



# CLOSED END SECONDS ELIGIBILITY GUIDELINES

Version 1.0

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# 1 Introduction

## 1.1 Overview and Underwriting Philosophy

The CAKE Mortgage Eligibility Guideline (hereafter referred to as “Guidelines”) outline the requirements for residential mortgage loans to be sold to CAKE Mortgage (hereafter referred to as “CAKE” or “CAKE Mortgage”). This document serves to provide guidance and consistency in the underwriting and review of the loan and its characteristics related to the borrower and property. CAKE Mortgage offers programs to lenders for borrowers who may have limited access to credit. As such, CAKE Mortgage evaluates many elements of the loan but primarily relies on the evaluation of the borrower’s ability to repay the loan. In addition to ability-to-repay (ATR), CAKE Mortgage’s programs take into consideration—with the expectation of full verification and examination—the borrower’s income stability and employment history, credit history, asset position, and the property being used for collateral. Each loan is assessed on the basis of its individual merits with a common sense and holistic approach to the borrower’s ability and willingness to repay. To this end, CAKE Mortgage’s programs consider the benefit to the borrower on each loan.

## 1.2 Underwriting Criteria

The CAKE CES Guidelines operate as a waterfall to the CAKE Non-QM First Lien Guidelines. For CES DSCR loans, refer first to the CAKE DSCR First Lien Guidelines. Any criteria or requirements not addressed within the applicable CAKE Non-QM or DSCR Guidelines will defer to Fannie Mae policy. Originators should refer to the appropriate guideline level—CES, Non-QM, DSCR, or Fannie Mae—based on the availability and specificity of the information needed.

### 1.2.1 Ability-To-Repay (ATR)

CAKE Mortgage may require the Exhibit B: Ability-To-Repay Borrower Attestation or similar document be included with all loan files delivered for purchase.

### 1.2.2 Underwriting Documentation

All loans must be manually underwritten. The Underwriting Approval, Income Calculation Worksheet, and the Underwriter’s determination of ATR is required as part of the credit package.

# 2 CES Program and Requirements

## 2.1 CES Program Overview

The CAKE Mortgage closed-end second (CES) can be stand-alone and in combination with new first liens (piggy-back). When used in combination with a new first mortgage, the income documentation used for qualifying must be the same for both liens.

See Matrix for details and program specific.

- The CES is designed for primary, second home and investment borrowers. For both QM and Non-QM transactions, with flexibility in mortgage history, credit history, and/or payment and

documentation options. This program offers expanded credit parameters for multiple borrower profiles while utilizing standard and alternative document types. On piggy-back transactions, the income documentation type for the CES must match the requirements of the 1st lien approval.

- Full Doc 1 or 2 Yrs: Standard FNMA Documentation
- Alt Doc Bank Statements: 12, 24 Bank Statements
- Alt Doc 1099: 1yr 1099 Statement
- Alt Doc WVOE: FNMA Form 1005
- Alt Doc P&L Only: 12 month P&L Statement
- Debt Service Coverage Ratio (DSCR)

## 2.2 Eligible CES Products

The following loan products are eligible for purchase by CAKE Mortgage. See Matrix for details.

- Fully Amortizing Fixed Rate
  - Qualifying ratios are based on PITIA payment with the principal and interest payments amortized over the loan term.
  - 10, 15, 20, 30 year fixed rate
- Balloon Notes
  - 30/15, 40/15
  - See matrix for limitations.

## 2.3 Ineligible Senior Liens

A copy of the most current 1st mortgage statement and a copy of the note is required to determine eligibility. Additional 1st mortgage documentation may be required to provide sufficient data for underwriting.

- Loans in active forbearance or deferment. Deferred balance due to a documented hardship may remain open. Without documented hardship, deferred amounts must be paid through closing.
- Loans with negative amortization.
- Reverse mortgages.
- Balloon loans that the balloon payment comes due during the amortization period of the 2nd loan.
- Private Party from institutions not reporting on NMLS

## 2.4 Interest Only Senior Liens

Interest only senior liens are acceptable when qualified at a maximum DTI of 45%. Qualify I/O on fully-amortized payment on the remaining term after the I/O period.

1st lien ARMS with < 3 years fixed period remaining qualified on fully indexed payment.

## 2.5 Seasoning: Loan and Document

CAKE Mortgage will typically not purchase loans seasoned more than 90 days from the Note Date at the loan delivery date.

Age of documents from Note Date.

<i>Credit Documents:</i>	120 Days
<i>Income Documents:</i>	60 Days
<i>Asset Documents:</i>	60 Days
<i>New AVM/Appraisal:</i>	120 Days – With Recertification of Value: 180 Days
<i>Title Report:</i>	120 Days

## 2.6 Seasoning: Property Listing

Properties that have been on the market within three months of the note date are ineligible.

## 2.7 Seasoning: Ownership

Properties owned less than six (6) months ineligible. Properties owned greater than six (6) months – no restrictions.

## 2.8 State and Federal High Cost Loans

Not eligible for CAKE Mortgage loan purchase.

## 2.9 Legal Documentation

Available Fannie Mae security instruments, notes, riders/addenda, and special purpose documents can be utilized for loan documentation.

## 2.10 Interest Credit

Loans closed within the first ten (10) days of the month may reflect an interest credit to the borrower.

## 2.11 Assumability

CAKE CES products are not assumable.

## 2.12 Escrows

Closed-end 2nd loans with escrows are not eligible for purchase with CAKE Mortgage.

## 2.13 Property Hazard Insurance

### 2.13.1 Coverage Requirements

Following Fannie Mae (FNMA) guidance, the property insurance policy must provide the claims to be settled on a replacement cost basis. The coverage amount must be at least equal to the lesser of:

- 100% of the replacement cost of the improvements as of the current property insurance



- effective date, or
- The unpaid principal balance of all liens, provided it equals no less than the replacement cost value of the improvements

Follow FNMA guidance for additional information.

CAKE is to be added as additional loss payee.

## 2.14 Flood Insurance

Flood insurance is required for any property located within any area designated by the Federal Emergency Management Agency (FEMA) as a Special Flood Hazard Area (SFHA). A SFHA is typically denoted as Flood Zone A or Zone V (coastal areas). Properties in Flood Zone A or V must be located in a community which participates in the FEMA program to be eligible for financing.

Flood insurance must be maintained throughout the duration of the loan.

## 2.15 Flood Certificate

Determination whether a subject property is in a flood zone must be established by a Flood Certificate provided by the Federal Emergency Management Agency (FEMA). Flood Cert from CoreLogic or ServiceLink is preferred. The appraisal report should also accurately reflect the flood zone.

The flood insurance requirement can be waived if:

- Subject property improvements are not in the area of Special Flood Hazard, even though part of the land is in Flood Zone A or V; or
- Borrower obtains a letter from FEMA stating that its maps have been amended so that the subject property is no longer in an area of Special Flood Hazard

### 2.15.1 Minimum Flood Insurance Coverage

For reference, the minimum amount of flood insurance required for most first mortgages secured by 1-unit properties and individual PUD units is the lower of:

- 100% of the replacement cost of the insurable value of the improvements;
- the maximum insurance available from the National Flood Insurance Program (NFIP), which is currently \$250,000 per dwelling; or,
- the unpaid principal balance of the mortgage.

The minimum amount of flood insurance required for a PUD or condo project is the lower of:

- 100% of the insurable value of the facilities; or,
- the maximum coverage available under the appropriate National Flood Insurance Program (NFIP).

The flood policy for a PUD or condominium project must cover any common element buildings and any other common property located in a SFHA.

