



Correspondent Lending



Conforming Underwriting Guidelines

Agency Overlays

June 2021

Introduction

The purpose of credit and property underwriting is to ensure that each loan meets the quality standards of AIG Investments. A loan meets AIG Investments' underwriting quality standards if the borrower's credit and capacity to make payments and the quality of the collateral are consistent with the mortgage Loan Program under which the Mortgage Loan is sold. The likelihood of timely repayment is expected to be commensurate with the credit quality of the Loan Program and the represented value of the subject property is expected to reflect accurately its market value.

These Underwriting Guidelines set forth the underwriting overlays and standards that apply to all conforming loan programs that may be eligible for purchase. The loan originator must have conducted all origination and underwriting procedures without regard to the borrower's race, color, religion, national origin, age, sex, marital status, handicap, income derived from a public assistance program, or status in any other class of persons protected under any applicable federal, state, or local law.

Regardless of underwriting method, additional information may be requested at the discretion of the underwriter. All references to "agency guidelines" are based on the specific agency guides as they were stated as of the release date of these Conforming Underwriting Guidelines. For topics not specifically addressed in these Conforming Underwriting Guidelines, Sellers should refer to the applicable agency guidelines, determined by the AUS utilized.

These Underwriting Guidelines are a part of the AIG Investments Correspondent Seller's Guide (Seller's Guide). All capitalized terms not defined in these Underwriting Guidelines have the respective meanings set forth in the Seller's Guide.

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These AIG Investments Underwriting Guidelines (Exhibit A-1) are dated June 15, 2021. The Underwriting Guidelines may be updated or modified from time to time. AIG Investments believes the information contained in this document relating to state laws and third-party requirements to be accurate and effective as of June 22, 2021. However, this information is provided for informational purposes only and may change at any time without notice. AIG Investments is providing this information without any warranties, express or implied. © 2020 AIG Investments. All Rights Reserved. AIG Investments is an affiliate of American International Group, Inc. Desktop Underwriter, DU, Desktop Originator, DO, Homepath, Homestyle, and HomeReady, are marks of Fannie Mae., LPA, LCA and Freddie Mac Products.



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Occupancy Types	<ul style="list-style-type: none"> • Primary, Second Home & Investment Property 	
Loan Limits	<ul style="list-style-type: none"> • Loan Amounts Up to \$548,250 	<ul style="list-style-type: none"> • High Balance and Super Conforming \$548,251—\$822,375 (as designated by FHFA)
Product Description	<ul style="list-style-type: none"> • Conventional Conforming Fixed-Rate • 15, 20 & 30 year amortization terms • Fully amortizing • Purchase, Rate & Term Refinance and Cash-out Refinance 	<ul style="list-style-type: none"> • Conventional High Balance/Super Conforming Fixed-Rate • 15, 20 & 30 year amortization terms • Fully amortizing • Purchase, Rate & Term Refinance and Cash-out Refinance
Product Codes	<ul style="list-style-type: none"> • 15-year Fixed (FX15) • 20-year Fixed (FX20) • 30-year Fixed (FX30) 	<ul style="list-style-type: none"> • 15-yr High Balance/Super Conforming Fixed (HFX15) • 20-yr High Balance/Super Conforming Fixed (HFX20) • 30-yr High Balance/Super Conforming Fixed (HFX30)
Loan Requirements	<ul style="list-style-type: none"> • AIG investments will only accept Fannie Mae's DU Approve/Eligible or Freddie Mac's LPA Accept/Eligible as the recommendation on the DU/DO or LPA report. The final, complete, legible, AUS report must be included in every closed loan file. Files containing DO sponsored findings from entities other than AIG Home Loan 2 are ineligible for purchase. • Maximum Loan LTV/CLTV/HCLTV: 95.00% regardless of the AUS Decision. • Conforming loan limits and High Balance/Super Conforming (High Cost areas) loan limits may never exceed the above stated loan limits regardless of property type, location of property, and number of units for the property. 	
Citizenship	<ul style="list-style-type: none"> • All borrowers must have a valid Social Security number. • All standards for determining stable monthly income, adequate credit history and sufficient liquid assets must be applied in the same manner to each borrower. <p>Eligible Citizenship</p> <ul style="list-style-type: none"> • US Citizens with a valid Social Security Number • Permanent Resident Aliens- A copy of the front and back of the green card is required for all permanent resident aliens and must be included in the Loan file. 	
Collateral Underwriter and Loan Collateral Advisor	<p>FNMA's Collateral Underwriter™ (CU™) and Freddie Mac's Loan Collateral Advisor (LCA) provides an automated risk and quality assessment of the appraisal report. Dependent upon the AUS utilized, CU or LCA results must be included in each file to be considered for purchase by AIG unless said property type is not eligible for entry into UCDP. Additionally, Sellers must review each appraisal in detail for completeness, accuracy, and assessment of the current fair market value and are responsible to ensure the property meets all Fannie Mae or Freddie Mac eligibility requirements.</p> <ul style="list-style-type: none"> • Collateral Underwriter or Loan Collateral Advisor scores must be 4.0 or lower to be considered acceptable for purchase by an Approved Buyer. Scores greater than 4 or unscored appraisals (CU score of 999 or LCA score of 99) will require an acceptable secondary valuation, in the form of either a Desk Review or a Field Review that <u>fully</u> supports the appraised value. <ul style="list-style-type: none"> ○ The following Desk Review products are acceptable to satisfy this requirement: <ul style="list-style-type: none"> ▪ Clear Capital © Collateral Desktop Analysis (CDA®). ▪ Summit Valuations © (SVR). ▪ Pro Teck Valuation Services © Appraisal Risk Review (ARR). • All appraisals must be performed in strict accordance with and comply with all applicable local, state, and federal laws, regulations, and orders and must conform to the current Uniform Standards of Professional Appraisal Practice adopted by the Appraisal Standards Board of the Appraisal Foundation. <p>Seller is responsible for verifying the description of the subject property as well as the accuracy and completeness of all data on the appraisal related to the subject property and project (if applicable), to include quality and condition ratings.</p>	
Condominiums	<p>Condominium project reviews must meet all applicable AUS and Agency requirements. The following is a list of condominium project reviews eligible for delivery:</p> <ul style="list-style-type: none"> • Fannie Mae Limited Review and Freddie Mac Streamline Review. • Fannie Mae Condo Project Manager (CPM). • Standard Agency Full Project Review. • Final Condo Project Acceptance through Fannie Mae Project Eligibility Review Service (PERS). New and existing PERS condo project approvals are acceptable. Refer to the Fannie Mae website for details. • Loans using single mortgage exceptions from Freddie Mac Condo Project Advisor are not eligible for purchase by an Approved Buyer. 	
Deed Restrictions (Age Related)	<p>Deed restrictions related to age are eligible for Conventional Conforming loans when the property is a primary residence or second home and for Conventional Conforming High Balance and Super Conforming loans when the property is a primary residence.</p> <p>Appraisal Requirement A full interior/exterior appraisal is required regardless of the type of appraisal report allowed by Desktop Underwriter (DU) or Loan Product Advisor (LPA).</p> <p>If a housing development is subject to age restriction, it must comply with one of the following Fair Housing Act exemptions:</p> <ul style="list-style-type: none"> • Age restrictions – 62 years of age or older – The prohibitions against discrimination on the basis of age or familial status do not apply with respect to dwellings intended for, and solely occupied, by persons 62 years of age or older. 	



