlines outstanding conditions, is generated. All conditions must be delivered the later of seven days following the Purchase Disposition or the Lock expiration date.

IRS Form 4506-C

Sellers are encouraged to obtain specific requirements from their vendor for completing their 4506-C.

It is highly suggested that only one borrower be listed on a single 4506-C form. Both borrowers who filed their tax returns jointly may be listed on the 4506-C form when 1040s are requested. All borrowers must sign and date.

If a loan is selected by Planet for Post-Purchase QC, and the 4506-C is not able to be processed, the Seller will be required to provide an updated 4506-C or provide the required transcripts.

The following are preferred vendors for use by Planet Home Lending during Post-Purchase QC:

- Billing Solutions, Inc.
- CoreLogic Credco
- DataVerify
- Equifax Workforce Solutions, LLC
- TaxReturnVerifications.com
- Verification Bureau LLC
- Xactus, LLC

See November 16, 2023 Planet Home Lending Announcement Best Practices for IRS Form 4506-C for additional guidance on completing IRS Form 4506-C.

Condo Project Review

Condo Analytics

Loans delivered to Planet for underwriting with a property type of condominium or attached PUD (conventional), without a Condo Analytics Report is subject to a new documentation review as part of the Planet approval process.

Planet reviews and makes 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, Planet will order the review from Condo Analytics, and the cost will then passed on to the Seller through the Purchase Advice immediately. No documentation is required by the Seller as the vendor will obtain all necessary documentation. However, any documentation that is provided by the Seller will be submitted to the vendor. If the documentation is not complete and/or acceptable, the vendor will obtain the necessary documents and the Seller will be subject to any additional cost. All documentation submitted by the Seller should meet agency guidelines and requirements.

The project review cost is outlined below and is passed on to the Seller through the Purchase Advice immediately. Prices are subject to change without notice.

Condo Analytics Project Review Cost	
Project Review*	**Base Fee**
Limited Condo Review • Note: Limited or Streamline review are for spot loan approval only.	$275
Full Condo Review	$395
PUD Reviews (FNMA or FHLMC)	$199
FHA Single Unit Approval • Note: Project must be an approved project appearing on the FHA website and is a warranty of the continued compliance of initial approval requirements.	$495
FHA Refresh	$175
Insurance Review	$99
Budget Only	$99

Condo Analytics Project Review Cost	
Project Review*	**Base Fee**
Litigation Review	$99
PERS Review	Contact Planet for quote

* All third-party costs incurred through documentation retrieval will be passed along to the Seller, including the above base fee.

CondoSafe (Conventional only)

Sellers may utilize Condosafe for conventional loans delivered to Planet for underwriting with a property type of condominium. Submissions without a CondoSafe Report are subject to a new documentation review as part of the Planet approval process.

Planet reviews and makes a project decision based on the CondoSafe Report and applicable documentation provided by the Seller.

If the Seller does not provide a CondoSafe Report at the time of submission, Planet will order the review from CondoSafe, and the cost is then passed on to the Seller through the Purchase Advice immediately. No documentation is required by the Seller as the vendor will obtain all necessary documentation. However, any documentation that is provided by the Seller will be submitted to the vendor. If the documentation is not complete and/or acceptable, the vendor will obtain the necessary documents and the Seller will be subject to any additional cost. All documentation submitted by the Seller should meet agency guidelines and requirements.

The CondoSafe Report cost is outlined below and will be passed on to the Seller through the Purchase Advice.

CondoSafe Project Review Cost by State						
State	**Full Condo Review**	**Limited/Limited +**		**State**	**Full Condo Review**	**Limited/Limited +**
AK	$250	$255		NC	$330	$305
AR	$295	$270		ND	$225	$200
AZ	$395	$370		NE	$220	$195
CA	$445	$420		NH	$330	$305
CO	$360	$335		NJ	$365	$340
CT	$310	$285		NM	$365	$340

CondoSafe Project Review Cost by State						
DC	$375	$350		NV	$430	$405
DE	$360	$335		NY	$340	$315
FL	$380	$355		OH	$315	$290
GA	$410	$385		OK	$255	$230
HI	$425	$400		OR	$350	$325
IA	$280	$255		PA	$350	$325
ID	$260	$235		RI	$270	$245
IL	$370	$345		SC	$340	$315
IN	$315	$290		SD	$225	$200
KS	$285	$260		TN	$380	$355
KY	$380	$355		TX	$380	$355
LA	$215	$190		UT	$300	$275
MA	$315	$290		VA	$420	$395
MD	$395	$370		VI	$255	$200
ME	$265	$240		VT	$270	$245
MI	$345	$320		WA	$375	$350
MN	$400	$375		WI	$270	$245
MO	$310	$285		WV	$225	$200
MS	$235	$210		WY	$270	$245
MT	$225	$200				

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 Correspondent Wire Authorization

Form is available on the CORE Seller Portal at www.phlcorrespondent.com under **Forms and Resources**. The Seller is not required to use this form but any form used must provide all of the information contained on the Planet form.

Original Note

eNote

The Seller is required to deliver the eNote using MERS® eDelivery, a secure method to deliver copies of eNotes between organizations' eVaults. The Seller must also initiate a Transfer of Control and Location for the eNote record via the MERS® eRegistry to Planet.

NOTE: Prior written approval from Planet is required to deliver eNotes. *See* **Chapter 1 Seller Eligibility** > "eNotes" on page 8 for more information, including a list of ineligible products and loan attributes.

Paper 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).

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:

> Deutsche Bank
> 1761 E. Saint Andrew Place
> Santa Ana, CA 92705
> (714) 247-6069
> ATTN: Planet Home Lending - Correspondent Loans

To clear an Allonge exception, send to the "ATTN" of:

ATTN: Planet Home Lending - Rush Exception

To Swap a Note, send to the "ATTN" of:

ATTN: Planet Home Lending - Rush Note Swap

Collateral File

The paper 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).

The Seller is 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 purchases the loan.

Collateral documents must include:

- Bailee Letter
- Original Note endorsed to Planet Home Lending, LLC; OR
- Original Note and Allonge to Planet Home Lending, LLC
- Certified copy of the Power of Attorney, if applicable

See "Chapter 8: Loan Purchasing" on page 576 **Loan Assignments** section 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

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.

Planet will purchase an FHA 203(k) loan where repairs are completed and Escrow Repair Screen has been completed in FHAC. Requirements for this purchase are:

1. Copy of the FHA 203(k) Case Close Out Screen from the originating lender and who is the one that administered the draw process
2. MIC
3. Pay History
4. Letter of explanation from the seller why they are asking us to purchase an aged note

Closing Disclosure

A Closing Disclosure (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 allows 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 CD 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 – Cashback Limitation

A principal reduction is allowed when cashback to the borrower exceeds the Agency's cashback-to-the-borrower limit of:

- lesser of 2% of the loan amount or $2,000 on Fannie Mae rate/term transactions,
- greater of 1% or $2,000 for Freddie Mac 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 cashback to the borrower exceeds 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.

Government Transactions

The maximum principal reduction is 1% of the loan amount excluding any allowable cashback to the borrower per the applicable guideline.

Disaster Policy

Planet requires a property inspection report, prior to purchase, for any loan identified as being in a FEMA designated area and offering Individual Assistance.

Properties Located in a FEMA Designated Area

Sellers are responsible for determining the potential impact to a property located in an area where a disaster has occurred. If a Seller, at any time, regardless if FEMA has declared a disaster, has reason to believe the property might have been damaged in a disaster, the Seller must take appropriate action to document the current condition of the property.

Properties located in FEMA designated areas, eligible for Individual Assistance, in which an appraisal has been completed on or before the incident period date will require an inspection report to determine the properties condition using one of the following methods for Fannie Mae, Freddie Mac, VA, and USDA:

- An Appraisal Update and/or Completion Report (Fannie Mae Form 1004D or Freddie Mac 442) or
- Fannie Mae 2075 Desktop Underwriter Property Inspection Report or Freddie Mac 2070 Streamlined Inspection, including loans in which an appraisal is not required.
- Third-Party Inspection or
- Seller Certification

Seller Certification Requirements

A Seller Certification is permitted when the following requirements are met:

- Must be executed by an employee of the Seller who will not receive direct compensation from the subject transaction
- Seller may utilize their own certification; however, the certification must meet the following requirements:
    - Must state that an acceptable inspection of the property was completed
    - Must include post disaster photos evidencing no adverse effect by the disaster to the subject

property.

- Must be on Seller letterhead or a certification of property condition form
- Must indicate subject property complete street address, including city, state and zip code
- Must include the following language or a reasonable facsimile "This is to confirm that the above referenced property has been inspected on XX/XX/XXXX (date of inspection to be included) and I have determined that it was either not damaged in the recent disaster or has been restored to its pre-disaster condition or better."

Fannie Mae and Freddie Mac Transactions with Appraisal Waivers

Fannie Mae and Freddie Mac loans with casefiles dated prior to the disaster declaration date may continue to exercise an Appraisal Waiver. Sellers must take prudent and reasonable actions to determine the condition of the property and be able to make the representations and warranties described in the applicable GSE's Selling Guide. Sellers may utilize any of the above inspection types which do not determine an appraised value. Please note that the final AUS findings must reflect that an Appraisal Waiver is still eligible to deliver the loan to Planet.

FHA Transactions Closed or Endorsed After the Incident Inception Date

If the appraisal is dated on or before the Incident Period end date, a Disaster Inspection Report completed by the original FHA roster appraiser is required and must be dated after the declared Incident Period end date or 14 days from the Incident Period start date, whichever is earlier. This includes loans closed prior to the Incident Period and not yet purchased by Planet.

- If the original Appraiser is not available, another FHA roster appraiser can be used.
- Additional conditions apply when damage is indicated on form 1004D, 2075 or the FHA Inspection Report.

VA Transactions

In addition to one of the above Disaster Inspection Reports, the VA requires the following:

- Veteran's Certification
- Lender's Certification

Government Transactions without Appraisals

FHA Streamline, VA IRRRLs, and USDA Streamline loans with a note date prior to the Incident Period end date or for which an end date has not be declared, or loans with a note date on or after the Incident Period end date where the note date is on or within 90 days after the Incident Period end date may utilize any of the property inspection types above and must include interior inspections with photos.

Additional Requirements

It is the Seller's 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.

Servicing Documents

Servicing Released

Planet purchases all loans on a servicing-released basis. The sale date is the funding date.

The Seller collects any payments due from the borrower according to statements on the Purchase Advice. Planet services the loans purchased and collects all payments due from the borrower thereafter.

Planet issues the initial payment statement to the borrower within two to three business days after loan purchase. Subsequent payment statements are 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 Goodbye 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 Goodbye Letter is available on the CORE Seller Portal at www.phlcorrespondent.com; Seller should add its logo and company information when using the sample.

Servicer Payment Address:

Planet Home Lending, LLC
P.O. Box 69197
Baltimore, MD 21264-9197

Servicer Payment Overnight:

Planet Home Lending, LLC
321 Research Parkway, Suite 303
Meriden, CT 06450
Attn: Cash Management
Phone: (866) 882-8187
Hours: Monday – Friday, 8:30 A.M. to 9:00 P.M. Eastern Time

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 A.M. to 9:00 P.M. Eastern Time

Record Maintenance

The Seller must maintain records in accordance with applicable laws and regulations but not less than 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 – FHA 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

Lender Tax ID:	26-0362771
Assigned Branch Number	001

Address:	Planet Home Lending Research Parkway, Suite 303 Meriden, CT 06450

Holding Lender – Planet Home Lending

Lender Tax ID:	26-0362771
Assigned Branch Number	001
Address:	Planet Home Lending Research Parkway, Suite 303 Meriden, CT 06450

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 Seller Guide.

Documents

The Seller warrants that all documents that are required as detailed in this Seller Guide have been completed, executed and delivered in the form and manner specified by Planet.

Electronic Signatures

Planet accepts electronically executed signatures as follows:

- Purchase/sales contracts
- Initial 1003
- Initial disclosures

It is the Seller's responsibility to ensure electronically signed documents comply with the E-Sign Act and in accordance with applicable laws and regulations.

Planet requires wet signatures at closing on all closing documents.

eNotes

Prior written approval from Planet is required to deliver eNotes. *See* **Chapter 1 Seller Eligibility** > "eNotes" on page 8 for more information.

The following products and loan attributes are ineligible with eNote delivery:

- **Loans using a Remote Online Notarization (RON)**
- **Loans using an In-Person Electronic Notarization (PEN)**
- **FHA, Home Equity 2nd Liens, USDA, and VA loans**
- NY CEMA loans
- Mortgages on properties located in Puerto Rico
- **Renovation loans**
- Construction-to-permanent financing (Single Closing) loans (OTC)
- Co-op loans
- Texas Section 50(a)(6) loans
- **Loans closed using a power of attorney**
- **Loans secured by community land trust properties**
- Manufactured homes located in a certificate of title state
- Mortgages to inter vivos revocable trust properties
- Any products that require additional or special purpose legal documents
- Not closed on MOM Documents, MERS required

Hybrid Closings

Hybrid closings consist of some wet-signed and some e-signed documents. Loans closed under a hybrid closing method must comply with the E-Sign Act and other applicable state and federal laws, as well as applicable agency guidelines. Sellers must obtain consent to receive and sign documents electronically from each applicant or individual to whom a document or disclosure is required by applicable law to be provided or made available in writing and each individual who signs a document electronically. The loan file must include all properly disclosed and executed E-Sign disclosures and consent forms. Closing documents signed electronically in a hybrid closing may be signed prior to the closing date.

1. Hybrid Closing for the following transactions are NOT acceptable:
    - Transactions closing with a Power of Attorney
    - Transactions closing with title in the name of a Trust
    - Texas 50(a)(6) transactions

- Any transaction without an e-consent from all borrowers prior to receiving electronic documents.

2. The following documents must be wet signed for all closings:

   - Note
   - Mortgage/Deed of Trust
   - All documents that are recorded
   - All documents that are notarized (require a notary)

Flood Determination and Insurance General Requirements

A Life-of-Loan Flood Certificate is required from one of the Planet approved vendors. The Flood Certificate 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” flood zone 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 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 accepts all transferable Life-of-Loan Flood Certificates from:

- American Flood Research, Inc.**
- DataVerify Flood
- First American Flood Services (CoreLogic Flood)
- Flood Research Group
- Lereta, LLC**
- ServiceLink National Flood, LLC
- Western Technologies Group

** These flood cert providers require the Seller to transfer the life-of-loan flood cert to Planet; they do not accept a request from Planet servicing the make the transfer.

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 CD on any loan closed using the aggregate escrow analysis method in accordance with the HUD Final Escrow Rule.

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 lienholder on all loans sold to Planet. If the junior lienholder is required to pay a fee to the senior lienholder, the Seller immediately forwards 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, are also 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.