## 2.16 Prepayment Penalty

Prepayment penalties are only eligible for DSCR Closed-End Second (CES) loan transactions on non-owner and investment properties (business purpose).

For all other loan transactions (primary residence, second home, non-DSCR investment), prepayment penalties are prohibited.

Note: States may impose different definitions of points and fees, rate/APR, or prepayment penalties that apply under HOEPA. States may also use different triggers in each category for determining whether a loan will be a “high-cost mortgage” (or equivalent terms) under state law. Prepayment penalty must be in compliance with the terms and limitations of the applicable state or federal law.

## 3 CES Property Eligibility

### 3.1 Appraisals

Collateral evaluation requirements for the second mortgage program.

#### 3.1.1 Appraisal Options

On purchase transactions, a copy of the appraisal with original pictures and any secondary valuation used on the 1st mortgage is acceptable.

#### **Higher-Priced Mortgage Loan (HPML)**

##### Primary and 2nd Homes:

- Full Appraisal (1004, 1025, 1073)
- Declining markets maximum – refer to matrix

#### **HPML QM Safe Harbor or Rebuttable Presumption (Full Doc only)**

##### Primary and 2nd Homes:

- Loan amounts < \$400,000 AVM with a 90% Confidence Factor and a Property Condition Inspection from:
  - Clear Capital
  - CoreLogic
  - Xactus AVM
- Full appraisal required when AVM has less than 90% Confidence Factor.
- Loan amounts > \$400,000
  - Full Appraisal (1004, 1025, 1073)
- Declining markets – Refer to Matrix for Max CLTV

## Non-HPML

### Primary/2nd Home/ Investment Property

- Loan amounts < \$400,000 AVM with a 90% Confidence Factor and a Property Condition Inspection from:
  - Clear Capital
  - CoreLogic
  - Xactus AVM
- Full appraisal required when AVM has less than 90% Confidence Factor.
- Loan amounts > \$400,000
  - Full Appraisal (1004, 1025, 1073)
- Declining markets: Refer to Matrix for Max CLTV

## 3.2 Minimum Property Standards

Minimum property standards include but may not be limited to:

- 500 square feet.
- Property constructed for year-round use
- Permanently affixed continuous heat source
- Maximum deferred maintenance cannot exceed \$2,000
- No health or safety issues both internal or external

### 3.2.1 Eligible Property Types

- SFR, PUD, Townhome, Rowhome, Modular
- 2-4 Units
- Condos – Warrantable
- Rural – Primary, Maximum 10 acres. See Matrix for CLTV.

### 3.2.2 Ineligible Property Types

- Rural Investor Properties & Rural 2<sup>nd</sup> Homes
- Condotel
- Non-warrantable Condos
- Manufactured/Mobile Homes
- Log Homes
- Working Farms and Hobby Farms
- Unique Properties
- Agricultural or Commercial Zoned Properties
- Co-ops
- Room and Board Facilities
- Adult Assisted Living/Care Facility
- Mixed-Use
- Land Trust
- Deed-restricted properties
- Hawaii properties located in lava zones 1 and/or 2
- Houseboats

- Income producing properties with acreage

### 3.2.3 Acreage Limitations

- Maximum 10 acres

### 3.2.4 Texas Section 50(a)(6)

- Texas Section 50(a)(6) cash-out loans and Texas Section 50(a)(4) no cash-out loans are eligible only with CAKE Mortgage prior approval.

## 3.3 State Ineligibility

- Loans categorized as NY Subprime

## 3.4 Title Vesting and Ownership

Ownership must be fee simple or leasehold

Acceptable forms of vesting are:

- Individuals
- Joint tenants
- Tenants in Common
- Inter Vivos Revocable Trust
- Business Entity – Investor properties only. With current vesting in:
  - Limited Liability Company (LLC)
  - Limited and General Partnerships
  - Corporations

### 3.4.1 Inter Vivos Revocable Trust

Inter Vivos Revocable Trusts are allowed when the requirements outlined below are met.

- The trust must be established by one or more natural persons, solely or jointly.
- The primary beneficiary of the trust must be the individual(s) who is establishing the trust.
- Trust must be in the borrower's name.
- Trust must state that the borrower(s) have a right to revoke the Trust during their lifetimes.
- Income and assets of at least one borrower of the individuals establishing the Trust must be used to qualify for the mortgage.
- Trust must comply with all applicable state and local laws and regulations.
- Trustee must have the power to mortgage the property.
- The trust must become effective during the lifetime of the person establishing the trust.

Provide copy of Trust Agreement or Trust Certificate (where allowed by law) reviewed and approved by Title company. Title must not contain any title exceptions and offer full title protection without exception to the trust.

### 3.4.2 Business Entity

Vesting solely in the name of a business entity (LLC, partnership or corporation) is acceptable on investor properties only on the CAKE CES program. Sellers must ensure loans that are secured by properties vested in a business are solely business purpose loans for the purchase or refinance of an investment property.

Loans must be originated only in individual borrower(s) names. Entities are eligible for vesting only.

The following standards apply:

- All persons with  $\geq 25\%$  interest in the business entity ("Interested Persons") must apply for the loan and meet credit requirements
- Maximum of four (4) individual members/partners/shareholders. No entities as members.
- Persons who sign the note or a personal guaranty must sign an Occupancy Affidavit prior to closing.
- Collateral documents must be signed as follows:

Note Signature	Required Security Instrument Signature	Personal Guaranty Required
Only Interested Persons	Both Business Entity and all Interested Persons	No
Only Business Entity	(a) Only Business Entity; or (b) Both Business Entity and all Interested Persons	Yes, for all Interested Persons
Interested Persons and Business Entity	(a) Only Business Entity; or (b) Both Business Entity and all Interested Persons	No

The following documentation must be provided:

- Formation and Operating documents
  - Articles of Incorporation and bylaws
  - Certificate of Formation and Operating Agreement, or
  - Partnership Agreement
- Tax Identification Number
- Certificate of Good Standing

## 3.5 Leasehold Properties

In areas where leasehold estates are commonly accepted and documented via the Appraisal, loans secured by leasehold estates are eligible for purchase. The mortgage must be secured by the property improvements and the borrower's leasehold interest in the land. The leasehold estate and any

improvements must constitute real property, be subject to the mortgage lien, and be insured by the lender's title policy.

Seller must provide documentation and Leaseholds must meet all FNMA eligibility requirements (i.e. term of lease).

### 3.6 Solar Liens

Solar liens must be either paid off at closing or subordinate to the third lien position and included into the overall CLTV.

If subordinated, the lien must all be paid current.

### 3.7 Limitations on Financed Properties

#### Primary and Second Homes

- The maximum number of financed properties to any one borrower is limited to twenty (20) residential properties including subject property.
- Commercial properties and residential > 5-units excluded from calculation.

#### Investor Properties

- There is no limit on the number of financed properties.

### 3.8 Disaster Areas

Sellers are responsible for identifying geographic areas impacted by disasters and taking the appropriate steps to ensure the subject property has not been adversely affected.

Subject properties that have been adversely affected by disaster events that receive a formal disaster declaration issued by local, state or federal departments of emergency management must follow the procedures listed below. The following guidelines apply to properties located in FEMA declared disaster areas, as identified on the FEMA website at <http://www.fema.gov/disasters>.

In addition, when there is knowledge of an adverse event occurring near and around the subject property location, such as earthquakes, hurricanes, floods, landslides, tornadoes, wildfires, volcanic eruptions, civil unrest or terrorist attacks, additional due diligence should be used to determine if the disaster guidelines should be followed.

Guidelines for disaster areas should be followed for 90 days from the disaster period end date or the date of the event, whichever is later.