<p>Deed Restrictions (Age Related) (continued)</p>	<ul style="list-style-type: none"> • Age restrictions – 55 years of age or older – The prohibitions against discrimination on the basis of age or familial status do not apply with respect to dwellings intended and operated for occupancy by persons 55 years of age or older provided that all of the following apply: <ul style="list-style-type: none"> ○ At least 80% of the occupied units are occupied by persons 55 years of age or older. ○ The housing facility or community publishes and adheres to policies and procedures that demonstrate the intent to provide housing to persons 55 years of age or older. ○ The housing facility or community can provide documentation for verification of occupancy, by means of: <ul style="list-style-type: none"> ▪ Reliable surveys and affidavits and ▪ Examples of published written policies and procedures for determination of compliance with the Act. <p>Documentation requirements for a Housing Development with age-restriction: The homeowners' association (HOA) must provide/confirm the following information in a signed affidavit:</p> <ul style="list-style-type: none"> • State that, upon request, the development/association will provide the necessary documentation to support compliance with the Fair Housing Act. • Certify that the development complies with one of the following Fair Housing Act exemptions: <ul style="list-style-type: none"> ○ Age restrictions – 62 years of age or older: The development is intended for, and solely occupied by, persons 62 years of age or older. ○ Age restrictions – 55 years of age or older: <ul style="list-style-type: none"> ▪ At least 80% of the occupied units are occupied by persons 55 years of age or older, ▪ The housing facility or community can provide documentation for verification of occupancy by means of: <ul style="list-style-type: none"> • Reliable surveys and affidavits and • Examples of published written policies and procedures for determination of compliance with the Act. <p>By providing this information, the HOA certifies that the housing development is in compliance with the Fair Housing Act. This certification must be included in the closed loan package. Supporting documentation to verify the accuracy of the information completed by the HOA is not required unless requested by AIG.</p>
<p>Desktop Underwriter Data and Loan Product Advisor Data</p>	<ul style="list-style-type: none"> • Verification documents must be reviewed and the verified values compared to the data submitted to Desktop Underwriter or Loan Product Advisor. • The terms of the closed loan must match the terms and proper version control of the final loan case-file submission to the AUS. • AIG will adhere to the Agencies specified DU and LPA tolerances for debt-to-income (DTI) ratios, assets, reserves, etc. • Should the AIG Correspondent Lending file review result in a change to income or liabilities to the extent that said tolerances are exceeded, an updated AUS Approval will be required. If any of the loan data changes, the Seller must ensure that the loan continues to meet all requirements of these Underwriting Guidelines.
<p>Disaster Policy Guidance</p>	<p>Properties subject to a disaster policy typically fall under two categories:</p> <ul style="list-style-type: none"> • Disaster declarations allowing individual assistance issued by the Federal Emergency Management Agency (FEMA). • The Seller has reason to believe that a property may have been damaged in a disaster (even if FEMA has not issued a disaster declaration / notification). <p>Affected area: AIG may redefine the areas of a disaster based on information from FEMA Declarations, market knowledge, and other sources.</p> <p>Duration of disaster policy: AIG disaster policy applies for 90 days following FEMA's declaration. AIG or FEMA may extend or retract disaster declarations.</p> <p>Assessment of property/inspection requirements:</p> <ol style="list-style-type: none"> a. For appraisals with effective dates prior to the disaster, or for properties with Appraisal Waivers obtained prior to the disaster, the following documentation requirements should be followed: <ul style="list-style-type: none"> ○ If the inspection notes the property is uninhabitable, unsound, or the condition of the property has been materially affected by the disaster and the repairs are not covered by insurance: <ul style="list-style-type: none"> ▪ The repairs must be completed, and a new full appraisal obtained. ○ If the inspection notes the property is habitable, sound, and not been materially affected by the disaster: <ul style="list-style-type: none"> ▪ Repair items do not need to be completed when the repair items are covered by insurance. Professional estimates of the repair cost must be obtained. <ol style="list-style-type: none"> a. The original valuation obtained can be used. b. The following property inspection formats are acceptable: <ul style="list-style-type: none"> ○ Final inspection or appraisal update of the property signed by the original appraiser, or substitute appraiser if the original appraiser is not available ○ Fannie Mae Desktop Underwriter Property Inspection Report (Form 2075). ○ Freddie Mac Exterior-Only Inspection Individual Report (Form 2055). c. For valuations developed after the disaster, the following products are not acceptable: <ul style="list-style-type: none"> ○ Automated Valuation Model (AVM choice). ○ Fannie Mae Appraisal Waiver/Freddie Mac Alternative Collateral Evaluation. ○ Form 2075/Form 2055. ○ Fannie Mae Exterior-Only Inspection Residential Appraisal Report (Form 2055). ○ Fannie Mae Exterior-Only Inspection Individual <i>Condominium Unit Appraisal Report</i> (Form 1075). <p>Employment Impacted by Disaster: In the event of widespread property destruction, a reverification of the borrower's employment will be required.</p>