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, are also 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.

MI Premium Payments — Conventional

Planet will net all borrower paid monthly Mortgage Insurance (MI) premium payments due on or after the loan purchase date from the Purchase Advice. Additionally, Planet Servicing will remit the payment to the MI Company.

The Seller is responsible for remitting the payment to the MI Company when the MI payment is due prior to the loan purchase date.

Example of when the Seller is responsible for MI payment remittance:

Purchase Date	First Payment Due Date on the Note	First Payment Due Date to Planet	Escrow for Monthly MI
July 31st	August 1st	September 1st	Starting with August 1st
July 31st	July 1st	September 1st	Starting with August 1st — Seller to remit July payment
August 1st	August 1st	September 1st	Starting with August 1st
August 1st	July 1st	September 1st	Starting with August 1st — Seller to remit July payment

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.

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 and 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

FNMA/FHLMC/FHA/VA — Deductibles may not exceed 5% of the face amount of the insurance policy. When a policy provides for a separate wind-loss deductible (either in the policy itself or in an endorsement to it), a deductible of up to 5% of the face amount of the policy is allowed.

USDA — The maximum deductible should not exceed the greater of $1000, 1% of the policy coverage, or the minimum deductible offered by the insurance carrier

Policy Period

Purchase transactions require the coverage to begin no later than the date of closing for a minimum of 12 months. Evidence of payment for 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.

Insured Names and Property Address

All individuals listed on the Note must be listed as insured parties on the Hazard Insurance Policy.

Individuals vested on title may be listed as insured parties on the Hazard Insurance Policy but are not required to be listed on the Hazard 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 AKA 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 Homeowners' Association (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.

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 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 million or the insurable value of the building(s) where the boiler or 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

For 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 CD.

Refinance transactions require evidence of paid receipt through, at minimum, the policy period.

Insured Names and Property Address

The master policy must list the HOA as the insured. Individual unit certificates must reference all individuals on the title.

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 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 CD.

Refinance transactions require the coverage to extend for a minimum of one month after the first payment is made. Evidence the policy is paid in full 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 AKA is being used due to a mailing address, the zip code must match, or an AKA 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.

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/Crime Insurance – Condominium Projects

Evidence of fidelity/crime insurance is required for condominium projects except for projects that qualify for a waiver of project review, projects under Limited Review method, less than 20 units or projects that would need fidelity insurance of $5,000 or less. In states that have statutory fidelity/crime insurance requirements, those requirements are acceptable in place of Fannie Mae requirements.

The HOA 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 HOA. The policy must include a provision for 10 days' written notice before the policy can be canceled or modified for any reason.

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 condominium's 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.
- 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 HOA, 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 HOA or of other unit owners is required.
- The policy must provide for at least 10 days written notice to the HOA before the insurer cancels or substantially modifies the policy.

Exceptions to Liability Insurance

- Projects that qualify for a waiver of project review.
- Condo Projects under the Limited Review method.

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, require the title policy to 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.

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 "insured" of a title policy.

The title insurance coverage must include an environmental protection lien endorsement (ALTA Endorsement 8.1-06 or an equivalent state form that 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 m ay 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 condo or PUD unit mortgage must describe all components of the unit estate.

Condo unit mortgages require an ALTA Endorsement 4-06 or 4.1-06 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 Endorsement 5-06 or 5.1-06 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 tenants-in-common, 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 ensure 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 mechanic's liens for labor or materials related to improvements on the common areas that began before the title policy was issued.

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 maybe 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.

Manufactured Homes

Planet requires that manufactured homes have a title policy that includes the endorsement for manufactured homes, ALTA Endorsement 7. In 2006, ALTA adopted two additional manufactured home endorsements, Endorsement 7.1 and 7.2. Either of these new endorsements may be used in place of Endorsement 7 for loans delivered to Planet. The mortgage must be covered under a standard real property title insurance policy that insures that the manufactured home is part of the real property that secures the loan.

ALTA Endorsement 7, 7.1, or 7.2 or any other endorsement required in the applicable jurisdiction for manufactured homes to be treated as real property must be included in the file.

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 10-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.
- 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. For 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.

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
- PUD Insurers

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 [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 60 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 60 days will be denied.

Planet strongly recommends the Seller conduct 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
- CD

- Loan history
- Loan submission summary

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.

Purchase Advice

When a loan has been approved for purchase, a Purchase Advice is automatically uploaded to the CORE Seller Portal. Users authorized by the Seller can view the Purchase Advice in the CORE Seller Portal. Account Managers will not call or email the Seller to notify of a loan receiving a Purchase Advice.

Wire Transfer

On the purchase date, Planet wires all transfer funds due to the depository institution that is identified on the wire transfer instructions or Bailee Letter. The funds include the principal balance adjusted for interest, premiums, discounts, escrow and any other applicable fees.

A sample **Wire Authorization** form is located on the CORE Seller Portal at www.phlcorrespondent.com under the **Forms and Resources** link.

Purchasing

On the date of purchase, the unpaid principal balance of the loan is calculated based on the effective servicing transfer date.

- Loans purchased **with > 14 calendar days** from the end of the month; the effective servicing transfer date will be the first day of the month following the month of purchase.
- Loans purchased **≤ 14 days** from the end of the month; the effective servicing transfer date will be the first day of the second month following the month of purchase.

If a loan payment is scheduled before the servicing transfer date, the principal portion of the scheduled payment is deducted from the principal balance of the loan.

Mortgage Credit Certificate (MCC)

Planet will accept Mortgage Credit Certificates (MCCs) on all purchase transactions.

Escrow Funds

Planet requires 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 PMI or FHA's MI 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 are purchased with the impound balance.

Planet recommends two months escrow cushion unless otherwise mandated by state law as indicated below:

- Montana — One Month
- Nevada — Zero Cushion
- North Dakota — Zero Cushion

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 a Standard Flood Hazard Determination Form (SFHDF) 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.

Escrow Holdbacks for Repairs

Fannie Mae, Freddie Mac, FHA, and VA Loans

Escrow holdbacks for repairs are permitted and must follow the applicable Agency/GSE guidelines with the following exceptions:

- Not permitted on FHA 203(b) HUD REO properties
- Holdbacks on VA loans must be completed and disbursed no more than 60 days from closing. Holdbacks on Fannie Mae, Freddie Mac, FHA, and USDA loans must be completed and disbursed no more than 180 days from closing.
- An as-is appraisal with an escrow repair holdback requires an exception from Credit Risk Management.
- Repairs may not include:
  - Any item that impacts safety, habitability, or marketability of the subject property
  - Roof repairs
  - Pool repairs or pool installations
  - Foundation repairs
  - Septic repairs

In addition to any Agency/GSE specific restrictions, Planet requires:

- The Subject Property must be a primary residence
- An Escrow Agreement signed by Borrower, Seller (when applicable), Title Company, and Lender
- A Certificate of Completion from the original Appraiser upon completion of the repairs
- An Escrow Hold Back Disbursement Request Form upon completion of the repairs, evidencing all repairs have been satisfactorily completed
- Final invoice from the contractor(s) for the required repairs
- A completed Escrow Hold Back Disbursement Request Form upon completion of the repairs with evidence of payment(s)
- FHA transactions must include the fully executed Mortgagee Assurance of Completion HUD-92300
- FHA transactions must evidence that the repair work has been closed out of FHA Connection upon completion of the repairs
- No Mechanic Lien can be attached to the subject property on the Final Title Policy

Copies of 1004D Completion Certificate and Evidence of Release of Holdback Funds must be sent to trailingdocuments@planethomelending.com.

USDA Loans

Escrow holdbacks for repairs are permitted and must follow USDA Guidelines, including the following items:

- Standard Repair Escrow:
  - The Subject Property must be a primary residence.
  - Incomplete “minor” work does not affect the livability of the dwelling, nor the health or safety of the occupants.
  - A signed contract between the borrower and the contractor.
  - An Escrow Agreement signed by Borrower, Seller (when applicable), Title Company, and Lender.
  - Funds to be escrowed are no less than 100% of the repair cost contract.
  - Closing Disclosure must reflect the holdback.
  - Work to be completed within 180 days of closing.
  - The Escrow account is established in a federally supervised financial institution.
  - A Certificate of Completion from the original Appraiser upon completion of the repairs
  - An Escrow Hold Back Disbursement Request Form upon completion of the repairs, evidencing all repairs have been satisfactorily completed
  - Final invoice from the contractor(s) for the required repairs
  - A completed Escrow Hold Back Disbursement Request Form upon completion of the repairs with evidence of payment(s)
  - Evidence of the Principal Reduction ("PR"), if applicable
  - No Mechanic Lien can be attached to the subject property on the Final Title Policy
- Financing of Repairs Home, Upgrades, and Standard Repair Escrow:
  - The Subject Property must be a primary residence.
  - Incomplete "minor" work does not affect the livability of the dwelling, nor the health or safety of the occupants that the Appraisal was made subject to or Essential Household Equipment such as wall to wall carpeting, ovens, range, refrigerators, washers, dryers and heating/cooling systems or Energy Efficiency Measures such as the purchase and installation of measures to promote energy efficiency, such as insulation, double pained glass and solar panels.
  - Above items can be included in loan amount, not to exceed the appraised value.
  - A signed contract between the borrower and the contractor.
  - An Escrow Agreement signed by Borrower, Seller (when applicable), Title Company, and Lender.
  - Funds to be escrowed are no less than 100% of the repair cost contract.
  - Closing Disclosure must reflect the holdback.
  - Work to be completed within 180 days of closing.
  - The Escrow account is established in a federally supervised financial institution.
  - A Certificate of Completion from the original Appraiser upon completion of the repairs

- An Escrow Hold Back Disbursement Request Form upon completion of the repairs, evidencing all repairs have been satisfactorily completed
- Final invoice from the contractor(s) for the required repairs
- A completed Escrow Hold Back Disbursement Request Form upon completion of the repairs with evidence of payment(s)
- Evidence of the Principal Reduction (PR), if applicable
- No Mechanic Lien can be attached to the subject property on the Final Title Policy

Purchase Reconciliation

The purchase amount is 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.

The Seller is credited any interest not collected and accrued on the loan prior to, but not including, the purchase date.

The purchase price is adjusted accordingly when satisfactory evidence of payments is provided to Planet.

The Purchase Advice shows all figures. Calculation of purchase proceeds uses the unpaid principal balance of the loan and includes 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 is based upon a 360-day year. This period begins the first day of the month through the day prior to the purchase date.

If the purchase date is before the cut-off date, the loan is purchased based on the assumption that the interest is paid to the first day of the month.

Loans Purchased into the Month

Loans purchased **≤ 14 days** from the end 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.

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

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 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:

Corelogic Tax Service
3001 Hackberry
Irving, TX 75063

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.

For 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 online. 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 preliminary title.

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.

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 is based on 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 Tax 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 use 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 MERS as the Original Mortgagee (MOM) document.

Loans should be closed with MERS as the MOM or as the Assignee. Planet loans are registered in MERS as Planet Home Lending. The Planet Home Lending Organization ID is: 1006543

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.

MERS Rider

A MERS Rider (Form 3158) is required for loans registered with MERS, with a Note dated on or after October 15, 2014, in the following states:

- Montana
- Oregon
- Washington

Post-closing assignment to MERS is prohibited in these states.

MERS Assignment Form — Maine

In the state of Maine, the Seller must use the MERS Mortgage Assignment (Form 3749) to assign loans to MERS at origination or post-closing, as applicable. Mortgage loans in which the Maine security instrument has been modified to name MERS as the original mortgagee of record, solely as nominee for the lender, are ineligible for delivery to Planet.

Non-MERS Loans

The Seller must prepare an assignment of mortgage f or each mortgage loan sold to Planet. The loan must be assigned to Planet Home Lending, LLC.

Prior to purchase the Seller must:

- Deliver the original Assignment from the Seller to Planet to:

  Planet Home Lending, LLC
  Attn: Sabrina Zerio
  321 Research Parkway, Suite 303

Meriden, CT 06450

- Deliver a certified copy of the Assignment from Seller to Planet with the original Note to the custodian.
- Deliver a certified copy of the Assignment from Seller to Planet with the closing package.
- Provide recording information for the Mortgage/Deed of Trust for the subject loan.

Planet will generate the MIN number and Assignment from Planet to MERS and is responsible for the recording of both Assignments. For each loan delivered without being on the MOM documents, Planet will charge $50.00 to the Seller at purchase.

Transfer of MERS MIN

Within five 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.

Post Purchase Documents

Government Insuring Certificate/Guaranty and Delivery Instructions

All government loans (FHA, VA, USDA) must be insured within 60 days of the Note date.

Planet will validate the insuring status for all FHA and VA loans. However, if a corrected certificate is required, those documents should be uploaded to the CORE Seller Portal through the Upload Documents link or submitted by Email to: governmentinsuring@planethomelending.com.

For USDA loans, seller is required to upload the Loan Note Guaranty into the CORE Seller Portal through the **Upload Documents** link or submit by Email to: governmentinsuring@planethomelending.com.

Failure to insure the loan or provide the USDA Loan Note Guaranty within 60 days of the Note date will result in the issuance of a repurchase demand allowing 30-days to cure. Failure to cure within 30 days, will result in the issuance of an Uninsured Loan Deposit (ULD) invoice in the amount equal to 35% of the Note amount, payable in 7 days. The refundable deposit will be held until the insuring document is delivered and accepted by Planet. If the invoice is not paid, it will be net funded from future purchases. Once the government insuring document is received, the deposit will be refunded to the Seller.

Original Deed of Trust/Mortgage and Delivery Instructions

Original recorded Deed of Trust/Mortgage must be submitted to Planet within 120 days of the purchase date. If the original, wet signature Deed of Trust/Mortgage is lost or not returned from the county recorder, the Seller may deliver a certified copy of the recorded document but must ensure that all recording information and pages are present. The original documents should be shipped to:

Planet Home Lending
ATTN: Trailing Docs Team
2330 Commerce Park Drive NE, Suite 2
Palm Bay, FL 32905

Any document delivered to the wrong address or in the wrong format will result in delayed processing of the document. A $100.00 recovery fee will be assessed to the Seller for each original recorded Deed of Trust/Mortgage not delivered and accepted by Planet within 270 days of purchase.

Final Title Policy and Delivery Instructions

The final title policy must be submitted to Planet within 120 days of the purchase date. The final title policy should be shipped to:

Planet Home Lending
ATTN: Trailing Docs Team
2330 Commerce Park Drive NE, Suite 2
Palm Bay, FL 32905

Title policies only may be delivered electronically via email to trailingdocuments@planethomelending.com.

Any document delivered to the wrong address or in the wrong format will result in delayed processing of the document. A $100.00 recovery fee will be assessed to the Seller for each final title policy not delivered and accepted by Planet within 270 days of purchase.