See CAKE full Loan Eligibility Guidelines for additional specifics on Disaster Areas or FNMA Guidelines.

### 3.9 Declining Values

Refer to Matrix for Max CLTV on properties noted by an appraiser to be in a declining market.

## 3.10 Condominiums

Fannie Mae eligible condominium projects allowed.

The seller may review and approve FNMA warrantable projects. Follow the review process required by Fannie Mae for Limited Review.

Site Condos meeting the Fannie definition are eligible for single-family dwelling LTV/CLTV.

# 4 Transaction Types

## 4.1 Eligible Transactions

- Purchase
- Cash-Out

### 4.1.1 Cash-out Seasoning

Properties owned for 6 months or greater, no restrictions. Properties owned less than 6 months ineligible.

### 4.1.2 Stand-Alone Cash-out

CAKE CES stand-alone loans are available for cash-out on Primary, Second Home or investor property. A letter of explanation regarding the use of loan funds must be provided for cash-out refinance transactions.

### 4.1.3 Prior Cash-Out Refinance Seasoning

Any previous cash-out refinance transaction, either the 1<sup>st</sup> or a 2<sup>nd</sup> lien, within the prior three (3) months limits the maximum CLTV to 80%.

### 4.1.4 Piggy-Back Purchase

CAKE CES can be combined with a new 1<sup>st</sup> mortgage for the purchase of a Primary, Second Home or investor property.

When the product is combined with a new CAKE 1<sup>st</sup> mortgage in a purchase transaction, the required income and asset documentation will follow the AUS Recommendations and/or the 1<sup>st</sup> mortgage loan approval. AUS recommendations only required if the CAKE 1<sup>st</sup> loan is an agency Fannie/Freddie loan.

The following credit requirements will default to the AUS Recommendation and/or the 1<sup>st</sup> loan approval:

- Housing history limit of 0x30x12 can be waived if allowed by 1<sup>st</sup> loan approval.
- FTHB overlays can be waived if allowed by 1<sup>st</sup> loan approval.
- Minimum tradelines requirements are waived when the 1<sup>st</sup> lien has an AUS Approve/Eligible or Approve/Ineligible Recommendation.

CAKE Mortgage Guidelines and overlays apply with an AUS “Out of Scope” finding.

A copy of the appraisal and original pictures and any secondary valuation (if applicable) used for the 1<sup>st</sup> mortgage is required for the file. Appraisal waivers not accepted.

## 4.2 Non-Arm’s Length

Non-arm’s length transactions ineligible.

# 5 Borrower Eligibility and Requirements

Refer to Fannie Mae guidelines for all definitions of eligibility status.

## 5.1 Fraud Report and Background Check

All loans must include a third-party fraud detection report for all borrowers. Report findings must cover standard areas of quality control including, but not limited to: borrower validation, social security number verification, criminal records, and property information (subject property and other real estate owned). All high-level alerts on the report must be addressed by the seller. If the seller cannot electronically access the fraud report to clear high-level alerts within the fraud provider’s system, an Underwriter’s Certification from the seller is acceptable. The Certification must address each individual high alert and explain what actions were taken to satisfy the issues. It must be signed and dated by a member of the seller’s underwriting staff or operations management personnel.

## 5.2 Non-Occupant Co-Borrowers

Non-Occupant co-borrowers are ineligible.

## 5.3 First Time Homebuyers

CAKE Mortgage defines a First Time Home Buyer as a borrower who has no ownership interest (sole or joint) in a residential property during the three-year period preceding the date of the purchase of the subject property.

For Piggyback loans, a First Time Home Buyer’s housing history defaults to the 1st lien requirements.

## 5.4 Residency

### 5.4.1 U.S. Citizen

Eligible without guideline restrictions.

See CAKE full Loan Eligibility Guidelines for specifics on:

- Permanent Resident Alien
- Non-Permanent Resident Aliens



### 5.4.2 Ineligible Borrowers

The following borrowers are ineligible:

- Irrevocable Trust
- Land Trust
- Individual possessing diplomatic immunity or otherwise excluded from US jurisdiction.
- Any material parties (company or individual) to transaction listed on HUD's Limited Denial of Participation (LDP) list, the federal General Services Administrative (GSA) Excluded Party list or any other exclusionary list.
- Foreign Nationals.
- Borrowers without a valid Social Security Number.
- Borrowers who are party to a lawsuit

## 6 Credit

### 6.1 Credit Report

A credit report is required for every borrower. All applicants must have a valid Social Security Number. Fannie Mae guidelines should be utilized for processing and documenting all required credit reports and determining borrower's credit eligibility for CAKE Mortgage loan purchase.

Disputed Tradelines must be included in DTI.

For borrowers who have a security freeze on their credit, the security freeze must be removed and credit repulled.

### 6.2 Loan Integrity and Fraud Check

Data integrity is critical to quality loan file delivery and mitigation of fraud risk. All loans must be submitted to an automated fraud and data check tool (i.e. FraudGuard, DataVerify, etc.). A copy of the findings report must be provided in the loan file along with any documentation resolving any deficiencies or red flags noted.

### 6.3 Credit Inquiries

Lenders must inform borrowers that they are obligated to notify the lender of any new extension of credit, whether unsecured or secured, that takes place during the underwriting process and up to the consummation of the loan.

For all inquiries within the most recent 90 days of the credit report date, a signed letter of explanation from the borrower or creditor is required to determine whether additional credit was granted as a result of the borrower's request. If new credit was extended, borrower must provide documentation on the current balance and payment; based on the verification of all new debt/liabilities, the borrower should be qualified with the additional monthly payment. If no credit was extended, borrower must state the purpose of the inquiry.

## 6.4 Credit Report Update

Seller is to confirm there are no new or higher debt obligations for the borrower by using a gap credit report, soft-pull or undisclosed credit monitoring. This type of report is required if Note date is greater than 30 days after the date of the credit report relied upon for underwriting. The gap credit report, soft-pull or final report for the undisclosed debt monitoring is to be dated within 10 days of the Note date.

When these reports are required, it becomes part of the Mortgage File and all payments/balances and DTI are to be updated.

## 6.5 Housing History

Refer to CAKE first lien guidelines.

## 6.6 Consumer Credit

### 6.6.1 Consumer Credit History

Applicants with current credit delinquencies are ineligible.

### 6.6.2 Consumer Credit Charge-offs and Collections

Open charge-offs or collections < \$1,000 per occurrence are acceptable. Open medical collections may be excluded and do not need to be paid off.

### 6.6.3 Consumer Credit Counseling Services

Borrowers enrolled in credit counseling are ineligible.

### 6.6.4 Judgment or Liens

All judgements, garnishments and all outstanding liens must be paid off prior to or at loan closing.

### 6.6.5 Income Tax Liens

All income tax liens (federal, state, local) must be paid off prior to or at loan closing.

## 6.7 Credit Event Seasoning

No foreclosure actions (NOI, NOD), short-sale, deed in lieu, bankruptcies in last 48 months.  
No multiple credit/housing events (FC, BK, SS/DIL) in the last seven (7) years.

## 6.8 Credit Score

The Representative Credit Score is to be used for the Credit Decision. A valid score requires one (1) score from at least two (2) of the following agencies: Experian (FICO), Trans Union (Empirica), and Equifax (Beacon). Only scores from these agencies are acceptable.

A borrowers' representative credit score is the lower of two (2) scores or the middle of three (3) scores.

For loans with multiple borrowers:

The occupying borrower with the highest income is the primary borrower and their representative credit score is to be used. When borrowers are self-employed and have equal ownership of a business, the lowest representative score of all borrowers is to be used.

Minimum credit score for co-borrowers is 500.