Disaster Policy Guidance (continued)	<p>Age of documents: Mortgages secured by properties located in a designated disaster area, AIG will allow documents up to 180 days in age if documentation is provided evidencing the prior mortgage was current at the time of closing.</p>
Down-Payment Assistance Programs	<p>A first Mortgage originated in conjunction with affordable or community second programs including, but not limited to, down payment assistance programs (DAPs), up-front cost assistance programs (UCAPs), and housing assistance programs (HAPs), are eligible if the first Mortgage is not subject to any terms or conditions of a bond program and the DAP, UCAP or HAP:</p> <ul style="list-style-type: none"> • Meets the applicable Fannie Mae requirements. • Does not restrict the transfer of servicing rights of the first Mortgage. • Does not require prior notification or approval from the sponsoring authority when the first Mortgage's servicing rights are transferred.
DU Day One Certainty and LPA Asset and Income Modeler (AIM)	<p>A Seller is responsible throughout the life of the loan for all representations and warranties related to the data accuracy, omissions, misstatements, misrepresentations, clear title, compliance with legal and lending practice requirements, and product guidelines.</p> <ul style="list-style-type: none"> • Loans using any of the following services under Fannie Mae Day 1 Certainty are eligible for purchase: <ul style="list-style-type: none"> ○ DU Validation service. ○ Collateral Underwriting (CU). ○ Appraisal Waiver. • The Loans must be underwritten to the standards and guidelines of Fannie Mae's Selling Guide and Guide to Underwriting with Desktop Underwriter and all requirements on the DU Underwriting Findings Report, as well as AIG requirements. • AIG will purchase Loans that use Freddie Mac LPA asset and income modeler. The Loans must be underwritten to the standards and guidelines of the Freddie Mac <i>Single-Family Seller/Service Guide</i> and all requirements on the LPA, as well as AIG requirements. • AIG will purchase Loans that exercise an automated collateral evaluation (ACE). The Loans must be underwritten to the standards and guidelines of the Freddie Mac <i>Single-Family Seller/Service Guide</i> and all requirements on the LPA feedback certificate, as well as AIG requirements.
Elective Insurance	<p>AIG does not accept escrows for any elective insurance. Elective insurance is any coverage not required by state law or Agency guidelines. This includes escrows for flood insurance policies on properties which are not designated to be in SFHA zone A or V.</p>
Electronically Signed Documentation	<p>The following documents are ineligible for electronic signature:</p> <ul style="list-style-type: none"> • Note • Security instrument • Notarized documents • Notice of Right to Cancel
Escrow Holdbacks	<p>Escrow holdback funds must be held by the transaction title company or the closing attorney.</p>
Escrow/Impound Waiver	<ul style="list-style-type: none"> • Escrow waivers are not permitted for loans with an LTV over 80%, unless the subject property is located in the state of California, with an LTV of 80.01–89.99%. • New Mexico loans with an LTV of 80% or greater are ineligible for escrow waivers. • Partial escrow waivers are permitted provided the loan meets escrow waiver eligibility requirements. • Escrow waivers are not eligible for MI policy premiums and fees for flood insurance as mandated by the Flood Disaster Protection Act of 1973, as amended. • Property taxes assessed on a new construction property must be based on the estimated tax figure for the fully completed property. The estimated figure should be used for both the qualifying PITIA as well as the amount collected for escrowed taxes (if applicable). It is no longer acceptable to escrow taxes based on partially completed property tax amounts.
Flood Insurance Requirements	<p>Flood insurance must be in force on any property located in a Special Flood Hazard Area (SFHA), as designated by the Federal Emergency Management Agency (FEMA). An SFHA is a high-risk flood area that is designated by a flood zone that begins with A or V.</p> <p>Unless stated otherwise in this section, follow the applicable agency guidelines with respect to flood insurance coverage requirements. As a clarification, AIG applies the following specific requirements to meet agency guidelines:</p> <ul style="list-style-type: none"> • Such flood insurance policy for each Mortgage Loan is in an amount representing coverage not less than the least of (A) the outstanding principal balance of the Mortgage Loan (plus any additional amount required to prevent the Mortgagor from being deemed a co-insurer), (B) the full insurable value of the related Mortgaged Property, and (C) the maximum amount of insurance which was available under the Flood Disaster Protection Act of 1973, as amended • A unit in a planned unit development (PUD) must have its own separate flood insurance policy unless the homeowners association (HOA) has worked with FEMA to be covered by a residential condominium building association policy (RCBAP) in the HOA's name. • Loans are not eligible for purchase until the required amount of coverage is in effect (any waiting periods must have expired). <p>Required documentation All flood insurance documents provided must reflect the flood zone that is listed on the Standard Flood Hazard Determination form or indicate that the flood zone used to rate the policy was grandfathered. The documentation below is required in the Closed Loan Package delivered to AIG.</p> <ul style="list-style-type: none"> • For policies obtained through the National Flood Insurance Program (NFIP), one of the following: <ul style="list-style-type: none"> ▪ Flood policy declarations page evidencing that a flood insurance policy is in force for the subject property