Original Recorded Purchase/Quit Claim/Warranty Deeds and Power of Attorney Documents and Delivery Instructions

Planet does not require the **original** recorded Purchase/Quit Claim/Warranty Deeds and Power of Attorney documents, PDF copies are accepted. These documents should be uploaded into the CORE Seller Portal through the **Upload Documents** link.

All Other Post Purchase Conditions and Delivery Instructions

All other post purchase conditions are accepted via electronic delivery. Regardless of the purchase date, these documents should be uploaded into the CORE Seller Portal through the Upload Documents link.

Seller Repurchases

If the Seller fails to provide complete final documentation within 120 days of purchase date, the loan is 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.

Principal Curtailment with Recast Payment

Planet allows principal curtailment payments with re-amortization (recast) of payment on conventional loan products. Borrowers can request a payment recast directly through Planet servicing.

- Request must be made in writing
- The principal curtailment 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

<u>Written request must be sent to the following address:</u>

Planet Home Lending, LLC
321 Research Parkway, Suite 303
Meriden, CT 06450
Attn: Cash Management
Phone: (866) 882-8187
Hours: Monday – Friday, 8:30 A.M. to 9:00 P.M. Eastern Time

APPENDIX A

PURCHASE AGREEMENT SUPPLEMENT

SECTION A-1. DEFINED TERMS AND INTERPRETIVE PRINCIPLES.

Subsection A-1.01. Defined Terms.

Each capitalized term that is used but not defined in the Agreement shall have the meaning ascribed thereto in this Subsection A-1.01; provided however, each capitalized term that is not defined in this Subsection A-1.01 shall be defined in accordance with Exhibit 1 to the Agreement.

Accepted Practice: As to any Mortgage Loan, each loan origination and Servicing policy, practice, and procedure that (a) complies with (i) the Collateral Documents and all other contractual obligations of the Seller, the Originator, or any prior owner or servicer of the Mortgage Loan, (ii) all Applicable Laws, (iii) all Planet Requirements, (iv) if the Mortgage Loan is an Agency Loan or Government Loan, all applicable Agency Requirements, and (v) if the Mortgage Loan is a MERS Loan, all applicable MERS Requirements, and (b) to the extent not inconsistent with clause (a), customarily is followed by prudent financial institutions which regularly originate or service mortgage loans of the same type as the Mortgage Loan in the ordinary course of business and in the same jurisdiction where the Mortgaged Property is located.

Affiliate: As to any specified Person, each other Person that directly or indirectly Controls, is Controlled by, or is under common Control with the specified Person. For purposes hereof, the term "Control" (or any variant thereof) shall mean the direct or indirect possession by any Person of the power to direct or cause the direction of the management or policies of any other Person, whether by contract, the ownership of voting securities, or otherwise.

Agency Investor: Each of (a) the Federal Home Loan Mortgage Corporation ("FHLMC"), also known as Freddie Mac, (b) the Federal National Mortgage Association ("FNMA"), also known as Fannie Mae, and (c) the Government National Mortgage Association ("GNMA"), also known as Ginnie Mae.

Agency Issuer: Each of (a) the Federal Housing Administration, (b) the Rural Housing Service ("RHS"), an agency of the United States Department of Agriculture ("USDA"), (c) the United States Department of Housing and Urban Development ("HUD"), and (d) the United States Department of Veterans Affairs ("VA").

Agency Loan: Any Mortgage Loan that is (a) originated pursuant to a Loan Program classified as a "Conventional Program" pursuant to Chapter 5 of the Planet Guide, or (b) identified in any document or information provided by the Seller or any Representative thereof as purportedly being eligible for sale and delivery to, or for certification and pooling into mortgage-backed securities issued by or on behalf of, any Agency Investor.

Agency Requirement: As to any Agency Loan or Government Loan, each requirement imposed pursuant to (a) any announcement, circular, directive, guideline, handbook, instruction, manual, notice, policy, practice, procedure, process, regulation, or rule issued by the applicable Agency Investor or Agency Issuer, or (b) any covenant, representation, warranty, or other provision included or incorporated in any contract between the Seller or the Originator and such Agency Investor or Agency Issuer.

Agreement: That certain Loan Purchase Agreement, dated as of the Effective Date, by and between the Seller and Planet, together with (a) each attachment, exhibit, schedule, and supplement hereto or thereto, including without limitation each Applicable Addendum and each of Appendices A, B, and C to the Planet Guide, (b) each agreement, certificate, instrument, and other document executed by or provided to the Seller in connection herewith or therewith, including without limitation each Purchase Advice, and (c) each amendment, extension, modification, novation, and restatement hereof or thereof.

Applicable Law: Each requirement imposed pursuant to any common law, constitution, decree, demand, injunction, interpretation, judgment, order, ordinance, regulation, requirement, rule, statute, treaty, or writ issued by any Governmental Authority.

Applicable Requirement: Each requirement imposed pursuant to (a) the Agreement or any other contract by the Seller or the Originator relating to the origination, pledge, pooling, purchase, sale, securitization, or Servicing of any Mortgage Loan, (b) any Accepted Practice, Applicable Law, or Planet Requirement, (c) as to any Mortgage Loan, any Collateral Document or other document or instrument in the Loan File, (d) as to any Agency Loan or Government Loan, any applicable Agency Requirement, or (e) as to any MERS Loan, any applicable MERS Requirement.

Business Day: Any day other than (a) a Saturday or Sunday, or (b) a day on which branches of the Federal Reserve System are authorized or required to be closed, which days may be published by the Board of Governors at https://www.federalreserve.gov/aboutthefed/k8.htm. If the deadline for any Party to take or cause to be taken any action pursuant hereto occurs on a day that is not a Business Day, then such deadline shall be deemed extended until the next succeeding Business Day.

Collateral Document: As to any Mortgage Loan, each document and instrument specified in Appendix B to the Planet Guide.

Consumer Information: Any communication, document, or information that constitutes, contains, or is derived from any "consumer information," any "customer information," any "nonpublic personal information," any "personal identifier," or any "personally identifiable financial information," as those terms are defined pursuant to or for purposes of the Gramm-Leach-Bliley Act of 1999.

Correspondent Participant: Any Seller that is a Delegated Correspondent or a Non-Delegated Correspondent.

Default: As to any Mortgage Loan, (a) the occurrence or continuation of any circumstance that, with or without notice or the lapse of time or both, constitutes or reasonably could be expected to result in any non-monetary default under the Collateral Documents, or (b) the commencement or continuation of (i) any Claim relating to such Mortgage Loan, (ii) any Foreclosure Action relating to the Mortgaged Property, or (iii) any Insolvency Proceeding relating to the Mortgagor.

Defect: Either, (a) as to any Mortgage Loan, the failure of such Mortgage Loan to conform with any Loan Representation on or as of the applicable Determination Date, (b) as to any Agency Loan, the determination by the applicable Agency Investor that such Agency Loan is not eligible for sale and delivery to, or for certification and pooling into mortgage-backed securities issued by or on behalf of, such Agency Investor, or (c) as to any Government Loan, (i) the determination by the applicable Agency Issuer that such Government Loan is not eligible for coverage by a Government Backstop, or (ii) the failure by the applicable Agency Issuer to issue a Guarantee Certificate or Insurance Certificate within sixty (60) days after the related origination date.

Delegated Correspondent: Any Seller that has selected the "Delegated Correspondent" option in its signature block to the Agreement.

Delinquency: As to any Mortgage Loan, the mortgagee's failure to receive payment in full of any Monthly Payment before the scheduled due date of the next succeeding Monthly Payment.

Diligence Review: The credit, compliance, and collateral review processes contemplated by Chapter 7 of the Planet Guide.

Effective Date: The date specified as the "Effective Date" in Planet's signature block to the Agreement.

Eligible Loan: A Mortgage Loan that (a) is a whole loan rather than a participation or partial interest therein, (b) was originated by an Eligible Originator, and (c) conforms with all Loan Representations on and as of the applicable Determination Date.

Eligible Originator: As to any Mortgage Loan, (a) the Seller, or (b) a NMLS-registered mortgage lender that, on and as of the origination date of such Mortgage Loan, (i) possessed each license, permit, qualification, and registration appropriate or necessary to originate such Mortgage Loan, and (ii) originated mortgage loans of the same type as such Mortgage Loan in the ordinary course of business and in the jurisdiction where the Mortgaged Property is located.

Emerging Banker: Any Seller that has selected the "Emerging Banker" option in its signature block to the Agreement.

Escrow Payment: As to any Mortgage Loan, the aggregate amount of all association dues, ground rents, homeowner assessments, insurance premiums, municipal charges, property taxes, sewer rents, water rates, and other amounts (a) required to be escrowed by the Mortgagor at origination or each month pursuant to the Collateral Documents, or (b) which are or may become a lien upon the Mortgaged Property.

Foreclosure Action: As to any Mortgage Loan, any purchase, sale, or other transfer by either Party of any right, title, or interest in, to, or under the Mortgaged Property, irrespective of whether such purchase, sale, or transfer is accomplished by deed-in-lieu of foreclosure, judicial foreclosure, non-judicial foreclosure, short sale, or otherwise.

Government Backstop: As to any Government Loan, any Government Guaranty or Government Insurance that has been issued by (as evidenced by the related Guaranty Certificate or Insurance Certificate), or has been requested from, the applicable Agency Issuer in connection to such Government Loan.

Government Guaranty: As to any Government Loan, any guaranty available from the RHS or VA to cover certain losses incurred or sustained by the mortgagee in connection with such Government Loan.

Government Insurance: As to any Government Loan, any insurance available from the FHA to cover certain losses incurred or sustained by the mortgagee in connection with such Government Loan.

Government Loan: Any Mortgage Loan that is (a) originated pursuant to a Loan Program classified as a "Government Program" pursuant to Chapter 5 of the Planet Guide, or (b) identified in any document or information provided by the Seller or any Representative thereof as purportedly being covered or eligible for coverage by any Government Backstop.

Governmental Authority: Each of, (a) as to any Person, each administrative, executive, judicial, and legislative instrumentality of any commonwealth, district, municipality, nation, state, territory, or other political subdivision thereof to which such Person or its property is subject, (b) as to any Mortgage Loan, each governmental, non-governmental, and quasi-governmental authority empowered to regulate or supervise the activities of any Person involved in the origination, pledge, pooling, purchase, sale, securitization, or Servicing of such Mortgage Loan, and (c) as to any Agency Loan or Government Loan, each applicable Agency Investor and Agency Issuer.

Guaranty Certificate: As to any Government Loan covered by a Government Guaranty, the Loan Guaranty Certificate issued by the applicable Agency Issuer evidencing the existence and terms of such Government Guaranty.

Insolvency Proceeding: As to any Person, any voluntary or involuntary (a) legal proceeding or corporate action commenced by or against such Person (i) pursuant to the United States Bankruptcy Code or other Applicable Law affecting the rights of debtors and creditors generally, (ii) relating to the dissolution, liquidation, reorganization, suspension, termination, or winding-up of the affairs of such Person, or (iii) requesting the appointment of an administrator, conservator, custodian, liquidator, monitor, receiver, sequestrator, trustee, or similar official for such Person, or (b) assignment for the benefit of creditors, marshalling of assets, or similar arrangement affecting the rights of such Person's creditors.

Insurance Certificate: As to any Government Loan covered by Government Insurance, the Mortgage Insurance Certificate issued by the applicable Agency Issuer evidencing the existence and terms of such Government Insurance.

Insurance Proceeds: As to any Mortgage Loan, all proceeds due, payable, or received in connection with any Government Backstop or policy of flood insurance, hazard insurance, mortgage insurance, title insurance, or other type of insurance relating to such Mortgage Loan, the Mortgage, or the Mortgaged Property.

Investment Property Loan: Any Mortgage Loan that is originated with the stated purpose of being secured by lien upon a Mortgaged Property which is neither occupied nor used by the Mortgagor as its primary residence.

Liquidation Proceeds: As to any Mortgage Loan, all proceeds due, payable, or received in connection with (a) any Foreclosure Action, or the subsequent sale or use of any real or personal property acquired as a result thereof, (b) any legal proceeding by any Governmental Authority seeking the permanent or temporary condemnation, possession, or taking of the Mortgaged Property, or (c) any payoff, refinancing, sale, satisfaction, securitization, or other liquidation of such Mortgage Loan, including without limitation any Payoff Event or Reconstitution.

Loan File: As to any Mortgage Loan, the compilation of all documents and instruments specified in Appendix C to the Planet Guide.

Loan Proceeds: As to any Mortgage Loan, (a) all Monthly Payments, Principal Prepayments, Escrow Payments, Insurance Proceeds, and Liquidation Proceeds due, payable, or received in connection with such Mortgage Loan, and (b) all ancillary income, float benefit, and other charges, earnings, fees, income, penalties, premiums, proceeds, and other revenue attributable to or derived from such Mortgage Loan or the Servicing thereof.

Loan Program: Any loan program specified in Chapter 5 of the Planet Guide.

Lock Date: With respect to any Mortgage Loan, the date on which Planet issues to the Seller a written confirmation of a locked interest rate with respect to the application for such Mortgage Loan.

Loss Mitigation: As to any Mortgage Loan, any permanent or temporary cancellation, discharge, extension, forbearance, modification, release, subordination, waiver, or similar indulgence, in whole or in part, with respect to (a) any monetary or non-monetary obligation imposed upon the Mortgagor pursuant to the Collateral Documents, or (b) the lien created by the Mortgage.

Material Adverse Change: Any circumstance that, with or without notice or the lapse of time or both, reasonably could be expected (a) to impair (i) the ability of the Seller to perform the Agreement in accordance with all Applicable Requirements, (ii) the enforceability of the Agreement against the Seller, or (iii) the value of any Mortgage Loan or Planet's interest therein, (b) to have an adverse effect upon the business operations, commercial prospects, corporate existence, or financial condition of the Seller, or (c) to cause any representation or warranty made by the Seller in Section 5 not to be true and correct on or as of the applicable Determination Date.

MERS: Collectively and individually, MERSCorp, Inc. and Mortgage Electronic Registration System, Inc.

MERS Loan: Any Mortgage Loan that is registered on the MERS System.

MERS Requirement: As to any MERS Loan, each requirement imposed pursuant to any announcement, circular, guideline, handbook, instruction, manual, notice, procedure, process, regulation, or rule issued by MERS and applicable to such MERS Loan.

MERS System: The electronic registry maintained by MERS for purposes of registering and reporting changes in the ownership and Servicing of mortgage loans.

Monthly Payment: As to any Mortgage Loan, the scheduled amount of all principal, interest, Escrow Payments, and other charges, fees, interest, penalties, premiums, and other payments required to be paid by the Mortgagor each month or upon maturity pursuant to the Collateral Documents.