## 6.9 Standard Tradeline Requirements

- Only the Primary Wage Earner is required to meet the minimum tradeline requirements below and if the Primary Wage Earner has 3 credit scores reporting on credit, then the minimum credit tradeline requirements are considered met
- Minimum tradeline requirements:
  - At least three (3) tradelines reporting for a minimum of 12-months, with activity in the last 12-months, or
  - At least two (2) tradelines reporting for a minimum of 24-months, with activity in the last 12-months
- Borrowers who do not meet one of the above tradeline requirements, but have a minimum of two credit scores, can alternatively satisfy the tradeline requirement by meeting the requirements below:
  - No fewer than eight (8) tradelines are reported, one (1) of which must be a mortgage or rental history
  - At least one (1) tradeline has been open and reporting for a minimum of twelve (12) months
  - The borrower has an established credit history of at least four (4) years
- If the borrower does not meet the tradeline requirement but has a valid credit score, alternative trade lines may be used to qualify by providing the following:
  - If the borrower has one standard tradeline for 12 months, then two alternative tradelines for 12 months are required
  - If the borrower has one standard tradeline for 24 months, then one alternative tradeline for 24 is required
  - Acceptable alternative tradelines:
    - 12- or 24-months' rent verification (Professional Management Company VOR for 12 or 24 months, or Private VOR for 12 or 24 months + 12 months of canceled checks)
    - 12- or 24-months' utility bill verification
    - 12- or 24-months' phone bill verification
    - 12- or 24-months' HOA bill verification
- Unacceptable tradelines to be counted as tradelines:
  - Any liabilities in deferment status

- Accounts discharged through bankruptcy
- Authorized user accounts
- Charge-offs
- Collection accounts
- Foreclosures
- Deed-in-lieu foreclosures
- Pre-foreclosure sales
- Short sales

On piggy-back loans, minimum tradelines are waived when the 1<sup>st</sup> lien has an AUS with Approve/Eligible or Approve/Ineligible Recommendation.

## 6.10 Obligations / Liabilities not appearing on Credit Report

### 6.10.1 Housing and Mortgage Related Obligations

All properties owned by the borrower must be fully documented. These obligations must be verified using reasonably reliable records such as taxing authority or local government records, homeowner's association billing statements, information obtained from a valid and legally executed contract.

The monthly mortgage payment (PITIA) used for qualification consists of the following:

- Principal and Interest
- Hazard and flood and insurance premiums
- Real Estate Taxes
- Special Assessments
- Association Dues
- Any subordinate financing payments.
- Premiums and similar charges that are required by the creditor (i.e., mortgage insurance)

### 6.10.2 Current Debt Obligations, Child Support, Alimony or Maintenance Obligations

A lender may use a credit report to verify a borrower's current debt obligations, unless the lender has reason to know that the information on the report is inaccurate or disputed.

Monthly alimony, child support or separate maintenance fees should be current at time of application and must be included in the borrower's DTI ratio. The file should contain supporting documentation as evidence of the obligation, such as a final divorce decree, property settlement agreement, signed legal separation agreement, or court order. If payments are past due, the borrower is ineligible.

## 7 Assets

### 7.1 Document Options

For purchase files, documentation of sufficient funds from acceptable sources for down payment, closing costs, prepaid items, debt payoff are required and follow 1st lien approval when applicable. FNMA guidelines used to verify funds. All documentation to follow AUS requirements when applicable

## 8 Income Documentation

### 8.1 Income Analysis

For stand-alone loans, the income documentation and calculation per FNMA guides with 2 years verification unless otherwise noted by the program document requirements.

For Piggy-back loans, the income documentation and calculation follow 1st lien approval.

#### 8.1.1 Income Worksheet

Stand-alone loans using bank statement program must include Seller's income calculations, or CAKE's income calculation worksheet detailing income calculations.

Income analysis for borrowers with multiple businesses must show income/(loss) details separately, not in aggregate.

#### 8.1.2 Employment and Income Verification

For stand-alone loans, most recent two (2) years employment is required to be documented and verified for all income/documentation types unless otherwise noted by specific program requirements.

If any borrower is no longer employed in the position disclosed on the Form 1003 at the CAKE purchase date, loan will be ineligible.

A two-year employment history is required for the income to be considered stable and used for qualifying.

When the borrower has less than a two-year history of receiving income, Seller must provide written analysis to justify the stability of the income used to qualify the Borrower.

For piggy-back loans, documentation to follow 1st lien approval.

### 8.2 Debt to Income Ratio / DTI

Standard Debt-to-Income ("DTI") maximums as per Matrix. See Section 2.4 for limits to DTI on loans with Interest Only First Liens.

DTI is calculated and reviewed for adherence to Fannie Mae guidelines and inclusion of all income and liability expenses.

### 8.3 Documentation Options

For stand-alone loans, full income documentation for wage earners and self-employed borrowers. Bank statement documentation for self-employed borrowers.

For piggy-back loans, follow 1st lien documentation requirements. Documentation used for the CES must be the same as used for the 1st lien.

## 8.4 Full Income Documentation

### 8.4.1 Full Doc for Stand-Alone

#### **Self-employed borrowers:**

- 1 or 2 years of personal and business tax returns, including all schedules.
- If the most recent tax returns are unavailable or on extension, provide either a current year-to-date profit and loss statement (borrower-prepared is acceptable) or the most recent 3 months of business bank statements.
- Income will be qualified based on tax return documentation, with the P&L or bank statements used to support the reported income.
- Tax transcripts are required.

#### **Wage/Salaried borrowers:**

- W-2s for most recent 1 or 2-years and current paystubs reflecting 30 days earnings
- W-2 transcripts can be used in lieu of W-2s
- 

#### **Other Requirements:**

- A verbal VOE from each employer within 10-days of the note date for wage and salaried employees.
- For self-employed verify existence of business within 30-days of the note date with one of the following:
  - Letter from business tax professional.
  - On-line verification from regulatory agency or licensing bureau.
  - Certification verifying business existence through direct contact or internet search.

#### **Other Miscellaneous Income**

- Treatment of miscellaneous income sources follow FNMA guidelines.

### 8.4.2 Full Doc for Piggy-Back

- Documentation requirements to follow 1<sup>st</sup> lien requirements.

## 8.5 Alternative Income Documentation: 12 or 24 months Bank Statements

### 8.5.1 Alt-Doc: 12 or 24 months Bank Statements

For self-employed borrowers. Bank statements (personal and/or business) may be used as an alternative to tax returns to document a self-employed borrower's income.

The Primary Borrower (greater than 50% of income) must be self-employed for at least 2 years (25% or

greater ownership) to qualify for this program. No 4506-C/tax transcripts/Tax Returns (4506-C required for salaried co-borrowers)

### 8.5.2 Alt-Doc: Bank Statement Restrictions

NSF's may be considered based up on CAKE's 1st lien NON QM guidelines.

### 8.5.3 Alt-Doc: Bank Statement Documentation

- Borrower must document two years current continuous self-employment with business license or statement from corporate accountant/CPA/tax preparer confirming the same.
  - Other documentation from third parties may be acceptable on a case by case basis (e.g., letter from an attorney).
  - Acceptable business license must be verified by third party (e.g., government entity, borrower's business attorney). Borrowers whose self-employment cannot be independently verified are not eligible.
  - In instances where a license is not required (e.g., choreographer), a letter from a tax preparer confirming employment may be accepted in lieu of a license.

### 1099 Contractor

- A borrower who is a "1099 contractor" may be considered self-employed for this program with confirmation from a tax preparer that the borrower is a 1099 contractor and files Schedule C or Schedule E with the IRS (personal tax returns). Borrower cannot have ownership of 1099 Payor's business.