Flood Insurance Requirements(continued)	<ul style="list-style-type: none"> ▪ Complete flood insurance application (signed and dated by the insurance agent) and proof that the first year's premium has been paid in full • For policies obtained through private flood insurance: <ul style="list-style-type: none"> ▪ Complete private flood insurance policy ▪ Documentation to show that one of the following has been met and validates compliance with Office of the Comptroller of the Currency (OCC) 12 Code of Federal Regulations (CFR) 22.3: <ul style="list-style-type: none"> ○ The private flood insurance policy contains this statement "This policy meets the definition of private flood insurance contained in 42 U.S.C. 4012a(b)(7) and the corresponding regulation." ○ The private flood insurance policy meets the definition of private flood insurance as outlined in OCC 12 CFR 22.2. ○ The rationale for discretionary acceptance provides sufficient protection of the designated Loan, consistent with general safety and soundness principles, and the supervised institution documents its conclusion regarding sufficiency of the protection of the Loan in writing. <p>Premium payment For purchase transactions, AIG requires the Seller provide evidence of premium payment. For refinance transactions, the Seller is responsible for all insurance premiums due prior to the Loan's delivery, or within 50 days of funding.</p>								
Form 4506C	For loans requiring transcripts, form 4506C must be signed and processed prior to closing. Form 4506C must be completed at closing for each borrower and business included in the loan review, regardless of Day One Certainty. <ul style="list-style-type: none"> • Additional complete and signed IRS Form 4506C for each business is required when business tax returns are used in the loan decision. • Additional complete and signed IRS Form 4506C is required when the borrower has filed an extension for personal tax returns. 								
General Appraisal Requirements	<ul style="list-style-type: none"> • Appraisals may not be transferred from another lender, regardless of written assurances. • Interior photos must be provided in the appraisal report. Interior photos are not required when exterior inspection report Fannie Mae Form 1075 and Fannie Mae/Freddie Mac Form 2055 are permitted and used. • All appraisals in the file must contain the appraiser's license. • Sellers must ensure all applicable appraisals have been completed in compliance with the UAD specifications. • Subject investment properties and 2-4-unit primary residence; must include documented gross monthly rent (per applicable Agency guidelines) for loan delivery purposes, regardless of whether the rental income is being used to qualify. 								
Hawaii Properties (Ohanas)	Many homes in Hawaii are constructed with accessory units, known locally as Ohanas. In addition to the guidelines for accessory units the following will also apply: <ul style="list-style-type: none"> • The value attributed to the Ohana will be included in the total property valuation. • The Ohana can be attached or detached from the main dwelling. • Improvements must be typical for the subject neighborhood. <p>Note: Hawaii Lava Zone 1 & 2 are ineligible.</p>								
Hazard Insurance Requirement	The Seller should follow the applicable Agency guidelines and applicable AIG Investment guideline requirements as they relate to Hazard Insurance requirements. <ul style="list-style-type: none"> • Documentation should be in the form of a declaration page or policy. Binders are not considered acceptable evidence of insurance. • Maximum allowable deductible securing a first mortgage loan is 5% of the face value of the policy. • Hazard Insurance policies from insurance carriers rated by Kroll Bond Rating Agency are ineligible for meeting rating category requirements. Additional requirements for homeowner's insurance carriers must meet the below minimum standards: <table border="0" style="margin-left: 20px;"> <tr> <td>○ A.M. Best Company Inc.</td> <td>B+</td> </tr> <tr> <td>○ Demotech, Inc.</td> <td>A</td> </tr> <tr> <td>○ Standard & Poor's Financial Services LLC.</td> <td>BBB</td> </tr> <tr> <td>○ Kroll Bond Rating Agency</td> <td>Not Eligible</td> </tr> </table> <p>Evidence of premium payment must be in one of the following forms:</p> <ul style="list-style-type: none"> • Paid receipt for premium amount reflected on the hazard insurance policy; or • Closing Disclosure indicating payment of the premium amount reflected on the policy. <p>Note: The seller is responsible for paying insurance premiums due within 50 days of loan purchase.</p>	○ A.M. Best Company Inc.	B+	○ Demotech, Inc.	A	○ Standard & Poor's Financial Services LLC.	BBB	○ Kroll Bond Rating Agency	Not Eligible
○ A.M. Best Company Inc.	B+								
○ Demotech, Inc.	A								
○ Standard & Poor's Financial Services LLC.	BBB								
○ Kroll Bond Rating Agency	Not Eligible								
Income Calculation Worksheet	Income Calculation Worksheets must be included in each file, labeled accordingly and include the following information: <ul style="list-style-type: none"> • List of all monthly income types for each borrower and how the monthly income was determined (formula calculation) for each type of income • Total qualifying income for each borrower (this would be the total of all income types used to qualify) • Primary residence principal, interest, taxes, and insurance (PITI) with complete breakdown of monthly PI, subordinate financing, taxes, insurance, HOA, flood insurance, mortgage insurance, etc. • Front and back-end DTI ratios • Total of monthly debt from the final AUS, credit report, or Form 1003/65 (excluding the primary PITI) • List of any additional debts (include monthly payment) not listed on the credit report • Explanation for any debts not included in the DTI. 								
Income from Subject Investment Property	Subject investment properties and 2-4-unit primary residence; must include documented gross monthly rent (per applicable Agency guidelines) for loan delivery purposes, regardless of whether the rental income is being used to qualify.								