Mortgage: As to any Mortgage Loan, each deed of trust, mortgage, or other security instrument (including each subsequent assignment thereof) that purports to grant a lien upon any right, title, or interest in, to, or under all or any part of the Mortgaged Property as security for the indebtedness evidenced by the Promissory Note.

Mortgage Assignment: As to any Mortgage Loan, a duly executed, notarized, and recordable written instrument that (a) evidences an assignment of the Mortgage from the Seller to Planet on and as of the related Purchase Date, (b) includes a conspicuous statement that such instrument shall be returned to Planet upon recordation, and (c) complies, in both form and substance, with all Applicable Laws of the jurisdiction where the Mortgaged Property is located.

Mortgage Loan: Any mortgage loan offered for sale by the Seller and purchased by Planet pursuant to the Agreement, including without limitation the related Servicing Rights and the exclusive right (a) to receive and retain all Loan Proceeds due, payable, or recovered in connection with such mortgage loan at any time on or after the related Purchase Date, (b) to own and possess all Consumer Information, Collateral Documents, Loan Files, and Servicing Files relating to such mortgage loan at all times on and after the related Purchase Date, (c) to perform and delegate the Servicing of such mortgage loan at all times on and after the related Purchase Date, and (d) to enforce and exercise all other benefits, duties, obligations, powers, privileges, responsibilities, and rights arising under, incidental to, relating to, or resulting from any of the foregoing at all times on and after the related Purchase Date, including without limitation and (i) as to any Government Loan, the related Government Backstop, and (ii) as to any Premium Loan, the related Solicitation Rights.

Mortgaged Property: As to any Mortgage Loan, all real and personal property purportedly encumbered by the lien created by the Mortgage, including without limitation (a) all accessions and improvements thereon, (b) all replacements and substitutions thereof, and (c) all cash and non-cash proceeds therefrom.

Mortgagor: As to any Mortgage Loan, each Person who is (a) a borrower, guarantor, surety, or other obligor of the indebtedness evidenced by the Promissory Note, or (b) a grantor, mortgagor, or other provider of collateral as security for the indebtedness evidenced by the Promissory Note.

Non-Delegated Correspondent: Any Seller that has selected the "Non-Delegated Correspondent" option in its signature block to the Agreement.

Non-MERS Loan: Any Mortgage Loan that is not a MERS Loan.

Originator: As to any Mortgage Loan, the Person who would be deemed the "originator" of such Mortgage Loan for purposes of 17 C.F.R. 229.110 upon the securitization thereof.

Payoff Event: As to any Mortgage Loan, the Mortgagor's (a) request for or receipt of a payoff statement, or (b) payment in full of the Principal Balance.

Person: Any (a) natural person, (b) association, company, corporation, joint venture, partnership, syndicate, trust, or other type of juridical entity or non-juridical organization through which any commercial activity is conducted, or (c) Governmental Authority.

Planet Account: As to any payment due or payable to Planet pursuant to the Agreement, the depository account designated by Planet in writing for remittance of such payment.

Premium Loan: Any Mortgage Loan for which the related Purchase Price Percentage is greater than one hundred and 00/100 percent (100.00%).

Principal Balance: As to any Mortgage Loan, the unpaid principal balance that is outstanding as of the date of determination after giving effect to each Monthly Payment and Principal Prepayment received on or before such date.

Principal Prepayment: As to any Mortgage Loan, each payment and other recovery of principal received before the date such amount is due or payable pursuant to the Collateral Documents.

Promissory Note: As to any Mortgage Loan, the promissory note or other evidence of the indebtedness owed by the Mortgagor in connection with such Mortgage Loan.

Purchase Advice: As to any Mortgage Loan, the "Purchase Advice" (Form Planet-PA-V1) prepared and provided by Planet to the Seller in anticipation of the purchase and sale of such Mortgage Loan.

Purchase Date: As to any Mortgage Loan, the "Purchase Date" specified in the related Purchase Advice, or any other date as may be mutually agreed by both Parties in writing.

Purchase Premium: As to any Premium Loan, the sum of (a) the "Premium/Discount Paid By Purchaser" specified in the related Purchase Advice, plus (b) all out-of-pocket costs, damages, expenses, fees (including without limitation attorneys' fees) fines, liabilities, and other losses expended by Planet in connection with the pledge, pooling, purchase, sale, securitization, or Servicing of such Mortgage Loan, including without limitation all amounts due or payable to any Agency Investor, Agency Issuer, or Subsequent Transferee in connection with such Mortgage Loan.

Purchase Price: As to any Mortgage Loan, the "Adjusted Purchase Amount" specified in the related Purchase Advice.

Purchase Price Percentage: As to any Mortgage Loan, the "price" specified in the related Purchase Advice.

Qualified Mortgage: Any Mortgage Loan for which the applicable Underwriting Guidelines require such Mortgage Loan to constitute a "qualified mortgage" pursuant to any Applicable Law.

Reconstitution: Any transaction whereby Planet assigns, conveys, or otherwise transfers to any Subsequent Transferee any right, title, or interest in, to, or under the Agreement or any Mortgage Loan.

Rejection Event: As to any Mortgage Loan, (a) the demand or request by any Agency Investor, Agency Issuer, or Subsequent Transferee for indemnification, repurchase, or other remedy with respect to such Mortgage Loan based upon any circumstance that occurred on or before the related Transfer Date, (b) the mandatory or voluntary buyout by Planet or any Subsequent Transferee of such Mortgage Loan from a pool of mortgage loans into which such Mortgage Loan has been or will be aggregated pursuant to applicable Agency Requirements for the purpose of backing, securing, or supporting payments on certain securities, participation certificates, or whole loan pools, (c) as to any Government Loan, the failure by the Seller to timely and fully perform its obligations pursuant to Subsection A-3.04 with respect to such Government Loan, or the failure of such Government Loan to become or remain eligible for the applicable Government Backstop.

Representative: As to any Person, each accountant, agent, attorney, banker, director, employee, manager, member, officer, owner, partner, shareholder, or trustee of such Person.

Repurchase Price: As to any Mortgage Loan, the sum of (a) the greater of (i) the Principal Balance as of the date the Seller repurchases such Mortgage Loan, or (ii) the Purchase Price of such Mortgage Loan less all payments of principal received by Planet in connection with such Mortgage Loan on or before the date the Seller repurchases such Mortgage Loan, plus (b) all unpaid interest that accrued through and including the date the Seller repurchases such Mortgage Loan, plus (c) all unrecovered Servicing Advances paid or reimbursed by Planet on or before the date the Seller repurchases such Mortgage Loan, plus (d) all out-of-pocket costs, damages, expenses, fees (including without limitation attorneys' fees) fines, liabilities, and other losses expended by Planet (i) in connection with (A) Planet's pledge, pooling, purchase, repurchase, sale, securitization, or Servicing of such Mortgage Loan, including without limitation all amounts due or payable by Planet to any Agency Investor, Agency Issuer, or Subsequent Transferee in connection with such Mortgage Loan, or (B) the Seller's repurchase of such Mortgage Loan, or (ii) as a result of the failure of such Mortgage Loan to conform with any Loan Representation.

Second Lien Loan: Any Mortgage Loan that is originated with the stated purpose of being secured by a second-priority lien upon the Mortgaged Property.

Servicing: As to any Mortgage Loan, the performance of any function permitted or required to be performed pursuant to any Applicable Requirement in connection with the administration, collection, or servicing of such Mortgage Loan.

Servicing Advance: As to any Mortgage Loan, each advancement or disbursement of funds made in connection with (a) the Servicing of such Mortgage Loan, (b) the management, marketing, preservation, protection, restoration, or sale of the Mortgaged Property, or (c) the investigation, prosecution, defense, or appeal of any Claim relating to such Mortgage Loan.

Servicing File: As to any Mortgage Loan, the compilation of all documents and information in the possession, custody, or control of the Seller or its subservicer relating to the Servicing of such Mortgage Loan before the related Transfer Date.

Servicing Rights: As to any Mortgage Loan, all benefits, duties, obligations, powers, privileges, proceeds, responsibilities, and rights arising under, incidental to, relating to, or resulting from the Servicing of such Mortgage Loan, including without limitation the exclusive right (a) to perform the Servicing and earn all servicing fees and ancillary income in exchange therefor, (b) to collect all Loan Proceeds and disburse all Escrow Payments, (c) to possess all Servicing Files and own all Consumer Information, and

(d) to exercise all other benefits, duties, obligations, powers, privileges, responsibilities, and rights arising under, incidental to, relating to, or resulting from any of the foregoing.

Solicitation Rights: As to any Premium Loan, the exclusive right (a) to solicit the Mortgagor to modify or refinance such Mortgage Loan, and (b) to modify or refinance such Mortgage Loan.

Subsequent Transferee: Each Person that is an immediate or mediate transferee from Planet of any right, title, or interest in, to, or under the Agreement or one or more Mortgage Loans.

Transfer Date: As to any Mortgage Loan, the "1st Payment Date" specified in the related Purchase Advice, or any other date as may be mutually agreed by both Parties in writing.

Underwriting Guidelines: As to any Mortgage Loan, the underwriting guidelines set forth in the Planet Guide and applicable to the related Loan Program on the related Purchase Date.

Subsection A-1.02. Interpretive Principles.

Each provision contained in the Agreement shall be construed and interpreted in accordance with this Subsection A-1.02 as follows: (a) the Agreement shall be construed and interpreted (i) as if both Parties jointly drafted each provision herein, and (ii) without regard to any Applicable Law, legal rule, or equitable doctrine which may recommend or require a presumption against or in favor of any Party; (b) each exhibit to the Agreement and each appendix to the Planet Guide is incorporated herein and made a material part hereof; (c) the heading of each provision herein is used for convenience of reference and shall not affect the construction or interpretation hereof; (d) the word "any" shall be construed and interpreted to mean "any or all"; (e) the word "each" shall be construed and interpreted to mean "each and every"; (f) the words "hereby," "herein," "hereof," "hereto," and "hereunder" shall be construed and interpreted to refer to the Agreement in its entirety; (g) the word "or" shall be construed and interpreted as not exclusive; (h) the use of any plural noun shall be construed and interpreted to include the singular form thereof, and vice versa; (i) each reference to a specific Person shall be construed and interpreted to include each successor and assign thereof; (j) each reference to a specific document or instrument shall be construed and interpreted to include (i) each attachment, exhibit, rider, schedule, and supplement thereto, and (ii) each amendment, extension, modification, novation, and restatement thereof; and (k) each reference to a specific Applicable Law shall be construed and interpreted to include (i) each legislative amendment, replacement, and supplement thereto, (ii) each executive order and judicial decision relating thereto, and (iii) each administrative interpretation, regulation, requirement, and rule promulgated thereunder.

SECTION A-2. SELLER REPRESENTATIONS.

Subsection A-2.01. Corporate Representations.

The Seller hereby covenants, represents, and warrants, on and as of the Effective Date, each Purchase Date, each Transfer Date, and at all other times during the Term, that:

(a) the Agreement (i) has been duly authorized, executed, and delivered by the Seller, and (ii) constitutes a binding, enforceable, and valid obligation of the Seller;

(b) the Seller (i) is duly organized, in good standing, and validly existing in accordance with all Applicable Laws of the jurisdiction where the Seller is organized, (ii) possesses each license, permit, qualification, and registration appropriate or necessary for the Seller to execute, deliver, and perform the Agreement in accordance with all Applicable Requirements, (iii) has obtained each approval, authorization, or consent appropriate or necessary for the Seller to execute, deliver, and perform the Agreement in accordance with all Applicable Requirements, (iv) has not (A) admitted in writing its inability to pay any indebtedness as it becomes due, or (B) voluntarily suspended payment of any indebtedness that has become due, (v) is not insolvent or engaged in any business or a transaction for which any property remaining with the Seller is an unreasonably small capital, (vi) does not intend (A) to incur any indebtedness that would be beyond the ability of the Seller to pay upon maturity, or (B) to hinder, delay, or defraud any Person to which the Seller is indebted, and (vii) has determined that (A) the Purchase Price constitutes fair consideration and reasonably equivalent value for each Mortgage Loan, and (B) the disposition of each Mortgage Loan will be afforded sale treatment for accounting and tax purposes;

(c) the Seller's (i) execution, delivery, and performance of the Agreement will not (A) conflict with or contravene any organizational record or governing document of the Seller, or (B) constitute a breach or default of any contractual obligation to which the Seller or its property is subject, (ii) decision to originate each Mortgage Loan was made independent of Planet's decision to purchase such Mortgage Loan, (iii) selection of each Mortgage Loan offered for sale to Planet (A) was made from among the Seller's entire portfolio of residential mortgage loans for which the Loan Representations could be made, and (B) was not intended to identify mortgage loans that are less desirable than other mortgage loans owned by the Seller, and (iv) disposition of the Mortgage Loans (A) is made by the Seller in the ordinary course of its business, and (B) is not subject to any bulk-transfer law or similar restriction to which the Seller or its property is subject; and

(d) there is no pending or threatened (i) Insolvency Proceeding relating to the Seller, or (ii) legal proceeding or administrative action against the Seller (A) that, if adversely determined against the Seller, reasonably could be expected to result in a Material Adverse Change, or (B) relating to any alleged error, action, inaction, misstatement, or omission by the Seller or any Representative thereof (I) in connection with the origination, pledge, pooling, purchase, sale, securitization, or Servicing of any Mortgage Loan, or (II) that allegedly involves bad faith, breach of fiduciary duty, criminal activity, fraud, gross negligence, intentional misconduct, or a willful violation of any Applicable Requirement.

Subsection A-2.02. Loan Representations.