See CAKE full Loan Eligibility Guidelines for other income specifics.

### 8.5.4 Alt-Doc: Bank Statement Income Analysis

Personal or Business Bank Statements may be used to document self-employment income.

12 or 24 months of complete business bank statements from the same account. (If an account has been moved to a different Bank and is shown to be one and the same, that will be acceptable)

To understand the nature of business and its operations, underwriter may request the borrower or tax preparer to provide a written, signed statement to include the following information about the business:

- The nature of the business
  - How income is generated
  - How long the business has been in existence
- 
- Business Bank Statements
  - 12 or 24 months of complete business bank statements from the same account. (If an account has been moved to a different Bank and is shown to be one and the same, that will be acceptable). Co-mingling of multiple accounts to generate a full 12 or 24 months is not permitted.
  - Most recent statement must be dated within 60 days of application date.
  - Borrowers must be self-employed for at least one (1) year in the same business

- Must have at least two (2) years in the same line of business
- If nature of borrower's business cannot be determined from the URLA, a business narrative may be provided by the borrower
- The business being used to source income must be in existence for a minimum of one (1) years as evidenced by one of the following:
  - CPA Letter
  - Business License
  - Other reasonable evidence of business activity
- Borrower must be at least 25% owner of the business. If multiple owners, then the income used will be based on ownership percentage(s)
- Business Bank Statements must be consecutive and from the most recent period
- Nonprofit Entity not eligible
- Funds/Deposits in a IOLTA (Trust) ineligible source
- Tax returns and 4506-C are not required for the bank statement program
- Qualifying Income will be determined based on one of the following calculations below:
  - Standard fixed expense ratio factor of 50% or;
  - Fixed expense ratio factor as provided by a Certified Public Accountant (CPA), an IRS Enrolled Agent (EA), a CTEC registered tax preparer, PTIN, or a Tax Attorney. The Certified Public Accountant (CPA), an IRS Enrolled Agent (EA), a CTEC registered tax preparer, PTIN, or a Tax Attorney must attest that they have reviewed the business financial statements or working papers provided by the borrower.
  - Minimum 10% Expense Factor
  - If the underwriter believes the related industry has an expense ratio that is materially higher than 50%, the underwriter may require additional documentation at their discretion to support such-expense ratio
  - Ratios less than 50% would require a third-party prepared Business Expense Letter or P&L Statement
    - Business Expense Letter: An expense letter specifying business industry and expenses as a percent of the gross annual sales/revenue, prepared and signed by either a Certified Public Accountant (CPA), an IRS Enrolled Agent (EA), a CTEC registered tax preparer, PTIN, or a Tax Attorney.
- Personal Bank Statements
  - 12 or 24 months complete personal bank statements (multiple bank accounts may be used but must cover 12 or 24 months from each account). Dated within 60 days of application: and
  - Two (2) months business bank statements (to support that the borrower maintains a separate business account). If business bank statements cannot be provided to evidence a separate business account, then a 20% expense factor may be applied.
    - Minimum 10% expense factor may be applied if provided by Certified Public Accountant (CPA), an IRS Enrolled Agent (EA), a CTEC registered tax preparer, PTIN, or a Tax Attorney. The Certified Public Accountant (CPA), an IRS Enrolled Agent (EA), a CTEC registered tax preparer, PTIN, or a Tax Attorney must attest that they have reviewed the business financial statements or working papers provided by the borrower.
  - Most recent statement must be dated within 60 days of application date.
  - The business being used to source income must be in existence for a minimum of one (1) year as evidenced by one of the following:



- CPA Letter
- Business License
- Other reasonable evidence of business activity
- Transaction histories are not acceptable
- Bank statements reflecting other individuals except non-borrowing spouses who are not applicants on the loan are not eligible
- When spousal joint accounts are used, the borrower must be 100% owner of the business, all
- income/deposits from the non-borrowing spouse must be removed and all parties must attest in writing to the income belonging to the applicant
- The following applies when analyzing personal bank statements:
  - 100% of personal bank account deposits
  - Transfers will be excluded unless they are from a documented business account

## 8.6 Alternate Income Documentation: 1099

### 8.6.1 Alt-Doc: 1099

This program is designed for borrowers who are paid on a 1099 basis and would benefit from alternative loan qualification methods. Most recent 1 year IRS Form 1099 may be used as an alternative to tax returns to document the borrower's income.

### 8.6.2 Alt-Doc: 1099 Restrictions

- Borrower cannot have any ownership interest in the company(s) providing 1099 income
- 1099 must be issued to the borrower personally, and not to their business.

### 8.6.3 Alt-Doc: 1099 Requirements and Documentation

The following is required:

- Most recent 1 year IRS Form 1099(s) from employer(s). Borrower must have 2 year history of 1099 employment.
- Current paystub or bank statement deposit for each 1099 source utilized for qualification (e.g. if borrower provided 1099 forms from five (5) separate sources, then a separate paystub/bank statement deposit must be provided from each of the five (5) 1099 sources to support current receipt)
- Third party documentation (CPA/CTEC/EA) supporting a 2 year employment history when 1 year 1099 used.
- Tax transcripts are required for each 1099 provided
- $1099 \text{ income} - 10\% \text{ expense factor} / 12 \text{ months} = \text{Qualifying Income}$ .
- 1099 Income that is not supported by documentation of current receipt cannot be used for qualification.

## 8.7 Alternative Income Documentation: WVOE

### 8.7.1 Alt-Doc: WVOE

This program is designed for wage or salaried borrowers providing a streamlined loan qualification method.

### 8.7.2 Alt-Doc: WVOE Restrictions

See CAKE CES matrix for acceptable credit, max CLTV, loan amount, combined lien amount and DTI for the transaction.

This documentation program is not available to borrowers employed by a family-owned/managed business.

### 8.7.3 Alt-Doc: WVOE Requirements and Documentation

- Two year history with the same employer is required
- The employment information must be completed by Human Resources, Payroll Department or an Officer of the company.
- Borrowers employed by family members or related individuals are not eligible
- Completed FNMA Form 1005
- Primary Residence Only
- An internet search of the business is required to support the existence of the business
- Paystub, Tax Returns, 4506-C or W2s are not required
- See matrix for Max CLTV
- 0x30x24 housing history
- Rent free borrowers eligible with rent free letter
- Minimum borrower contribution of 10% required
- Bonus, commission, and overtime are allowed but majority income must come from Base Pay.
- Declining bonus, commission or overtime will not be eligible to use
- No other active employment income may be utilized, passive income such as rental income can be included
- Verbal Verification of Employment (VVOE) within **3 days** of closing is required

## 8.8 Alternative Income Documentation: P&L Only

### 8.8.1 Alt-Doc: P&L Only

This program is designed for borrowers who are self-employed and would benefit from alternative loan qualification methods. A CPA/CTEC/EA completed and signed P&L may be used as an alternative to tax returns to document a self-employed borrower's income.

At least one of the borrowers must be self-employed for at least 2 years (25% or greater ownership) to qualify for this program.