Ineligible List

Ineligible Transaction Types

- Adjustable Rate Mortgages.
- Assignment of Sales Contract transactions.
- Balloon Mortgages.
- Blind Trusts or properties closing with address confidentiality.
- Cash-out transactions for the purpose of investing in any type of virtual or cryptocurrency.
- Delayed Financing.
- LPA Caution or 500 Freddie Mac eligible A-minus offering.
- Entity Vesting
- Fannie Mae RefiNow, Homepath, HomeStyle, and Home Ready Mortgage Loan Programs. (Including, but not limited to EEM Loans, Renovation Mortgages, Home Opportunities Mortgages and Rehabilitation Mortgages), Lease-purchase, Community Land Trust, and High LTV Refinance Options and HFA programs.
- Flip transactions.
- Forbearance: The subject loan being sold to AIG cannot be in forbearance, have been in forbearance, or requested forbearance.
- Freddie Mac Home Possible Loans, Affordable Merit Rate Mortgage, Refi Possible, Enhanced Relief Refinance Mortgage, Streamline Refinance Mortgages, Special Purpose Cash-out refinances, HFA mortgage programs, CHOICERenovation, GreenCHOICE mortgages and Community Land Trust.
- Government backed loans (FHA/VA/USDA).
- HUD-184 and RD 502 Mortgages.
- Interest-only loans.
- Land Trusts.
- Leasehold estates which do not ensure Fannie Mae or an Approved Buyer's first lien enforceability.
- Liens (new or subordinated) using Tax Assessment or Utility Company to ensure payment
- Life estates.
- Loans aged more than 30 days from closing.
- Loans closing in a Living/Inter Vivos Revocable Trust.
- Loans with more than four borrowers.
- Loans with temporary Buydowns or Assumptions.
- Manually underwritten loans
- Negotiated Loan Credit Variances or Pilot Programs.
- PACE loans.
- Payment abatements.
- Properties in the state of Massachusetts with septic systems requiring repair and escrow holdback funds.
- Properties with resale deed restrictions other than those restrictions related to age (see Deed Restriction (Age Related) section) and properties with deed restrictions specific to developer land-use or building code requirements for a subject development.
- Purchase transactions with re-negotiated purchase prices after appraisal completion.
- QM Rebuttable Presumption loans.
- Short Refinance Loans or Refinance of a Restructured Loan.
- Single close construction loans.
- Streamlined Purchase Money Mortgages.
- Texas Section 50(a)(6), Texas Section 50(a)(3) and Texas Section 50(f)(2) loans.

Ineligible Citizenship

- Diplomatic Immunity
- Foreign Nationals
- Non-permanent Resident Aliens

Ineligible Property Types

A Mortgage Loan secured by a property or property in a project deemed ineligible by FNMA or FHLMC would be ineligible for purchase. Additionally, the following project/property types or characteristic are ineligible:

- Condominiums with no master insurance policy.
- Non-warrantable Condominium.
- Group Homes.
- Manufactured, Mobile, and Modular Homes.
- Properties considered commercial.
- Co-operatives.
- Properties held in the name of an LLC or Partnership
- Second homes with seasonal limitations on year-round occupancy
- Properties included in a rental pool.