The Seller hereby covenants, represents, and warrants, on and as of the applicable Determination Date specified Below, that as to each Mortgage Loan:

(a) on and as of the related Purchase Date, (i) the Seller (A) is the sole beneficial, equitable, and legal owner and record holder of good, indefeasible, and marketable title — free and clear of any charges, claims, conditions, encumbrances, interests, liens, participations, pledges and other restrictions — to all rights, title, and interests in, to, and under the Mortgage Loan, and (B) has not previously assigned, conveyed, encumbered, hypothecated, pledged, sold, or otherwise transferred any right, title, or interest in, to, or under the Mortgage Loan, and (ii) Planet, immediately upon remittance of the Purchase Price, will become the sole beneficial, equitable, and legal owner and record holder of good, indefeasible, and marketable title — free and clear of any charges, claims, conditions, encumbrances, interests, liens, participations, pledges and other restrictions — to all rights, title, and interests in, to, and under the Mortgage Loan on and as of the related Purchase Date;

(b) on and as of the related Purchase Date and the related Transfer Date, the Mortgage Loan (i) is an Eligible Loan that is not (A) cross-collateralized or cross-defaulted with any mortgage loan, (B) secured by any collateral other than the lien created by the Mortgage, or (C) an "abusive," "covered," "high cost," "high risk," "predatory," "threshold," or similarly designated loan pursuant to any Applicable Law, (ii) is covered by a life-of-loan flood certification that is freely assignable and transferrable to Planet and its successors and assigns at no cost to Planet, (iii) is not and has not been the subject of (A) any Claim, Default, Defect, Delinquency, or Loss Mitigation, (B) any request by the Mortgagor for (I) Loss Mitigation, or (II) pursuant to the Home Affordable Modification Program, the Home Affordable Refinance Program, or the Servicemembers Civil Relief Act, (C) any adverse classification, designation, or determination by any Governmental Authority relating to the impermissibility, ineligibility, or unsuitability of an investment in or the securitization of the Mortgage Loan, (D) any claim under a policy of title insurance or mortgage insurance, (E) any demand for repurchase or indemnification, or (F) any error, action, inaction, misstatement, or omission by the Mortgagor, the Seller, or any other Person that (I) involves bad faith, breach of fiduciary duty, criminal activity, fraud, negligence, tortious misconduct, or a violation of any Applicable Requirement, or (II) reasonably could be expected to impair the benefits or coverage of any policy of flood insurance, hazard insurance, mortgage insurance, or title insurance relating to the Mortgage Loan, (iv) is not subject to complete or partial avoidance, cancellation, nullification, or rescission pursuant to any Applicable Law, (v) was underwritten in accordance with the applicable Underwriting Guidelines without regard to any underwriter discretion, and conforms with the loan-level characteristics required pursuant to the applicable Underwriting Guidelines, and (vi) complies with all Applicable Requirements;

(c) on and as of the related Purchase Date and the related Transfer Date, each Collateral Document (i) is duly executed and constitutes a binding, enforceable, and valid obligation of the Mortgagor without counterclaim, setoff, surcharge, or any other defense, (ii) is freely assignable and transferrable by the Seller to Planet without prior notice to or consent from the Mortgagor or any other Person, (iii) is complete, correct, and genuine in all respects, (iv) does not contain any provision that (A) has been altered, amended, cancelled, invalidated, modified, released, rescinded, subordinated, or waived in whole or in part, except by a written document included in the Loan File, (B) reasonably could be expected to render the Collateral Document void or voidable in whole or in part, (C) constitutes a buydown structure, a pick-a-payment option, or a contingent interest feature, (D) allows for dispute arbitration, graduated payments, negative amortization, rate conversion, or a term to maturity greater than thirty (30) years, or (E) misstates any material fact or omits to state any material fact necessary in order to make any representation, warranty, or statement therein not misleading, and (v) complies, in both form and substance, with all Applicable Requirements;

(d) on and as of the related Purchase Date and the related Transfer Date, the Mortgage (i) creates a binding, enforceable, and valid first-priority lien (or, as to any Second Lien Loan, a second-priority lien) for the benefit of the Seller and its successors and assigns in all rights, title, and interests, whether now existing or hereafter acquired, of the Mortgagor in, to, and under the Mortgaged Property as collateral for the payment and performance of all monetary and non-monetary obligation imposed upon the Mortgagor pursuant to the Collateral Documents, (ii) is publicly recorded, or has been submitted for recordation, in accordance with all Applicable Laws of the jurisdiction where the Mortgaged Property is located, (iii) contains customary and enforceable provisions that entitle the mortgagee to accelerate payment of the indebtedness evidenced by the Promissory Note, and to realize against the Mortgaged Property all benefits of the lien created by the Mortgage, in the event of (A) a monetary or non-monetary default pursuant to the Collateral Documents, or (B) a conveyance, encumbrance, or other transfer of any right, title, or interest of the Mortgagor in, to, or under the Mortgaged Property without the mortgagee's prior written consent, (iv) is insured by a loan policy of title insurance that (A) is written on the 2006 American Land Title Association ("ALTA") standard form or short form of Loan Policy Of Title Insurance or, in states where ALTA coverage is not available, the state-promulgated equivalent form, (B) is issued by a duly licensed insurance carrier that is generally acceptable to prudent financial institutions which originate mortgage loans of the same type as the Mortgage Loan in the ordinary course of business and in the jurisdiction where the Mortgaged Property is located, (C) is in full force and effect without any unpaid premium or other amount due or payable, (D) provides (I) "gap coverage" for the period of time between closing of the Mortgage Loan and recordation of the Mortgage, and (II) "extended coverage" that deletes the standard exceptions relating to matters that are not shown by the public records or that would be disclosed by a land survey, (E) includes all standard endorsements that are customarily requested, and does not include any special exceptions that are customarily rejected, by prudent financial institutions which originate mortgage loans of the same type as the Mortgage Loan in the ordinary course of business and in the jurisdiction where the Mortgaged Property is located, (F) contains a standard mortgagee clause (I) naming the Seller and its successors and assigns as the sole insured, loss payee, and mortgagee, and (II) requiring notice to the mortgagee in the event of cancellation or modification, and (G) insures, in an amount equal to or greater than the Principal Balance as of the related Purchase Date, (I) the enforceability, perfection, priority, and validity of the lien created by the Mortgage, and against any loss resulting from the invalidity or unenforceability thereof due to any provisions in the Collateral Documents that provide for adjustments to the interest rate or loan payments, and (II) ingress to and egress from the Mortgaged Property, and against any easements and encroachments thereby or thereupon, and (v) if the Mortgage is a deed of trust, then (A) a duly qualified trustee has been properly designated and currently serves in such capacity, and (B) no costs, expenses, or fees are or will become due or payable by Planet to such trustee;

(e) on and as of the related Purchase Date and the related Transfer Date, the Mortgaged Property (i) consists of (A) a fee-simple estate in a single parcel or contiguous parcels of real property located in the United States, with (B) a one-to-four family residential dwelling permanently erected thereon, that (C) is neither a cooperative unit, nor a mobile home, nor used for agricultural or commercial purposes, and (D) except as to any Investment Property Loan, is lawfully occupied and used by the Mortgagor as its primary residence, (ii) is in good repair and not affected by any physical damage or deferred maintenance that (A) is not reflected in the most recent appraisal included in the Loan File, or (B) reasonably could be expected to impair the habitability, use, or value of the Mortgaged Property, (ii) except as to any Second Lien Loan, is not encumbered by any lien or other security interest senior to or coordinate with the lien created by the Mortgage, (iii) is not (A) protected by any homestead or similar exemption that reasonably could be expected to impair the realization against the Mortgaged Property of all benefits of the lien created by the Mortgage, (B) affected by the presence of, or used for the purpose of disposing, generating, releasing, storing, or treating, any "hazardous material," "hazardous substance," "hazardous waste," "solid waste," or "toxic substance," as those terms are defined pursuant to any Applicable Law, or (C) the subject of (I) any covenant, easement, encumbrance, interest, lien, right, servitude, or other restriction that is not covered by the loan policy of title insurance referenced in Subsection A-2.02(d)(iv), (II) any option or right by any Person, other than the Mortgagor, to acquire any right, title, or interest therein, or to receive any proceeds from the conveyance, encumbrance, or other transfer of any right, title, or interest therein, or (III) any pending or threatened legal proceeding by any Governmental Authority seeking the permanent or temporary condemnation, possession, or taking of all or any part thereof, (iv) is insured by a policy of hazard insurance that (A) is issued by a duly licensed insurance carrier (I) selected by the Mortgagor, and (II) generally acceptable to prudent financial institutions which originate or service mortgage loans of the same type as the Mortgage Loan in the ordinary course of business and in the jurisdiction where the Mortgaged Property is located, (B) is in full force and effect without any unpaid premium or other amount due or payable, (C) includes all standard endorsements that are customarily requested, and does not include any special exceptions that are customarily rejected, by prudent financial institutions which originate or service mortgage loans of the same type as the Mortgage Loan in the ordinary course of business and in the jurisdiction where the Mortgaged Property is located, (D) contains a standard mortgagee clause (I) naming the Seller and its successors and assigns as the sole insured, loss payee, and mortgagee, and (II) requiring notice to the mortgagee in the event of cancellation or modification, and (E) insures, in an amount equal to or greater than the Principal Balance as of the related Purchase Date, against any loss resulting from fire, hail, hurricane, theft, smoke, vandalism, windstorm, and other perils that are customarily requested by prudent financial institutions which originate or service mortgage loans of the same type as the Mortgage Loan in the ordinary course of business and in the jurisdiction where the Mortgaged Property is located, (v) if all or any part of the Mortgaged Property is located in a "special flood hazard area" identified by the Federal Emergency Management Agency, then the Mortgaged Property is insured by a policy of flood insurance that (A) either (I) is written on the National Flood Insurance Program ("NFIP") dwelling form or general property form of Standard Flood Insurance Policy, or (II) is issued by a duly licensed insurance carrier generally acceptable to prudent financial institutions which originate or service mortgage loans of the same type as the Mortgage Loan in the ordinary course of business and in the jurisdiction where the Mortgaged Property is located, (B) is in full force and effect without any unpaid premium or other amount due or payable, (C) does not require payment of a deductible that exceeds the greater of the maximum amount permitted by the NFIP or Applicable Law, (D) contains a standard mortgagee clause (I) naming the Seller and its successors and assigns as the sole insured, loss payee, and mortgagee, and (II) requiring notice to the mortgagee in the event of cancellation or modification, and (E) insures, in an amount equal to or greater than the Principal Balance as of the related Purchase Date, against any loss resulting from the accumulation, overflow, penetration, or runoff of inland, surface, or tidal waters, or any collapse, erosion, mudflow, or subsidence of land caused thereby, and (vi) complies with all Applicable Requirements;

(f) on and as of the related Purchase Date and the related Transfer Date, the Mortgagor (i) is (A) a natural person who is a citizen or lawful resident alien of the United States, or (B) an inter vivos trust that conforms with all Agency Requirements, (ii) is not identified in the most recent list of Specifically Designated Nationals And Blocked Persons issued by the U.S. Department of the Treasury, Office of Foreign Assets Control, (iii) except as may permitted by applicable Agency Requirements, is not and has not been the subject of any Foreclosure Action or Insolvency Proceeding relating to the Mortgagor, (iv) has received all amounts required to be disbursed prior to the Purchase Date and, except to the extent permitted by the applicable Loan Program, is not entitled to receive any future advance or payment refund in connection with the Mortgage Loan, (v) is personally obligated to satisfy the indebtedness evidenced by the Promissory Note, and has not been released from or relieved of any liability therefor, and (vi) was provided, and has acknowledged receipt of, all disclosures and notices required by Applicable Law to be provided to the Mortgagor in connection with the origination, Servicing, and each prior purchase and sale of the Mortgage Loan;

(g) on and as of the related Purchase Date and the related Transfer Date, (i) all Escrow Payments (A) have been paid by the Mortgagor in an amount sufficient to satisfy all unpaid items that have been assessed but are not yet due or payable, and (B) have been disbursed by the Seller in an amount sufficient to satisfy all unpaid items that have been assessed and have become due or payable, (ii) the origination, Servicing, and each prior purchase and sale of the Mortgage Loan has strictly complied with all Applicable Requirements in all respects, (iii) no accrued liabilities of the Seller or any other Person will arise against Planet as the purchaser of the Mortgage Loan, the assignee of the Mortgage, or the transferee of the Servicing, (iv) the Seller has delivered to Planet a complete and legible Loan File for the Mortgage Loan, (v) all Seller Representations made by the Seller relating to the Mortgage Loan or in connection with the related Transaction are true and correct on and as of the applicable Determination Date, and (vi) no document or information provided by the Seller or any Representative thereof relating to the Mortgage Loan or in connection with the related Transaction, (A) contains any misstatement of material fact, or (B) omits to state any material fact necessary in order to make any representation, warranty, or statement therein not misleading;

(h) if the Mortgage Loan is not an Investment Property Loan, then (i) if the Mortgage Loan is not a Qualified Mortgage, then on and as of the related Purchase Date, the Mortgage Loan satisfies all "ability to repay" requirements specified in 12 C.F.R. 1026.43(c), or (ii) if the Mortgage Loan is a Qualified Mortgage, then on and as of the related Purchase Date, the Mortgage Loan (A) constitutes a "Qualified Mortgage," as that term is defined pursuant to 12 C.F.R. 1026.43(e)(2), and (B) either (I) satisfies all requirements necessary to qualify for the safe harbor in 12 C.F.R. 1026.43(e)(1)(i), or (II) is presumed to satisfy all "ability to repay" requirements specified in 12 C.F.R. 1026.43(c) for purposes of 12 C.F.R. 1026.43(e)(1)(ii);

(i) if the Mortgage Loan is an Agency Loan, then on and as of the related Purchase Date and the related Transfer Date, the Mortgage Loan (i) has been underwritten, originated, and serviced in accordance with all applicable Agency Requirements, (ii) is not and has not been affected by any error, action, inaction, misstatement, or omission by the Mortgagor, the Seller, or any other Person that reasonably could be expected to impair the eligibility of the Mortgage Loan for sale or delivery to, or for certification and pooling into mortgage-backed securities issued by or on behalf of, the applicable Agency Investor, and

(iii) is eligible for sale and delivery to, and for certification and pooling into mortgage-backed securities issued by or on behalf of, the applicable Agency Investor;

(j) if the Mortgage Loan is a Government Loan, then on and as of the related Purchase Date and the related Transfer Date, the Mortgage Loan (i) has been underwritten, originated, and serviced in accordance with all applicable Agency Requirements, (ii) is not and has not been affected by any error, action, inaction, misstatement, or omission by the Mortgagor, the Seller, or any other Person that reasonably could be expected to impair the benefits or coverage of the Government Backstop, and (iii) either (A) currently is covered by a Government Backstop that (I) is in full force and effect without any unpaid fee, premium, or other amount due or payable to the applicable Agency Issuer, (II) covers the greatest extent of losses in the maximum amounts permitted by the applicable Agency Issuer, and (III) has not been tendered to or rejected by the applicable Agency Issuer for payment, or (B) will be, on and as of the date that is sixty (60) days after the related origination date, covered by a Government Backstop that satisfies the requirements set forth in clauses (iii)(A)(I), (iii)(A)(II), and (iii)(A)(III) of this Subsection A-2.02(j);

(k) if the Mortgage Loan is an Investment Property Loan, then on and as of the related Purchase Date and the related Transfer Date, (i) the Mortgage Loan (A) constitutes a "business purpose loan," as that term is defined pursuant to 12 C.F.R. 1024.5(b)(2), and (B) does not constitute "consumer credit," as that term is defined pursuant to 12 C.F.R. 1026.2(12), and (ii) the Mortgaged Property is neither occupied nor used by the Mortgagor as its primary residence; and

(l) if the Mortgage Loan is a Second Lien Loan, then on and as of the related Purchase Date and the related Transfer Date, the mortgage loan that is secured by a first-priority lien on the Mortgaged Property (i) does not prohibit the Mortgagor from granting a second-priority lien upon the Mortgaged Property, (ii) does not allow for graduated payments, negative amortization, rate conversion, or a term to maturity greater than thirty (30) years, and (iii) is not the subject of any monetary or non-monetary default by the Mortgagor pursuant to the related loan documents, and no circumstance has occurred or is continuing that, with or without notice or the lapse of time or both, constitutes or reasonably could be expected to result in any monetary or non-monetary default under the related loan documents.