No 4506-C/tax transcripts/Tax Returns

### 8.8.2 Alt-Doc: P&L Only Requirements and Documentation

All of the following is required:

- The business being used to source income must be in existence for a minimum of two (2) year as evidenced by one of the following:
  - CPA Letter
  - Business License
  - Other reasonable evidence of business activity
- A signed letter from the CPA, CTEC (CA Tax Education Council) or EA (Enrolled Agent) on their business letterhead showing address, phone number, and license number is required with the following information:
  - CPA/CTEC/EA must attest that they have reviewed the business financial statements or working papers provided by the borrower; and,
  - The business name, borrower's name, and percentage of business ownership by the borrower.
- CPA/CTEC/EA signed/prepared Profit and Loss Statement(s) covering the most recent 12 month period.
  - PTIN's are not acceptable to sign/prepare P&L statements.
- Income from co-borrowers who are W2 wage earners is to be documented with most recent W2 and paystub.
  - 4506-C required for salaried co-borrowers

## 8.9 Asset Depletion

On stand-alone loans, Asset depletion can be used to augment qualifying income on Full Income and Bank Statement Documentation files.

Asset Depletion cannot be used as a stand-alone income documentation type.

Allowable and documented assets are divided by 60 months to determine amount added to qualifying income.

- Document each asset with statements covering three (3) months.
- Assets must be seasoned 30 days

On Piggy-back loans, use of asset depletion as qualifying income must follow 1<sup>st</sup> lien requirements and calculations if applicable. Asset depletion cannot be used if not included in 1<sup>st</sup> lien qualifying income.

## 8.10 Investor Debt Service Coverage Ratio: DSCR

### 8.10.1 DSCR: Investor DSCR (Debt Service Coverage Ratio)

This program is designed for experienced real estate investors and qualifies borrowers based on cash-flows solely from the subject property. Only stand-alone cash-out transactions are eligible for this program.

For maximum CLTV as shown on matrices, the borrower must have a history of owning and managing commercial or residential investment real estate for a period of at least 12 months within the most recent 36 months. Proof of this investor experience must be in loan file. See also [8.10.5 DSCR: Professional Investor](#)

No borrower employment or income to be included on the application.

Borrower must acknowledge the loan is a “business purpose loan” via the [Exhibit A: Occupancy Affidavit](#).

DSCR loans are classified as business loans. Appendix Q and ATR requirements do not apply.

First-Time Investors are not eligible for this transaction type.

### 8.10.2 DSCR: Restrictions

See Matrix for acceptable credit, max CLTV, reserves, loan amount and DSCR for the transaction.

Not eligible for owner occupied or second home.

Not eligible for purchase/piggyback transactions, or transactions involving first time investors.

Pre-payment penalty must be in compliance with the terms and limitations of the applicable state or federal law.

### 8.10.3 DSCR: Documentation

Income used to qualify borrower is based upon cash flow from subject property. All DSCR CES loans must include a Form 1007 Comparable Rent Schedule.

A 4506-C is NOT required.

#### **Refinance vacant property:**

- Eligible with rent survey with a 20% vacancy factor to calculate DSCR.

#### **Refinance leased property:**

- If existing lease agreement(s) show a higher rental amount, the higher rents, up to 120% of market rents may be used if two (2) months documentation is provided (e.g. bank statements, canceled checks).

#### **DSCR Refinance Seasoning:**

- Not available with less than six (6) months seasoning. After 6 months seasoning, the current appraised value may be used to calculate CLTV.

#### **Short term leases**

- Use the leases used throughout the year and average over the 12-month period. If there are months where the property is vacant, use zero for that month in the average. The average should be supported by the comparable rent schedule (within reason).

- VRBO/Air BNB is allowed on DSCR:
  - If subject property leased on a short-term basis utilizing an on-line service such as VRBO/Air BNB; gross monthly rents can be determined by using a 12-month look back period and either 12-monthly statements or an annual statement provided by the on-line service to document receipt of rental income. If documentation cannot be provided covering a 12-month period, the property will be considered unleased.

An expired lease agreement that has verbiage that states the lease agreement becomes a month- to-month lease once the initial lease/rental term expires is allowed and will not be treated a short term as long as the original lease term was a minimum of 12 months.

All borrowers must provide the following:

- A complete schedule of all real estate owned, indicating financed and “free and clear” properties
- Mortgage/lien rating for each financed property
- Documented proof that lien-free properties are truly “free and clear” of all liens

#### 8.10.4 DSCR: Qualification

Loan qualification is based on Debt Service Coverage Ratio (DSCR) for the subject property.

- Use Note Rate to calculate PITIA for use in Debt Service Coverage Ratio (DSCR).

Debt to Income (DTI) ratio is not calculated.

#### **DSCR (Debt Service Coverage Ratio)**

The debt service coverage ratio is calculated by taking the gross rents divided by the PITIA of the subject property.

- No vacancy factor for leased properties.
- Use the Note Rate to calculate PITIA (see Matrix for details).
- Rents are derived from the lesser of the rental/lease agreement or the rent survey (Form 1007).
- Minimum DSCR – 1.00

## 9 Senior Lien Documentation Requirements

#### **Stand-Alone CES:**

- Current (within 60 days) first mortgage statement showing,
  - Current principal balance.
  - Fully amortized.
  - Term.
- HOA statement (if applicable).
- HOI, flood insurance (if applicable), flood cert.

#### **Piggy-Back CES:**

- Follow 1<sup>st</sup> lien income requirements.
- 1<sup>st</sup> mortgage approval reflecting 2<sup>nd</sup>.
- DU Approve/Eligible or Approve/Ineligible, or LP Accept

- Purchase agreement (if applicable).
- HOA statement (if applicable).
- HOI, flood insurance (if applicable), flood cert.
- Closing instructions reflecting 2<sup>nd</sup>.
- Full appraisal from 1<sup>st</sup> mortgage and any additional collateral evaluation

## 10 Exhibit A: Occupancy Affidavit



Loan Number: \_\_\_\_\_

### Occupancy Affidavit

Borrower: \_\_\_\_\_

Co-Borrower(s): \_\_\_\_\_

Property Address: \_\_\_\_\_

I/We the undersigned certify that:

\_\_\_\_\_ **Primary Residence** – I/We will occupy the Property as my/our principle residence within Sixty (60) days after the date of closing as stated in the Mortgage or Deed of Trust I/we executed. I/We will continue to occupy the Property as my/our principal residence for at least one year after the date of occupancy, unless Lender otherwise agrees in writing.

\_\_\_\_\_ **Second Home** – I/We will occupy the Property as second home (vacation, etc.) while maintaining a principal residence elsewhere.

\_\_\_\_\_ **Investment Property** – I/We will not occupy the Property as a principal residence or second home. I/We will not occupy for more than 14 days in any calendar year. The Property is an investment to be held or rented rather than for household or personal use.

**INVESTMENT PROPERTY ONLY** (the following **must** be completed on an investment property loan)

\_\_\_\_\_ I/We understand that consumer protection laws applicable to consumer loans will not apply to this loan, including the Truth in Lending Act (15 U.S.C. § 1601 et seq.), Real Estate Settlement Procedures Act (12 U.S.C. § 2601 et seq.), Gramm-Leach Bliley Act (15 U.S.C. § 6802–6809), Secure and Fair Enforcement Mortgage Licensing Act (12 U.S.C. § 5101 et seq.), and Homeowners Protection Act (12 U.S.C. § 4901 et seq.).

**REFINANCE ONLY** (the following **must** be completed on a refinance transaction)

\_\_\_\_\_ I/We the undersigned, certify that the property referenced above is **NOT** currently listed for sale or under contract to be listed for sale.

I/We the undersigned acquired this property on this date: \_\_\_\_\_



**I/We understand that it is illegal to provide false information in an application for a mortgage loan. Mortgage fraud is punishable by up to thirty (30) years in federal prison or a fine of up to \$1,000,000, or both under the provisions of Title 18, United States Code, Sec 1001.et seq.**

I/We understand that failure to comply with the requirement in the Mortgage or Deed of Trust regarding occupancy of the property will entitle the lender exercise it's remedies for breach of covenant under the Mortgage or Deed of Trust. Such remedies include, without limitation, requiring immediate payment in full of the remaining indebtedness under the Loan together with all other sums secured by the Mortgage or Deed of Trust, and exercise of power of sale or other applicable foreclosure remedies, to the extent permitted by the Mortgage or Deed of Trust.