Ineligible Geographic Property Locations

- US Territories (Puerto Rico, Guam and US Virgin Islands).
- Any location ineligible as per Agencies.
- Hawaii Lava Zone 1 & 2.



Ineligible List (continued)	<p><u>Ineligible Income Types</u></p> <ul style="list-style-type: none"> • Income from unlawful activity outside of state, local and federal laws. • Income from virtual or cryptocurrency. • Loans using assets as a basis for qualification. • Loans with borrowers whose income is derived from the sale of marijuana. <p><u>Ineligible Credit Characteristics</u></p> <ul style="list-style-type: none"> • Credit reports with partially displayed Social Security numbers. • Credit reports with outstanding fraud alerts which have not been addressed. All fraud alert messages must be satisfactorily addressed to ensure the information presented on the loan application is true and correct. • Non-traditional credit reports. • Credit reports with no credit score. • Foreign credit reports are ineligible for sale to an Approved Buyer. • Credit reports updated by means of a credit repair company or Rapid Re-score. <p><u>Ineligible Assets</u></p> <ul style="list-style-type: none"> • Group Savings • Individual Development Accounts (IDAs) • Assets resulting from illegal activity based on local, state or federal authorities. • Foreign assets • Cryptocurrency, such as Bitcoin, are ineligible for use in the transaction, even when liquidated • Self-directed IRAs invested in real estate are ineligible for use as reserves
Like-Kind Exchanges/1031 Tax Deferred	<p>Like-Kind Exchanges/1031 Tax Deferred Exchanges must meet the following the applicable restrictions and documentation requirements.</p> <p>Restrictions-Like-Kind Exchanges/1031 Tax Deferred Exchanges to be used towards down payment for second home and investment property purchases only with the following restrictions:</p> <ul style="list-style-type: none"> • Reverse exchanges are ineligible because the borrower is not in title to the property at the time of Closing. • No seller provided subordinate financing. • The Loan Closing must be handled by a qualified intermediary. A qualified intermediary is an entity (usually a subsidiary of a title company) who enters into a written agreement with the taxpayer. The qualified intermediary cannot be the borrower's agent, attorney, accountant, investment banker, or broker. This exchange agreement requires the qualified intermediary to acquire and transfer the relinquished property and to acquire and transfer the replacement property. The relinquished property is the property "sold" and the replacement property is the property "acquired." <p>Documentation Requirements-Copies of all closing documents and purchase agreement on the relinquished property must be obtained. Both purchase agreements (relinquished and replacement properties) must contain appropriate language to identify the Like-Kind Exchanges/1031 Tax Deferred Exchange. Required documentation includes:</p> <ul style="list-style-type: none"> • 1031 exchange agreement • Closing Disclosure • Title transfer <p>Down Payment</p> <p>Equity from exchange can be used for all or part of the down payment.</p> <p>Note: If a borrower is purchasing a seller's 1031 investment property to occupy as a primary residence, the borrower is accommodating the seller. The transaction is not considered a 1031 tax deferred exchange and is eligible.</p>
Mixed Use Properties	<p>Mixed use properties are eligible for purchase if the nature, intent, and primary purpose of the property is residential in use. The following should be considered in making this determination:</p> <ul style="list-style-type: none"> • The commercial/agricultural use must be allowed by zoning and the subject must conform to zoning. • In general, the commercial use should not exceed 20% of total gross living area of the property. • Agricultural usage should generally not exceed 20% of the total acreage. • The borrower must be both the owner and operator of the business. • Income generated on property used for agricultural purposes should be minimal. • Commercial use should not result in significant alteration to the property or one which could not be easily converted back to residential. • The commercial use should generate a minimal amount of traffic noise. • The subject must be a one unit single-family owner-occupied dwelling. • The room layout must be reasonable for a residential home. • The property must be appraised as residential real estate, with commercial/agricultural value not included in the appraiser's market value. • The appraiser must comment on any affect the commercial/agricultural use has on marketability and compatibility with the subject's neighborhood.
Mortgage Credit Certificates	<p>Seller represents, warrants and covenants the following: for each Mortgage Loan involving a Mortgage Credit Certificate (MCC), Seller is in compliance with all requirements of the MCC's issuing authority including all required reporting to the IRS.</p> <ul style="list-style-type: none"> • Copy of the MCC or a commitment letter in lieu of the certificate must be included to be eligible for purchase. • Copy of the W-4 and worksheet • MCC worksheet