Subsection A-2.03. Qualified Representations.

The Seller acknowledges and agrees that (a) any knowledge or materiality qualification of any Seller Representation has been included in the interest of full and fair disclosure without the intent of limiting any Planet Remedies conferred upon Planet pursuant hereto or any other rights and remedies available to Planet at law or in equity, and (b) if either Party subsequently discovers that the factual substance of any Seller Representation was inaccurate on or as of the date it was made, then such inaccuracy shall constitute a breach of such Seller Representation for all purposes hereof irrespective of any knowledge or materiality qualification thereof.

SECTION A-3. SELLER COVENANTS.

Subsection A-3.01. Delivery Of Collateral Documents.

On or before the related Purchase Date, the Seller shall deliver to Planet or its designee a genuine original of all Collateral Documents for each Mortgage Loan. If Planet receives an incomplete Loan File or a defective Collateral Document with respect to any Mortgage Loan, then the Parties shall proceed in accordance with Subsection A-4.01(f).

Subsection A-3.02. Assignments Of Mortgage.

(a) MERS Registration. Within five (5) Business Days after the related Purchase Date of any MERS Loan, the Seller shall (i) designate Planet as the "Investor" on the MERS System with respect to such MERS Loan, and (ii) remove each Person identified as an "Interim Funder" or "Warehouse Gestation Lender" on the MERS System with respect to such MERS Loan.

(b) Assignment Recordation. On or before the related Purchase Date of any Non-MERS Loan, the Seller shall prepare and deliver to Planet or its designee for recordation a Mortgage Assignment for such Non-MERS Loan. The Seller shall reimburse Planet for all costs, expenses, and fees incurred by Planet in connection with the recordation or rejection of any Mortgage Assignment. If Planet receives a Mortgage Assignment in accordance with this Subsection A-3.02 with respect to any Mortgage Loan, then the Parties shall proceed in accordance with Subsection A-4.01(f).

Subsection A-3.03. Transfer Notices And Payments.

(a) Transfer Notices. No later than fifteen (15) days before the related Transfer Date, the Seller shall prepare and deliver (i) the notice required to be provided by the transferor servicer to each Mortgagor pursuant to 12 C.F.R. 1024.33(b) as a result of the transfer of the Servicing of such Mortgage Loan, and (ii) any other notice required to be provided by the Seller to any Governmental Authority, Insurance Provider, Mortgagor, or Taxing Authority pursuant to any Applicable Requirement as a result of the purchase or sale of such Mortgage Loan or the transfer of the Servicing thereof.

(b) Transfer Payments. On or before the related Transfer Date of any Mortgage Loan that was originated more than forty-five days before the related Purchase Date, the Seller shall pay all Escrow Payments that (i) were delinquent on the related Purchase Date, or (ii) become due, payable, or delinquent during the period of time between the related Purchase Date and the related Transfer Date, but only to the extent of amounts for which a billing statement has been received by or made available to the Seller. All amounts payable by the Seller pursuant to this Subsection A-3.03(b) shall be paid at the Seller's sole cost and expense; provided however, all amounts paid by the Seller pursuant to clause (ii) of this Subsection A-3.03(b) shall be reimbursed by Planet within thirty (30) days after its approval of supporting documentation that is (x) delivered to Planet by the Seller within sixty (60) days after the related Transfer Date, and (y) determined by Planet to sufficiently evidence the stated purpose and actual payment of such amount.

Subsection A-3.04. Transfer Of Government Backstop.

Within five (5) Business Days after the related Purchase Date of any Government Loan, the Seller shall (a) either (i) transfer to Planet any Government Backstop previously issued with respect to such Government Loan, or (ii) submit such Government Loan to the applicable Agency Issuer for issuance of a Government Backstop, and (b) cause the applicable Agency Issuer to recognize and reflect Planet as the owner of such Government Loan and the beneficiary of such Government Backstop. At all times on and after the related origination date, the Seller shall not take or permit to be taken any action that reasonably could be expected to impair the benefits or coverage of any Government Backstop.

Subsection A-3.05. Notice Of Material Events.

Within five (5) Business Days after the Seller obtains Knowledge of the occurrence or continuation of any of the following circumstances, the Seller shall provide Notice thereof to Planet: (a) any breach by the Seller of any covenant, representation, warranty, or other provision herein; or (b) any anticipated, threatened, or pending (i) Insolvency Proceeding relating to the Seller, or (ii) legal proceeding or administrative action against the Seller (A) that, if adversely determined against the Seller, reasonably could be expected to result in a Material Adverse Change, or (B) relating to any alleged error, action, inaction, misstatement, or omission by the Seller or any Representative thereof (I) in connection with the origination, pledge, pooling, purchase, sale, securitization, or Servicing of any Mortgage Loan, or (II) that allegedly involves bad faith, breach of fiduciary duty, criminal activity, fraud, gross negligence, intentional misconduct, or a willful violation of any Applicable Requirement.

SECTION A-4. PLANET REMEDIES.

Subsection A-4.01. Investment Protection.

(a) Early Payment Default.

(i) Correspondent Participants. If any Mortgage Loan is the subject of a 90-day Delinquency as to any of the first four (4) Monthly Payments due or payable after the related Purchase Date and the Seller is a Correspondent Participant, then the Seller shall, within thirty (30) days after receipt of Notice thereof from Planet, repurchase such Mortgage Loan and remit payment of the Repurchase Price by wire transfer of immediately available funds to the Planet Account; provided however, if such Delinquency occurs before the related Transfer Date, then the Seller shall, without the requirement of prior notice from Planet, repurchase such Mortgage Loan and remit payment of the Repurchase Price within thirty (30) days after the occurrence of such Delinquency.

(ii) Emerging Bankers. If any Mortgage Loan is the subject of a 60-day Delinquency as to any of the first nine (9) Monthly Payments due or payable after the related Purchase Date and the Seller is an Emerging Banker, then the Seller shall, within thirty (30) days after receipt of Notice thereof from Planet, repurchase such Mortgage Loan and remit payment of the Repurchase Price by wire transfer of immediately available funds to the Planet Account; provided however, if such Delinquency occurs before the related Transfer Date, then the Seller shall, without the requirement of prior notice from Planet, repurchase such Mortgage Loan and remit payment of the Repurchase Price within thirty (30) days after the occurrence of such Delinquency.

(b) Early Payoff Protection.

(i) Correspondent Participants. If any Premium Loan is the subject of a Payoff Event within one hundred twenty (120) days after the related Purchase Date and the Seller is a Correspondent Participant, then the Seller shall, within thirty (30) days after receipt of Notice thereof from Planet, remit payment of the Purchase Premium by wire transfer of immediately available funds to the Planet Account; provided however, if such Payoff Event occurs before the related Transfer Date, then the Seller shall, without the requirement of prior notice from Planet, remit payment of the Purchase Premium by wire transfer of immediately available funds to the Planet Account within thirty (30) days after the Mortgagor's payment in full of the Principal Balance.

(ii) Emerging Bankers. If any Premium Loan is the subject of a Payoff Event within one hundred eighty (180) days after the related Purchase Date and the Seller is an Emerging Banker, then the Seller shall, within thirty (30) days after receipt of Notice thereof from Planet, remit payment of the Purchase Premium by wire transfer of immediately available funds to the Planet Account; provided however, if such Payoff Event occurs before the related Transfer Date, then the Seller shall, without the requirement of prior notice from Planet, remit payment of the Purchase Premium by wire transfer of immediately available funds to the Planet Account within thirty (30) days after the Mortgagor's payment in full of the Principal Balance.

(c) Defective Mortgage Loan. If any Party discovers that any Mortgage Loan was the subject of a Defect on or as of the applicable Determination Date, then (i) such Party shall promptly provide Notice thereof to the other Party, and (ii) the Seller shall use best efforts to cure such Defect to Planet's satisfaction within thirty (30) days after the earlier of the Seller's discovery thereof or receipt of Notice thereof from Planet (the "Cure Period"). If the Seller fails to cure such Defect to Planet's satisfaction before the expiration of the Cure Period, then the Seller shall, within thirty (30) days after receipt of subsequent Notice from Planet, repurchase such Mortgage Loan and remit payment of the Repurchase Price by wire transfer of immediately available funds to the Planet Account; provided however, if such Defect is of a type that cannot be cured, then the Seller shall, without regard to the Cure Period or the requirement of subsequent Notice from Planet, repurchase such Mortgage Loan and remit payment of the Repurchase Price within thirty (30) days after receipt of initial Notice thereof from Planet.

(d) Rejected Mortgage Loan. If any Agency Loan or Government Loan is the subject of a Rejection Event at any time on or after the related Closing Date, then the Seller shall, within thirty (30) days after receipt of Notice thereof from Planet, repurchase such Mortgage Loan and remit payment of the Repurchase Price by wire transfer of immediately available funds to the Planet Account.

(e) Solicited Mortgage Loan. At all times on and after the related Purchase Date, neither the Seller, nor any Affiliate thereof, nor any Representative of the Seller or any Affiliate thereof shall encourage, entice, or solicit any Mortgagor to refinance any Premium Loan except in connection with a broadcast, online, or printed advertisement that is directed to the general public at large. If the Seller, any Affiliate thereof, or any Representative of the Seller or any Affiliate thereof refinances any Premium Loan at any time before the one (1) year anniversary of the related Purchase Date, then the Seller shall, within thirty (30) days after the closing date of such refinancing, (i) provide Notice thereof to Planet, and (ii) remit payment by wire transfer of immediately available funds to the Planet Account in an amount equal to (A) one hundred and 00/100 percent (100.00%) of the Purchase Premium, in the event the closing date of such refinancing occurs within one hundred twenty (120) days after the related Purchase Date, (B) sixty six and 66/100 percent (66.66%) of the Purchase Premium, in the event the closing date of such refinancing occurs between one hundred twenty one (121) and two hundred forty (240) days after the related Purchase Date, or (C) thirty three and 33/100 percent (33.33%) of the Purchase Premium, in the event the closing date of such refinancing occurs between two hundred forty one (241) and three hundred sixty five (365) days after the related Purchase Date.

(f) Document Non-Delivery. If Planet receives an incomplete Loan File or a defective Collateral Document with respect to any Mortgage Loan, then the Seller shall use best efforts to deliver all missing and corrected Collateral Documents to Planet's satisfaction within thirty (30) days after receipt of Notice thereof from Planet (the "Delivery Period"). If the Seller fails to deliver any missing or corrected Collateral Document to Planet's satisfaction before the expiration of the Delivery Period, then the Seller shall, within thirty (30) days after receipt of subsequent Notice from Planet, repurchase such Mortgage Loan and remit payment of the Repurchase Price by wire transfer of immediately available funds to the Planet Account; provided however, if the Seller is unable to deliver any missing or corrected Collateral Document before the expiration of the Delivery Period solely as a result of a delay by the public recording office (each a "Delayed Document"), then, before the expiration of the Delivery Period, the Seller shall deliver to Planet a written certification executed by a senior officer of the Seller (x) attesting that such Delayed Document has been accepted for recordation and will be delivered to Planet within one (1) Business Day after the Seller's receipt thereof, and (y) appending a receipt certified by such recording office confirming that such Delayed Document has been accepted for recordation. If the Seller fails to deliver any Delayed Document to Planet's satisfaction within one hundred twenty (120) days after the related Purchase Date, then the Seller shall, within thirty (30) days after receipt of subsequent Notice from Planet, repurchase such Mortgage Loan and remit payment of the Repurchase Price by wire transfer of immediately available funds to the Planet Account.

Subsection A-4.02. Indemnification By The Seller.

In addition to the Planet Remedies conferred upon Planet pursuant to the other provisions of this Section A-4, the Seller also shall indemnify and hold harmless Planet, each Affiliate thereof, and each Representative of Planet or any Affiliate thereof (each a "Planet Indemnitee") against all claims, costs, damages, fees (including without limitation attorneys' fees), fines, forfeitures, judgments, liabilities, losses, and other obligations incurred or sustained by such Planet Indemnitee as a result of or relating to (a) any actual or alleged breach (i) by the Seller of any Planet Requirement, or (ii) by such Planet Indemnitee of any covenant, representation, warranty, or other obligation made or incurred in favor of any other Person in reliance upon any Planet Requirement that is breached by the Seller, (b) any actual or alleged error, action, inaction, misstatement, or omission by the Seller or any Representative thereof that allegedly involves bad faith, breach of fiduciary duty, criminal activity, fraud, gross negligence, intentional misconduct, or a willful violation of any Applicable Requirement with respect to any Mortgage Loan, (c) any Mortgage Loan the Seller is obligated to cure or repurchase pursuant to Subsection A-4.01 or A-4.04, or (d) the investigation, prosecution, defense, or appeal of (i) any Claim based, in whole or in part, upon any circumstances that occurred before the related Transfer Date, or (ii) any Action in which Planet is the prevailing party with respect to one or more claims, counter-claims, or cross-claims asserted by any party thereto (collectively "Indemnified Losses"). Within thirty (30) days after receipt of Notice from Planet, the Seller shall remit payment for the advancement or reimbursement of all Indemnified Losses by wire transfer of immediately available funds to the Planet Account.

Subsection A-4.03. Setoff And Recoupment.

The Seller hereby authorizes Planet to apply, appropriate, offset, recoup, and setoff, from time to time without prior notice to the Seller, any such notice being expressly waived by the Seller to the fullest extent permissible by Applicable Law, (a) all amounts now or hereafter owing by the Seller to Planet pursuant hereto or otherwise, against (b) all amounts, balances, credits, deposits, indebtedness, and other liabilities now or hereafter owing by Planet to the Seller pursuant hereto or otherwise.

Subsection A-4.04. Delayed Remittance.

If the Seller fails to timely and fully remit any Loan Proceeds or other amounts due or payable to Planet pursuant to any Applicable Requirements (collectively "Planet Receivables") on or before the date such Planet Receivables are due (the "Due Date"), then (a) the Seller shall remit payment of such Planet Receivables by wire transfer of immediately available funds to the Planet Account within five (5) Business after the Seller's receipt of Notice thereof from Planet (the "Remittance Period"), and (b) the entire amount of such Planet Receivables shall accrue interest at an annual rate (compounded daily, based upon a 360-day year, from the Due Date until the entire amount of such Planet Receivables are paid in full) equal to the sum of (i) the prime lending rate published in the Wall Street Journal on the Due Date, plus (ii) five and 00/100 percent (5.00%). If the Seller fails to remit payment in full of any Planet Receivables in accordance with this Subsection A-4.04 before the expiration of the Remittance Period, then the Seller shall, within thirty (30) days after receipt of subsequent Notice from Planet, repurchase each affected Mortgage Loan and remit payment of the Repurchase Price by wire transfer of immediately available funds to the Planet Account.