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Borrower Signature	Date	Borrower Name	Date
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Borrower Signature	Date	Borrower Name	Date
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## 11 Exhibit B: Ability-To-Repay Borrower Attestation



### Ability-to-Repay Borrower Attestation

Date: \_\_\_\_\_

Application No: \_\_\_\_\_

This Important Ability-to-Repay Notice is being provided to each borrower prior to the signing of the loan documents, but after federal Truth in Lending disclosures have been provided.

In reviewing your credit application, [\_\_\_\_\_] has considered and verified the following information as it relates to your ability to repay this loan according to its terms as required by applicable law: (1) your current and reasonably expected income and/or assets (other than the value of the dwelling and any attached real property); (2) your current employment status (to the extent that employment income is relied on to determine repayment ability); (3) the monthly payment for principal and interest on the loan; (4) the monthly payment on any simultaneous loan that [\_\_\_\_\_] knows or has reason to know will be made; (5) the monthly payment for mortgage-related obligations (*e.g.*, property taxes, certain insurance premiums, fees and special assessments for condominiums, and homeowners association, ground rent, and leasehold payments); (6) your current debt obligations, alimony, and child support; (7) your monthly debt- to-income ratio and/or residual income; and (8) your credit history.

Below and in the attached Application Form (Uniform Residential Loan Application on Fannie Mae Form 1003) is the information that [\_\_\_\_\_] has been used and considered in making this loan, as required by applicable law:

**Employment and Income:**

Current Monthly Income: \_\_\_\_\_

Current Monthly Income from Assets: \_\_\_\_\_

**Housing Expenses:**

Principal and Interest Payment: \_\_\_\_\_

Real Estate Taxes: \_\_\_\_\_

Homeowner's Insurance: \_\_\_\_\_

Association Dues: \_\_\_\_\_

Other: \_\_\_\_\_

**Total Housing Payment:** \_\_\_\_\_

**Debts:**

Installment and Revolving monthly debt payments: \_\_\_\_\_

Other Obligations (including alimony and child support payments): \_\_\_\_\_

**Total Monthly Other Debts:** \_\_\_\_\_

The information listed above and in the Attachment, was provided by you in your application and interview, and/or in third-party records and other documents (such as credit reports and tax records). Based on its consideration of this information, [\_\_\_\_\_] has made a reasonable and good faith determination that you have the reasonable ability to repay this loan according to its terms.



[ ] wants to make sure that the information listed above is correct and complete. [ ] is in the business of making loans and collecting loan payments—it has no desire to make a loan that cannot be repaid under the terms of the agreement.

By your signature(s) below, you are confirming that:

- (1) You have read and understand this Important Ability-to-Repay Notice, and the information listed above is correct and complete;
- (2) Your current or reasonably expected income or assets (other than the value of the dwelling and any attached real property) is/are consistent with the information listed above;
- (3) Your current employment status is consistent with the information listed above and/or attached;
- (4) Your current housing expenses, debts, and other obligations (including alimony and child support payments) are consistent with the information listed above;
- (5) You have not applied for or opened any new credit accounts, defaulted on any credit accounts, filed for bankruptcy, or had any judgments entered against you by a court;
- (6) You have not experienced any other changes from the time you signed or otherwise completed the information listed above and in the attached Uniform Residential Loan Application (Form 1003) that would reduce your reasonable ability to repay this loan according to its terms.

Borrower(s):

\_\_\_\_\_  
Signature                      / /  
Date

\_\_\_\_\_  
Signature                      / /  
Date

## 12 Exhibit C: Automatic Debit Payment ACH Form



### Automatic Payment Authorization Form

You must attach a voided check or a savings deposit slip.

☒ Yes, I would like to enroll in the free\* monthly Automatic Payment Program

Name:		
Street Address:		
City, State, Zip Code:		
Mortgage Loan Number:		
Daytime Phone Number:		Evening Phone Number:
Financial Institution Name:		Financial Institution Phone Number:
Account Routing Number:	Account Number:	<input type="checkbox"/> Checking <input type="checkbox"/> Savings

**\*Please note that your financial institution may assess a fee for this transaction.**

Please specify the payment date most convenient for you, which must be within the applicable grace period. **If a payment date is not specified, or your loan is a daily simple interest loan, payments will be deducted on your current loan due date.**

Deduct my payment on the \_\_\_\_\_ of each month.

I would like additional funds deducted and applied toward reducing my outstanding principal balance. Please deduct an additional \$ \_\_\_\_\_ per month.

I hereby authorize \_\_\_\_\_, including its successors and/or assigns, to initiate transfers from my checking or savings account at the financial institution indicated above for the purpose of making my monthly mortgage payment. I authorize the amount of each transfer to include my regularly scheduled payment including principal, interest and escrow items, reimbursement of corporate advances, optional insurance as applicable and the costs of any services I request.

I understand that, in accordance with the terms of my mortgage note and/or adjustments in my escrow for taxes and insurance, my payment may change from time to time as set forth in my loan documents. You are hereby authorized to change the amount of the draft from my checking or savings account, provided that you notify me of the new payment amount at least 10 days prior to the draft date. I agree that the payment change notice provided to me under the Adjustable Rate Mortgage Provisions of the Truth-in- Lending Act and/or escrow analysis form shall



constitute notice of payment change as required by the Electronic Funds Transfer Act and Federal Reserve Board Regulation E.

I HEREBY AGREE TO THE TERMS AND CONDITIONS IN THIS FORM.

Borrower's Signature \_\_\_\_\_ Date \_\_\_\_\_

Co-Borrower's Signature \_\_\_\_\_ Date \_\_\_\_\_

## 13 Exhibit D: Borrower Contact Consent Form



### BORROWER CONTACT CONSENT FORM

(Information Optional)

To insure we have the correct contact information for servicing your loan, please provide the following information.

By signing, I authorize my mortgage servicer (its transfers and/or assigns) to contact me regarding the servicing of my loan using the following contact information.

**Mailing address for your mortgage statements and other correspondence:**

- ☐ Same as the subject property  
☐ Please use this mailing address instead:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Cell phone number:**

- ☐ I choose not to provide a cell phone number.

I understand that by providing a cell phone number and by signing this form, I am giving the holder of my mortgage Note and its billing servicer permission to use the cell phone number to contact me regarding my loan.

Borrower: \_\_\_\_\_ Co-  
Borrower: \_\_\_\_\_

**Email address:**

- ☐ I choose not to provide an email address.

I understand that by providing an email address, I am giving the holder of my mortgage Note and its billing servicer permission to use this email to contact me regarding my loan.