<p>Mortgage Insurance Requirements</p>	<p>Standard Agency MI coverage requirements apply, unless otherwise specified below:</p> <p><u>Ineligible PMI Premium Plans</u></p> <ul style="list-style-type: none"> • Reduced MI coverage is ineligible. • Financed MI and Lender-paid monthly or annual options are ineligible. • Custom MI and lower cost MI options are ineligible. <p><u>Eligible MI Companies</u></p> <ul style="list-style-type: none"> • Arch Mortgage Insurance Company • Essent Guaranty, Inc. • Genworth Mortgage Insurance Corporation • Mortgage Guaranty Insurance Company (MGIC) • National Mortgage Insurance Corporation • Radian Guaranty, Inc. <p><u>Documentation Requirements:</u></p> <p>Single Premium (Up front):</p> <ul style="list-style-type: none"> • “Single-Premium MI” must be written in the comment section of the 1008. • Proof of payment of the full premium is required via any one of the following: <ul style="list-style-type: none"> ○ Closing Disclosure showing premium paid at Closing. ○ Paid receipt if paid outside of Closing. ○ MI certificate indicating the premium is paid in full. <p>Split Premium:</p> <ul style="list-style-type: none"> • “Split-Premium MI” must be written in the comment section of the 1008. • Proof of payment of the full premium is required via any one of the following: <ul style="list-style-type: none"> ○ Closing Disclosure showing premium paid at Closing. ○ Paid receipt if paid outside of Closing. ○ MI certificate indicating the premium is paid in full. <p>New York State</p> <p>Irrespective of the use of appraised value or sales price for determining whether mortgage insurance is required, the standard LTV ratio calculation must be used to determine the level of mortgage insurance coverage that is required on the mortgage loan.</p>
<p>Non-arm’s length (Identity of Interest) and At-Interest Transactions</p>	<p>Identity-of-interest transactions include both non-arm’s length and at-interest transactions. At-interest transactions involve persons who are not closely tied or related but may have a greater vested interest in the transaction, such as a party who plays more than one role in the same transaction (selling/listing agent and mortgage broker, for example). All non-arm’s length transactions are considered at-interest transactions; however, at-interest transactions are not always non-arm’s length.</p> <p>The following are eligible Non-arm’s length/ Identity-of-Interest transactions:</p> <ul style="list-style-type: none"> • Family Sales –Transaction cannot appear to be bail-out. • Employer/Employee Sales • Gifts of equity-Gifts of equity are acceptable, as long as the amount of equity has been verified. The donor must provide a gift letter. Equity gifts are only allowed after the required minimum down payment has been made from the borrower’s own funds. <p>Non-arm’s length/Identity-of-interest transactions may be considered subject to the following additional requirements:</p> <ul style="list-style-type: none"> • Second home and investment properties must be one-unit, single family residences. • For newly constructed properties, the Loan is ineligible if the: <ul style="list-style-type: none"> ○ Property is a second home or investment property, and ○ The borrower has a relationship or business affiliation (any ownership interest, or employment) with the builder, developer, or seller of the property. • Verification that the borrower is not now, nor has been in the previous 24 months, in title to the property. • If there is a relationship between the borrower and seller, the borrower must provide a written explanation stating the relationship to the seller and the reason for purchase. • A field review (Fannie Mae Form 2000/2000A or Freddie Mac Form 1032/1072) or second appraisal is required when any of the following apply: <ul style="list-style-type: none"> • The Uniform Collateral Data Portal Submission Summary Report indicates: <ul style="list-style-type: none"> ○ Collateral Underwriter (CU) score greater than 4. ○ Unscored appraisal (CU score of 999 or LCA score of 99) ○ Risk flag of overvaluation, eligibility, or quality (regardless of score) • Collateral or valuation risk is present as identified by the underwriter. <p>The following are eligible At-interest transactions:</p> <ul style="list-style-type: none"> • Builder also acting as realtor/broker • Realtor/broker selling his/her own property • Realtor/Broker acting as listing/selling agent and Mortgage Broker. <p>Builder Affiliation: If an affiliation exists due to common ownership or control by a Seller over an interested party, or when there is common ownership by a third party over a Seller and interested party; then all sales and financing concessions from these parties are considered in the total allowable interested party contributions.</p>
<p>Planned Unit Developments (PUDs)</p>	<ul style="list-style-type: none"> • The appraisal report may not indicate marketability problems or concerns. • Multi-dwelling unit PUD projects that permit an owner to hold title to more than one dwelling unit, with ownership of all his/her units evidenced by a single deed and mortgage are ineligible. • A blanket or pooled insurance policy is ineligible for purchase by an Approved Buyer.