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APPENDIX B

COLLATERAL DOCUMENTS

For purposes hereof, each document and instrument specified below shall constitute a Collateral Document with respect to each Mortgage Loan:

1. A wet-ink original of the Promissory Note, including a wet-ink original of each indorsement necessary to evidence a complete and unbroken chain of valid negotiations of the Promissory Note from the Originator to Planet.

2. A certified copy of the recorded Mortgage, including (a) as to each MERS Loan, a certified copy of each assignment necessary to evidence a complete and unbroken chain of recorded assignments of the Mortgage from the Originator to MERS, as nominee for the Originator, and (b) as to each Non-MERS Loan, (i) a wet-ink original of the Mortgage Assignment, and (ii) a certified copy of each other assignment necessary to evidence a complete and unbroken chain of recorded assignments of the Mortgage from the Originator to Planet.

3. A certified copy of each power of attorney executed by the Mortgagor in connection with the origination or modification of such Mortgage Loan, evidencing proper recordation on or before the origination or modification date.

4. As to each Government Loan, a physical copy of the Guaranty Certificate or Insurance Certificate issued by the applicable Agency Issuer in connection with such Government Loan.

5. A genuine original of each assumption, consolidation, extension, modification, or similar agreement relating to such Mortgage Loan.

6. A genuine original of each guarantee, surety, or similar agreement relating to such Mortgage Loan.

7. A genuine original of each chattel mortgage, financing statement, pledge agreement, or similar instrument relating to such Mortgage Loan.

8. As to each of the foregoing, (a) each agreement, certificate, instrument, and other document executed in connection therewith, (b) each amendment, extension, modification, novation, and restatement thereof, and (c) each attachment, exhibit, rider, schedule, and supplement thereto.

APPENDIX C

LOAN FILE

For purposes hereof, the compilation of all documents and instruments specified below shall constitute a complete Loan File with respect to each Mortgage Loan:

1. Each Collateral Document specified in Appendix B to the Planet Guide.

2. An electronic copy of each application form, borrower correspondence, commitment letter, credit memorandum, disclosure statement, fee estimate, settlement statement, underwriting report, and other document relating to such Mortgage Loan.

3. An electronic copy of each bank statement, credit report, tax return, tax transcript, verification of assets, verification of employment, verification of income, and other document relating to the Mortgagor.

4. An electronic copy of each appraisal report, certificate of occupancy, contract of sale, engineer report, environmental assessment, land survey, property photograph, site inspection, title report, and other document relating to the Mortgaged Property.

5. An electronic copy of all evidence necessary to verify that the discount points, escrow impounds, interest prepayments, origination fees, and other amounts paid by the Mortgagor in connection with the origination of such Mortgage Loan complies with all Applicable Requirements.

6. An electronic copy of each policy of flood insurance, hazard insurance, mortgage insurance, title insurance, and other type of insurance relating to such Mortgage Loan, the Mortgage, or the Mortgaged Property.

7. An electronic copy of each flood certification and real estate tax service contract relating to such Mortgage Loan, including without limitation evidence necessary to verify that such certifications and contracts have been assigned to Planet.

8. An electronic copy of the Servicing File as of the related Transfer Date.

9. All other documents and instruments relating to such Mortgage Loan that are required to be delivered to Planet pursuant to any Planet Requirement.

Forms

Forms are posted on the CORE Seller Portal at www.phlcorrespondent.com. Login to CORE and select **Forms and Resources** to view.

Announcements

Announcements are posted on the CORE Seller Portal at www.phlcorrespondent.com. Login to CORE and select **Announcements** to view.

Revision History

2024

Update/Description of Change	Section
Seller Guide Release April 18, 2024	
Updated manufactured home requirements to require only the HUD Data Plate or HUD Certification label for existing manufactured homes.	Chapter 5: Freddie Mac Conforming and Super Conforming Program Guidelines
Removed eligibility for simultaneous first lien assumptions.	Chapter 5: Home Equity Loan 2nd Lien (HELOAN) Program Guidelines
Removed the case number assigned date for MIP charts to align with HUD.	Chapter 5: • FHA Conforming and High Balance Program Guidelines • FHA Streamline Refinance Program Guidelines
Clarified Nearest Living Relative Statement is not required.	Chapter 5: VA IRRRL Program Guidelines
Seller Guide Release April 11, 2024	
Clarified Report and Certification of Loan Disbursement (VA Form 26-1802) is required for IRRRL transactions.	Chapter 5: VA IRRRL Program Guidelines
Seller Guide Release March 28, 2024	
Revised requirement for HPML transactions to obtain a full appraisal (1004, 1073, or 1004C). Clarified closing an account being paid off as part of qualification/closing is not required.	Chapter 5: Home Equity Loan 2nd Lien (HELOAN) Guidelines
Seller Guide Release March 21, 2024	
Retitled **Appraisal Waivers** to **Value Acceptance (Appraisal Waivers)**.	Chapter 5: • Fannie Mae Conforming Program Guidelines • Fannie Mae High Balance Program Guidelines
Seller Guide Release March 14, 2024	
Removed requirement to close an account that is paid off as part of the qualification.	Chapter 5: Home Equity Loan 2nd Lien (HELOAN) Guidelines
Seller Guide Release March 07, 2024	

Update/Description of Change	Section

• Clarified the MLO must be included in the fraud check report.
• Clarified all parties associated with the mortgage transaction must be validated through exclusionary lists including but not limited to:
  ▪ OFAC
  ▪ HUD-LDP
  ▪ GSA-EPLS
  ▪ Freddie Mac Exclusionary List (FMEL)
• Removed LexisNexis as eligible electronic fraud detection report.
	Chapter 2: Compliance

Clarified appraisal must be dated ≤12 months.	Chapter 5: Fannie Mae Conforming Program Guidelines
Updated Loan amount for MIP premium factors for mortgage term <15 years.	Chapter 5: FHA Conforming and High Balance Program Guideline
Seller Guide Release February 29, 2024	
• Added leasehold properties as an eligible property type. • Added manufactured home on leasehold as ineligible property type.	Chapter 5: FHA Conforming and High Balance Guidelines
Seller Guide Release February 22, 2024	
• Added requirements for VLIP $2,500 loan-level priced adjustment.	Chapter 5: • Fannie Mae HomeReady Program Guidelines • Freddie Mac Home Possible Program Guidelines
• Removed OH as eligible state.	Chapter 5: Home Equity Loan 2nd Lien (HELOAN) Guidelines
• Removed reference to Tax Record Information Sheet sample form.	Chapter 8: Loan Purchasing
Seller Guide Release February 15, 2024	
• Clarified ARMs must be qualified at no less than the note rate for loans that are not HPML. • Clarified Schedule K-1 alone cannot be used to support the withdrawal of earnings.	Chapter 5: Fannie Mae Conforming Program Guideline
• Updated condominium flood insurance requirements to reflect the maximum coverage amount available from the NFIP program per unit.	Chapter 5: Freddie Mac Conforming and Super Conforming Program Guideline

Update/Description of Change	Section
• Added requirement of minimum 660 FICO for CA, CO, IL, and OH.	Chapter 5: Home Equity Loan 2nd Lien (HELOAN) Guidelines
Seller Guide Release February 01, 2024	
• Remove Voxtur RACR as eligible product. • Clarified requirements for appraisal re-inspection to allow for Borrower Attestation Letter. • Added New Jersey as ineligible state to Geographic Restrictions.	Chapter 5: Home Equity Loan 2nd Lien (HELOAN) Guidelines
• Added "Not closed on MOM Documents, MERS required" as ineligible for eNotes.	Chapter 1: Seller Eligibility Chapter 8: Loan Purchasing
• Removed Credit Plus, Inc. as eligible 4506-C vendor; added Xactus, LLC as eligible 4506-C vendor.	Chapter 7: Planet CORE Seller Portal
Seller Guide Release January 25, 2024	
Clarified all liabilities disclosed by the borrower should be listed in GUS; sellers may "omit" liabilities as permitted.	Chapter 5: USDA Purchase and Non-Streamline Guidelines
Seller Guide Release January 18, 2024	
• Removed Residential Valuation as eligible appraisal product for loan amount <$150,000. • Added requirement for Restricted Desktop Appraisal with Inspection Interior (ADII) from Stewart Valuation Intelligence or a ValPRAZE Interior from Valligent for loan amount <$150,000. • Added Restricted Desktop Appraisal with Inspection Interior (ADII) from Stewart Valuation Intelligence or a ValPRAZE Interior from Valligent as eligible form to meet HPML appraisal requirement. • Removed Appraisal Logistics Services as approved AMC; revised Nations Valuations to Nations Valuation Services.	Chapter 5: Home Equity Loan 2nd Lien (HELOAN) Guidelines
• Revised Purchase Advice section to clarify Purchase Advice is uploaded to the CORE Seller Portal and can be accessed by authorized users of the Seller.	Chapter 8: Loan Purchasing
Seller Guide Release January 04, 2024	
Revised Planet Administration Fee for FHA 203(K) loans is $595.	Chapter 3: Prior Approval

2023

Update/Description of Change	Section
Seller Guide Release December 21, 2023	
• Removed duplicate content	Chapter 5: FHA Conforming and High Balance Guidelines
• Clarified that both Fannie Mae and Freddie Mac Submission Summary Reports are required for all appraisals.	Chapter 5: Fannie Mae Conforming, High Balance, and HomeReady Guidelines
• Updated guidance for cash-out refinances to indicate non-occupant co-borrowers are not permitted on primary residence transactions.	Chapter 5: Freddie Mac Conforming and Super Conforming Guidelines
• Clarified Condo Analytics and CondoSafe submission process and requirements	Chapter 7: Planet CORE Seller Portal – Loan Submissions
Seller Guide Release December 14, 2023	
• Clarified Plans and Specifications requirements; increased renovations to \$50,000 without a consultant. • Removed Project Plan Review section. • Increased renovation completion to maximum 15 months.	Chapter 5: Fannie Mae HomeStyle Renovation Guidelines
• Increased maximum renovation to \$50,000 without a consultant.	Chapter 5: Freddie Mac ChoiceRenovation Guidelines
Seller Guide Release December 07, 2023	
• Updated the Conventional program guidelines with new 2024 Loan Limits	Chapter 5: • Fannie Mae Conforming, High Balance, HomeReady, HomeStyle Renovation, and Refi Now Guidelines • Freddie Mac Conforming & Super Conforming, Choice Renovation, ChoiceReno eXPress, HomeOne, Home Possible,

Update/Description of Change	Section
	and Refi Possible Guidelines
Seller Guide Release November 30, 2023	
• Clarified mortgage payment history requirements for manual underwrite overlay. • Additional guidance added for medical collections not to be considered for DTI; non-medical collections without a minimum payment must use 5% of the outstanding balance in DTI calculation.	Chapter 5: VA Conforming and High Balance Guidelines
• Clarified that if an amount other than what is reflected on the credit report is used in the Total Debt Ratio, the lender should provide documentation of the amount utilized. • Clarified that when a balloon/deferred payment loan is due within 12 months, the lender must evaluate the complete loan application to determine the applicant's repayment ability.	Chapter 5: USDA Purchase and Non-Streamline Refinance Guidelines
Seller Guide Release November 16, 2023	
• Added guidance for amended tax returns.	Chapter 5: • Fannie Mae Conforming Guidelines • Freddie Mac Conforming and Super Conforming Guidelines • FHA Conforming and High Balance Guidelines • VA Conforming and High Balance Guidelines • USDA Purchase and Non-Streamline Refinance Guideline
• 2-4 unit fixed rate and ARM purchase and limited cash-out refinance	Chapter 5:

Update/Description of Change	Section
increased to maximum 95% LTV/CLTV.	• Fannie Mae Conforming Guidelines • Fannie Mae HomeReady Guidelines • Fannie Mae HomeStyle Renovation Guidelines
• Clarified interior only residential evaluation must be obtained. • Clarified a residential evaluation is not an appraisal and is not completed by a licensed appraiser.	Chapter 5: Home Equity Loan 2nd Lien (HELOAN) Guidelines
• Added list of preferred vendors for 4506-C processing.	Chapter 7: Planet CORE Seller Portal- Loan Submission
Seller Guide Release November 09, 2023	
• Clarified an employment offer or contract for future employment from a family member or interested party to a transaction is not eligible.	Chapter 5: Fannie Mae Conforming Program Guidelines
• Clarified employment history requirements for less than 2-year history.	Chapter 5: Freddie Mac Conforming and Super Conforming Program Guidelines
• Clarified USCIS Form I-94 is Arrival/Departure Record.	Chapter 5: FHA Conforming and High Balance Program Guidelines
Seller Guide Release November 02, 2023	
• Updated address to Corelogic for original tax bills.	Chapter 8: Loan Purchasing
Seller Guide Release October 26, 2023	
• Revised qualification of 7/6 and 10/6 ARMs to qualify at the Note rate.	Chapter 5: Products and Programs
• Added guidance for ADU rental income. • Added guidance for appraisal comparables requirements when ADU rental income is being utilized.	Chapter 5: FHA Conforming and High Balance Program Guidelines
• Clarified free and clear properties are ineligible.	Chapter 5: Home Equity Loan 2nd Lien

Update/Description of Change	Section
• Added Valligent Technologies as an eligible vendor for use of residential evaluation.	(HELOAN) Guidelines
Seller Guide Release October 19, 2023	
• Clarified SFC 184 is required to be entered in the ULDD screen prior to delivery for the $500 LLPA credit to take place.	Chapter 5: Fannie Mae HomeReady Program Guidelines
• Added use of residential evaluation for loan amount ≤$150,000.	Chapter 5: Home Equity Loan 2nd Lien (HELOAN) Guidelines
Seller Guide Release October 12, 2023	
• Clarified for student loans that the monthly payment amount greater than zero must be included in the monthly debt payment-to-income ratio. Documentation in the Mortgage file other than the credit report used to verify the current student loan payment amount must be greater than zero.	Chapter 5: Freddie Mac Conforming and Super Conforming Program Guidelines
• Revised self-employed income to all for less than 24 month history of self-employment. • Clarified requirement for HUD Data Plates and HUD Certification Labels.	Chapter 5: Fannie Mae Conforming Program Guidelines
Seller Guide Release October 05, 2023	
• Clarified "Refer with Caution" GUS finding is eligible. • Clarified requirement to verify assets are not transferred between personal and business accounts, and accounts function separately. • Clarified sourcing requirements for gift funds. • Delinquent Court Ordered Child Support revised to clarify that the Seller must provide certification of the borrower’s eligibility as part of the application submission.	Chapter 5: USDA Purchase and Non-Streamline Refinance Guideline
• Revised **Properties Listed for Sale** section to align with Planet overlay.	Chapter 5: VA Alterations and Repairs Guidelines
Seller Guide Release September 28, 2023	
• Updated pricing for Condo Analytics Condo Project Review.	Chapter 7: Planet CORE Seller Portal
Seller Guide Release September 14, 2023	
• Updated eligible donors for personal gifts and gifts of equity.	Chapter 5: Fannie Mae Conforming Program Guidelines