Borrower: \_\_\_\_\_  
Co-Borrower: \_\_\_\_\_

**Signature(s)**

Borrower:

\_\_\_\_\_  
Date

Co-Borrower:

\_\_\_\_\_  
Date

## 14 Exhibit E: VA Form #26-6393 Loan Analysis

<b>Department of Veterans Affairs</b>		<b>LOAN ANALYSIS</b>		LOAN NUMBER	
<b>PRIVACY ACT INFORMATION:</b> The VA will not disclose information collected on this form to any source other than what has been authorized under the Privacy Act of 1974 or Title 5, Code of Federal Regulations 1.526 for routine uses as (i.e., the record of an individual who is covered by this system may be disclosed to a member of Congress or staff person acting for the member when the request is made on behalf of the individual) identified in the VA system of records, 55VA26, Loan Guaranty Home, Condominium and Manufactured Home Loan Applicant Records, Specially Adapted Housing Applicant Records, and Vendee Loan Applicant Records - VA, published in the Federal Register. Your obligation to respond is required in order to determine the veteran's qualifications for the loan.					
<b>RESPONDENT BURDEN:</b> This information is needed to help determine a veteran's qualifications for a VA guaranteed loan. Title 38, USC, section 3710 authorizes collection of this information. We estimate that you will need an average of 30 minutes to review the instructions, find the information, and complete this form. VA cannot conduct or sponsor a collection of information unless a valid OMB control number is displayed. You are not required to respond to a collection of information if this number is not displayed. Valid OMB control numbers can be located on the OMB Internet Page at: <a href="http://www.reginfo.gov/public/do/PRAMain">www.reginfo.gov/public/do/PRAMain</a> . If desired, you can call 1-800-827-1000 to get information on where to send comments or suggestions about this form.					
<b>SECTION A - LOAN DATA</b>					
1. NAME OF BORROWER		2. AMOUNT OF LOAN \$		3. CASH DOWN PAYMENT ON PURCHASE PRICE \$	
<b>SECTION B - BORROWER'S PERSONAL AND FINANCIAL STATUS</b>					
4. APPLICANT'S AGE		5. OCCUPATION OF APPLICANT		6. NUMBER OF YEARS AT PRESENT EMPLOYMENT	
7. LIQUID ASSETS (Cash, savings, bonds, etc.) \$		8. CURRENT MONTHLY HOUSING EXPENSE \$		9. AGE OF DEPENDENTS	
10. UTILITIES INCLUDED <input type="checkbox"/> YES <input type="checkbox"/> NO		11. SPOUSE'S AGE		12. OCCUPATION OF SPOUSE	
13. NUMBER OF YEARS AT PRESENT EMPLOYMENT		14. AGE OF DEPENDENTS		15. AGE OF DEPENDENTS	
<b>NOTE: ROUND ALL DOLLAR AMOUNTS BELOW TO NEAREST WHOLE DOLLAR</b>					
<b>SECTION C - ESTIMATED MONTHLY SHELTER EXPENSES</b> (This Property)			<b>SECTION D - DEBTS AND OBLIGATIONS</b> (Itemize and indicate by ( ) which debts considered in Section E, Line 40) (If additional space is needed please use reverse or attach a separate sheet)		
ITEMS		AMOUNT		ITEMS	
16. TERM OF LOAN: YRS.		17. MONTHLY PAYMENT \$		18. DEBT TYPE	
19. MORTGAGE PAYMENT (Principal and Interest) @ _____ %		20. REALTY TAXES		21. HAZARD INSURANCE	
22. SPECIAL ASSESSMENTS		23. MAINTENANCE & UTILITIES		24. OTHER (HOA, Condo fees, etc.)	
25. TOTAL		26. TOTAL		27. TOTAL	
<b>SECTION E - MONTHLY INCOME AND DEDUCTIONS</b>			<b>SECTION F - DISPOSITION OF APPLICATION AND UNDERWRITER CERTIFICATION</b>		
ITEMS		SPOUSE		BORROWER	
28. GROSS SALARY OR EARNINGS FROM EMPLOYMENT		29. GROSS SALARY OR EARNINGS FROM EMPLOYMENT		30. GROSS SALARY OR EARNINGS FROM EMPLOYMENT	
31. DEDUCTIONS		32. DEDUCTIONS		33. DEDUCTIONS	
34. NET TAKE-HOME PAY		35. NET TAKE-HOME PAY		36. NET TAKE-HOME PAY	
37. PENSION, COMPENSATION OR OTHER NET INCOME (Specify)		38. PENSION, COMPENSATION OR OTHER NET INCOME (Specify)		39. PENSION, COMPENSATION OR OTHER NET INCOME (Specify)	
40. TOTAL (Sum of lines 37 and 38)		41. TOTAL (Sum of lines 37 and 38)		42. TOTAL (Sum of lines 37 and 38)	
43. LESS THOSE OBLIGATIONS LISTED IN SECTION D WHICH SHOULD BE DEDUCTED FROM INCOME		44. LESS THOSE OBLIGATIONS LISTED IN SECTION D WHICH SHOULD BE DEDUCTED FROM INCOME		45. LESS THOSE OBLIGATIONS LISTED IN SECTION D WHICH SHOULD BE DEDUCTED FROM INCOME	
46. TOTAL NET EFFECTIVE INCOME		47. TOTAL NET EFFECTIVE INCOME		48. TOTAL NET EFFECTIVE INCOME	
49. LESS ESTIMATED MONTHLY SHELTER EXPENSE (Line 21)		50. LESS ESTIMATED MONTHLY SHELTER EXPENSE (Line 21)		51. LESS ESTIMATED MONTHLY SHELTER EXPENSE (Line 21)	
52. BALANCE AVAILABLE FOR FAMILY SUPPORT		53. BALANCE AVAILABLE FOR FAMILY SUPPORT		54. BALANCE AVAILABLE FOR FAMILY SUPPORT	
55. RATIO (Sum of Items 15, 16, 17, 18, 20 and 40 _____ sum of Items 31 and 38)		56. RATIO (Sum of Items 15, 16, 17, 18, 20 and 40 _____ sum of Items 31 and 38)		57. RATIO (Sum of Items 15, 16, 17, 18, 20 and 40 _____ sum of Items 31 and 38)	
58. PAST CREDIT RECORD		59. DOES LOAN MEET VA CREDIT STANDARDS? (Give reasons for decision under "Remarks," if necessary, e.g., borderline case)		60. DOES LOAN MEET VA CREDIT STANDARDS? (Give reasons for decision under "Remarks," if necessary, e.g., borderline case)	
61. SATISFACTORY		62. SATISFACTORY		63. SATISFACTORY	
64. REMARKS (Use reverse or attach a separate sheet, if necessary)		65. REMARKS (Use reverse or attach a separate sheet, if necessary)		66. REMARKS (Use reverse or attach a separate sheet, if necessary)	
<b>CRV DATA (VA USE)</b>					
67. ABA VALUE		68. EXPIRATION DATE		69. ECONOMIC LIFE YRS.	
<b>SECTION F - DISPOSITION OF APPLICATION AND UNDERWRITER CERTIFICATION</b>					
<input type="checkbox"/> Recommend that the application be approved since it meets all requirements of Chapter 37, Title 38, U.S. Code and applicable VA Regulations and directives.					
<input type="checkbox"/> Recommend that the application be disapproved for the reasons stated under "Remarks" above.					
The undersigned underwriter certifies that he/she personally reviewed and approved this loan. (Loan was closed on the automatic basis.)					
70. DATE		71. SIGNATURE OF EXAMINER/UNDERWRITER (Sign in ink)			
72. FINAL ACTION		73. DATE		74. SIGNATURE AND TITLE OF APPROVING OFFICIAL	
75. APPROVE APPLICATION		76. REJECT APPLICATION		77. APPROVE APPLICATION	

## 15 Exhibit F: Sample of CPA Letter

January 28, 2019

ABC CPA FIRM  
ADDRESS | CITY, ST ZIP CODE

XYZ LENDER  
ADDRESS | CITY, ST ZIP CODE

To whom it may concern:

I have worked with borrower, John Homeowner, for 5 years. Mr. Homeowner has been the founder/CEO of company, 123 Business, since 2008. I have either completed or reviewed Mr. Homeowner's taxes, and determined that 123 Business operates at a 35% expense factor.

SINCERELY,

JANE SMITH, CPA