Update/Description of Change	Section
• Added guidance for income-driven repayment plans for student loans in the DTI topic. • Added additional guidance for use of proceeds from a no cash-out transactions, including pay-off of a deferred balance under a loss mitigation plan.	Chapter 5: Freddie Mac Conforming and Super Conforming Program Guidelines
Seller Guide Release September 07, 2023	
• Clarified credit score requirements for non-credit qualifying transactions.	Chapter 5: FHA Streamline Conforming and High Balance Program Guidelines
• Removed reference to sample VOE form.	Chapter 5: • FHA Conforming and High Balance Program Guidelines • VA Conforming and High Balance Program Guidelines • VA IRRRL Program Guidelines • USDA Purchase and Non-Streamline Program Guidelines
• Added manufactured home second home to LTV grid. • Removed reference to sample VOE form.	Chapter 5: Fannie Mae Conforming Program Guidelines
Seller Guide Release August 29, 2023	
• Clarification for acceptable appraisal forms and appraisal waivers.	Chapter 5: • Fannie Mae Conforming Program Guidelines • Freddie Mac Conforming and Super

Update/Description of Change	Section
	Conforming Program Guidelines
Seller Guide Release August 24, 2023	
• Clarified renovation time frame is 15 months.	Chapter 5: • Fannie Mae HomeStyle Renovation Guidelines • Freddie Mac CHOICE Renovation Guidelines
Seller Guide Release August 17, 2023	
• Revised qualification of 7/6 and 10/6 ARMs to qualify at the Note rate. • Added requirement for Rate/Term (Limited Cash-Out) Refinance transactions for at least one borrower on the new loan to be a current owner of the subject property.	Chapter 5: Fannie Mae Conforming Program Guidelines
• Revised qualification of 7/6 and 10/6 ARMs to qualify at the Note rate. • Revised program grid to remove cash-out as eligible.	Chapter 5: Fannie Mae HomeReady Program Guidelines
• Revised qualification of 7/6 and 10/6 ARMs to qualify at the Note rate.	Chapter 5: • Fannie Mae High Balance Program Guidelines • Fannie Mae HomeStyle Renovation Program Guidelines
• Added guidance for IRS installment agreements pending IRS approval.	Chapter 5: Freddie Mac Conforming and Super Conforming Program Guidelines
• Reference added for Chapter 1 for eNotes.	• Chapter 7: Planet CORE Seller portal • Chapter 8: Loan Purchasing

Update/Description of Change	Section
Seller Guide Release July 27, 2023	
• Additional guidance added for Ability to Repay/Qualified Mortgage to align with PHL policy.	Chapter 2: Compliance
• Clarified seller must pay VA funding Fee, if applicable, within 15 days from closing date.	Chapter 3: Prior Approval
• Revised Ability to Repay/Qualified Mortgage to align with PHL policy.	Chapter 5: • Conventional (Excluding Home Equity Loan 2nd Lien (HELOAN)) • Government
• Updated program grid to include ARMs.	Chapter 5: Freddie Mac Conforming and Super Conforming Program Guidelines
• Clarified borrowers delinquent on current mortgage payments are ineligible. • Revised requirements for gift funds to align with FHA.	Chapter 5: FHA Conforming and High Balance Program Guidelines
• Clarified loan seasoning requirements apply to any loan being refinanced to a VA loan.	Chapter 5: VA Conforming and High Balance Program Guidelines
Seller Guide Release July 06, 2023	
• Added Seller approval requirements for eNote delivery. • Added guidance for purchasing loans that closed using an eNote.	Chapter 1: Seller Eligibility Chapter 8: Loan Purchasing
• Removed requirement for gift funds letter to specify the date the funds were transferred. • Added requirement for condominium projects being reviewed under a full review are required to utilize Condo Project Manager (CPM).	Chapter 5: Fannie Mae Conforming Program Guidelines
• Added requirement that a non-occupying co-borrower cannot be an interested party to the transaction.	Chapter 5: Freddie Mac Conforming and Super Conforming Program Guidelines
• Added section and requirements for IRS Form 4506-C.	Chapter 7: Planet CORE Seller Portal – Loan

Update/Description of Change	Section
	Submissions
Seller Guide Release June 22, 2023	
• Removed correspondent delegation tiers.	Chapter 1: Seller Eligibility
• Revised mortgage seasoning requirements to align with agency requirements, and GNMA requirements, when applicable.	Chapter 5: • FHA Conforming and High Balance Program Guidelines • VA Conforming and High Balance Program Guidelines • VA IRRRL Program Guidelines • USDA Purchase and Non-Streamline Program Guidelines
Seller Guide Release June 08, 2023	
• Revised condominium property eligibility to align with FHA.	Chapter 5: • FHA Standard 203K Conforming and High Balance Program Guidelines • FHA Limited 203K Conforming and High Balance Program Guidelines
• Removed requirements for market conditions addendum.	Chapter 5: USDA Purchase and Non-Streamline Program Guidelines

Update/Description of Change	Section
• Removed QM and Safe Harbor restriction language.	Chapter 5: Home Equity Loan 2nd Lien (HELOAN) Guidelines
• Added clarification for escrow holdbacks for Fannie Mae, Freddie Mac, FHA, and USDA loans that the repairs must be completed and disbursed no more than 180 days from closing. • Requirement added for as-is appraisals with an escrow repair holdback requires an exception from Credit Risk Management. • Updated the delivery address for all post-purchase trailing loan documents.	Chapter 8: Loan Purchasing
Seller Guide Release May 25, 2023	
• Revised LDP and SAM requirement to include all government loans.	Chapter 2: Compliance
• Removed non-QM language.	Chapter 5: Home Equity Loan 2nd Lien (HELOAN) Guidelines
Seller Guide Release May 18, 2023	
• Added requirement for subordinate financing agreement when a borrower is obligated to pay a third-party (other than a co-owner of the subject property) a share of any appreciation in the value of the property is not permitted, unless it qualifies as a Community Seconds loan. • Revised guidance for properties listed for sale to be removed prior to the disbursement date of the new loan.	Chapter 5: Fannie Mae Conforming Program Guidelines
• Updated Credit Exceptions/Non-Traditional Credit to align with Fannie Mae.	Chapter 5: Fannie Mae HomeReady Guidelines
• Added guidance for IRS Installment Agreements.	Chapter 5: Freddie Mac Conforming and Super Conforming Program Guidelines
• Removed "leaseholds" from borrower eligibility.	Chapter 5: VA Conforming and High Balance Program Guidelines
• Updated guidance for condominiums to follow Fannie Mae Condominium requirements.	Chapter 5: Home Equity Loan 2nd Lien (HELOAN) Guidelines
Seller Guide Release May 04, 2023	
• Revised age of documentation for self-employed verification of business. • Updated guidance for rental income and included link to Freddie Mac Selling	Chapter 5: Freddie Mac Conforming and Super Conforming Program

Update/Description of Change	Section
Guide.	Guidelines
• Removed 1004 Desktop appraisal option. • Added requirement for full appraisal when loan is an HPML. • Clarified original appraisals and new appraisals must be ordered through an approved AMC listed. • Clarified requirements for soft pull and when a new credit report is required. • Removed proposed rental income as an eligible source of income. • Clarified PUDs may be attached or detached. Attached PUDs require evidence of the master insurance policy.	Chapter 5: Home Equity Loan 2nd Lien (HELOAN) Guidelines
Seller Guide Release April 13, 2023	
• Updated Net Worth requirement.	Chapter 1: Seller Eligibility
• Added guidance for real estate commission used for closing costs and down payment.	Chapter 5: Fannie Mae Conforming Program Guidelines
• Updated guidance for identity/conflict of interest to include tenants/landlord.	Chapter 5: • FHA Standard 203K Conforming and High Balance Program Guidelines • FHA Limited 203K Conforming and High Balance Program Guidelines
Seller Guide Release April 06, 2023	
• Removed manufactured homes as ineligible for Texas 50(a)(6) transactions.	Chapter 5: Fannie Mae Conforming Program Guidelines
• Removed manufactured homes as ineligible for Texas 50(a)(6) transactions. • Added ChoiceHome as ineligible for manufactured homes.	Chapter 5: Freddie Mac Conforming and Super Conforming Program Guidelines
• Updated definition for family members for identity of interest transactions.	Chapter 5: FHA

Update/Description of Change	Section
	Conforming and High Balance Program Guidelines
• Updated VA Funding Fee to align with new VA reduced funding fee rates.	Chapter 5: VA Conforming and High Balance Program Guidelines
Seller Guide Release March 30, 2023	
• Added requirements for cash-out refinance transactions to require that any existing first mortgage being paid off through the transaction be at least 12 months old as measured from the note date of the existing loan to the note date of the new loan. • Added guidance for unique property eligibility.	Chapter 5: Fannie Mae Conforming Program Guidelines
Seller Guide Release March 23, 2023	
• Guidance added for income and employment, and assets derived from marijuana/cannabis • Updated guidance for "Conversion of Principal of Residence or Pending Sale"	Chapter 5: Fannie Mae Conforming Program Guidelines
• Guidance added for income and employment, and assets derived from marijuana/cannabis	Chapter 5: • Freddie Mac Conforming Program Guidelines • USDA Purchase and Non-Streamline Program Guidelines
• Updated guidance for income limits to 80% of AMI	Chapter 5: Freddie Mac Home Possible Program Guidelines
• Guidance added for income and employment, and assets derived from marijuana/cannabis • Updated annual MIP to align with new FHA reduced Annual Mortgage Insurance Premium	Chapter 5: FHA Conforming and High Balance Program Guidelines
• Updated annual MIP to align with new FHA reduced Annual Mortgage Insurance Premium	Chapter 5: FHA Streamline Conforming and High Balance Program Guidelines

Update/Description of Change	Section
• Guidance added for income and employment, and assets derived from marijuana/cannabis • Added requirements for self-employed borrowers to require 2 years signed business/corporate tax returns for manually underwritten loans	Chapter 5: VA Conforming and High Balance Program Guidelines
Seller Guide Release March 16, 2023	
• Overlay added that valuation modernization is not eligible. • Updated properties with a Condition Rating of C6 or Quality Rating of Q6 are not eligible for purchase.	Chapter 5: Fannie Mae Conforming Program Guidelines
• Removed overlay to not allow sweat equity. • Added guidance that sweat equity is eligible.	Chapter 5: Fannie Mae HomeReady Guidelines
• Removed requirement that SSA-89 must be wet signed.	Chapter 8: Loan Purchasing
Seller Guide Release March 10, 2023	
• Added available fixed rate terms for Fannie Mae High Balance.	Chapter 5: Products and Programs
• Added available fixed rate terms.	Chapter 5: Fannie Mae High Balance Guidelines
• Clarification for appraisal SSRs/EADs are required and VA appraisal is acceptable when RACR or 1004D is utilized.	Chapter 5: Home Equity Loan 2nd Lien (HELOAN) Guidelines
• Added exception for minimum FICO requirement for loan amount >$1,000,000.	Chapter 5: • VA Conforming and High Balance Guidelines • VA IRRRL Guidelines • VA Alterations and Repairs Guidelines
• Removed requirement for appraiser comment for marketability of a property 60 days from a disaster incident end period.	Chapter 8: Loan Purchasing
Seller Guide Release February 21, 2023	
• Clarified the definition of a Co-Signer/Guarantor: An individual who has no ownership interest in the property but is liable for the debt, signs the	Chapter 5: Fannie Mae Conforming Program Guidelines

Update/Description of Change	Section
mortgage or deed of trust note, and does not have an interest in the property sales transactions (i.e., property seller, builder, or real estate agent).	
• Updated Plans and Specifications topic to align with FNMA	Chapter 5: Fannie Mae HomeStyle Renovation Program Guidelines
• Updated guidance for the age of appraisal documents: With the exception of desktop appraisals, if the effective date of the appraisal report is more than 120 days, but not more than 12 months before the Note Date, an appraisal update is required. The effective date of an appraisal update must be no more than 120 days before the Note Date. If the effective date of the appraisal report is more than 12 months before the Note Date, a new appraisal with an interior and exterior inspection is required. For desktop appraisals, if the effective date of the appraisal report is more than 120 days before the Note Date, a new desktop appraisal is required	Chapter 5: Freddie Mac Conforming and Super Conforming Program Guidelines
• Deleted requirement for Fannie Mae Form 1004MC to be completed with an appraisal update • Updated the mortgage payment history for Rate/Term, Simple Refinance, and Cash-out Refinance transactions	Chapter 5: FHA Conforming and High Balance Program Guidelines
• Clarified that when paystubs are required, a full two months of payments are required for the borrower’s current employment. • Clarified that a two-repository credit report is acceptable if that is the extent of the available information. • Added New York as an ineligible state.	Chapter 5: Home Equity Loan 2nd Lien (HELOAN) Program Guidelines
• Clarified that Escrow Holdbacks are permitted.	Chapter 5: USDA Purchase and Non-Streamlined Refi Guidelines
• Clarified that loans underwritten using both DU and LPA have manual downgrade requirements.	Chapter 5: VA Alterations and Repair Program Guidelines
Seller Guide Release February 06, 2023	
• New Product Release – Added Home Equity Loan 2nd Lien (HELOAN) Program	Chapter 5: Home Equity Loan 2nd Lien (HELOAN) Program Guidelines
Seller Guide Release January 31, 2023	
• Updated guidance for cash-out refinance transactions. The existing first lien	Chapter 5: Freddie Mac

Update/Description of Change	Section
must be seasoned for a minimum of 12 months	Conforming and Super Conforming Program Guidelines
Seller Guide Release January 20, 2023	
• Updated guidance for age of appraisal report	Chapter 5: • Freddie Mac Conforming and Super Conforming Program Guidelines • Fannie Mae Conforming Guidelines
• Added guideline for properties without liens (free and clear)	Chapter 5: Fannie Mae HomeStyle Renovation Guidelines
• Updated guidance for when eligible borrowers require VA review and approval	Chapter 5: VA Conforming and High Balance Program Guidelines
• Clarified household income calculation	Chapter 5: USDA Purchase and Non-Streamlined Refi Guidelines