Property Surveys	Sellers will be required to obtain a new survey if the title company requires a new survey in order to delete an exception.
Qualified Mortgage (QM)	<ul style="list-style-type: none"> • A current compliance report in conjunction with a schedule of pre-paid finance charges used in the calculation of the APR must be provided in the closed loan file to evidence a Qualified Mortgage in Compliance with Agencies, TRID Compliance, and Reg. Z Compliance. Loans must be deemed QM Safe Harbor to be eligible for purchase. • Bona Fide Discount Points: All files must contain a Discount Point Fee Disclosure document when Discount Points must be excluded to qualify as a QM.
Rate and Term Refinance	<ul style="list-style-type: none"> • A copy of the final Closing Disclosure from the borrower's purchase of the subject property must be provided evidencing that any subordinate financing was used in its entirety to acquire the subject property. • Any remaining liens not related to acquiring the property must be re-subordinated to the new loan, and must meet LTV/CLTV/HCLTV requirements • Other costs such as late fees and past due amounts may not be paid with the new loan. • Incidental cash to the borrower must meet the credit requirements for the applicable Agency used in the credit decision
Subject Loan Payment History	A payment history is required when 15 days or more have elapsed since the first payment due date. The payment history should include all payments and disbursements from the new subject Mortgage Loan.
Subordinate Financing	<p>Subordinate financing in the form of both HELOC and Closed-End Loans is permitted when the following overlays to Agency are met and the borrower(s) qualify with the debt.</p> <ul style="list-style-type: none"> • Equity share or shared appreciation is not allowed. • Subordinate financing from the borrower's employer may not include a provision requiring repayment upon termination. • Subordinate financing from the property seller (seller carry-back, including any property seller or other private party carried financing) <ul style="list-style-type: none"> ○ Allowed only after the borrower has made a 5% minimum down payment / cash investment. ○ Maximum CLTV/HCLTV is the lesser of 95% or the published CLTV/HCLTV limits for the product/program. ○ Must be considered in the interested party contribution limits. ○ Should be at market rate. If the interest rate is more than 2% below Fannie Mae's or Freddie Mac's posted net yield in effect for second mortgages at time of Closing it must be treated as a sales concession and a dollar-for-dollar reduction made to the sales price. • Texas refinance transactions which include the re-subordination of a 50(a)(6) second lien, may not exceed the lesser of the maximum product LTV/CLTV/HCLTV or 80% LTV/CLTV/HCLTV. <p>For new and existing Closed-End subordinate financing the following also apply:</p> <ul style="list-style-type: none"> • Maturity date or amortization basis of the junior lien must not be less than five years after the date printed on the Note of the first lien Mortgage, unless the junior lien is fully amortizing. • The loan cannot have a balloon or call option within five years of the date printed on the Note. <p>Note: The terms of a HELOC may allow a balloon or call option within the first five years of the first Mortgage Note date.</p> <p>Home Equity Lines of Credit (HELOCs): If an existing HELOC is reduced without modifying the original Note, the original line limit must be used to calculate the High Combined-Loan-to-Value (HCLTV) ratio.</p> <p>Documentation requirements for all subordinate financing:</p> <ul style="list-style-type: none"> • Mortgage Note • Subordination or Re-subordination Agreement • Final Closing Disclosure evidencing proceeds (for new subordinate loans only) • Evidence of the HELOC or Second Lien current payment <p>Note: If not shown on the credit report, payments on a home equity line of credit with an outstanding balance must be calculated at the greater of \$10 or 5% of the outstanding balance, or the payment reflected on the borrower's billing statement.</p>
Tax Filing Extensions	Borrowers filing tax extensions for personal or business tax returns must provide the appropriate filed IRS Application for Extension (Form 4868 or Form 7004), and the tax transcript showing "no record of return filed", along with the prior year's tax transcript. Additionally, salaried borrowers must provide a current paystub and most recent W2. Self-employed borrowers must provide the prior year tax transcripts and a P&L statements for the tax year on extension in the closed loan file.
Tax Transcripts	<p>Tax Transcripts are required in all files and must be obtained by the Seller directly from the IRS or Transcript Vendor; however, we will accept files without tax transcripts for any of the below scenarios:</p> <ul style="list-style-type: none"> • A loan receives full income validation through Desktop Underwriter (DU) Validation Service or Loan Product Advisor (LPA) asset and income modeler (AIM). • A loan does not receive full income validation through DU Validation Service or LPA Asset and Income Modeler (AIM), the following apply: <ul style="list-style-type: none"> ○ All income information used to decision the loan is made up exclusively of wage earner income, is reported on a W-2, and the AUS does not require income documentation other than a paystub and W2, or; ○ If the file consists of fixed income, such as social security or VA benefits reported on a 1099 and the AUS does not require income documentation other than evidence of the monthly receipt and 1099. <p>If a file does not meet the above criteria the Seller must include the most recent year's 1040 IRS tax transcript and business tax transcripts (if applicable) corresponding to the tax returns in the closed loan file. Transcripts must be provided when the file contains secondary income which is documented on the tax returns and used for qualifying.</p>



TRID	Loan Estimates (LE) & Closing Disclosure (CD): All Loan Estimates and Closing Disclosures provided to the borrower must be included in the closed loan package. If the seller includes any Draft Documents; (documents that were not provided to the borrower), each document must be stamped with the word DRAFT. If the seller does not stamp the document, a signed attestation from a Vice President or higher, is required to document the specific disclosure is a draft only and was not provided to the borrower.
Uniform Closing Dataset	<p>Include the final UCD submission response from either Fannie Mae or Freddie Mac;</p> <ul style="list-style-type: none"> • When submitting to Fannie Mae, a UCD finding report reflecting “Successful” with no fatal edit messages is required. (DU loans) • When submitting to Freddie Mac, a Loan Closing Advisor (LCA) Feedback Certificate reflecting “Satisfied” with no red critical messages is required. (LPA loans) <ul style="list-style-type: none"> ◦ Include the latest Closing Disclosure matching the UCD file submitted to the applicable agency. ◦ Transfer and/or assign the UCD file to AIG by the loan’s purchase date. ◦ Ensure the DU casefile ID or LPA Key ID number matches the UCD file. <p>Additionally, Sellers may provide successful/satisfied UCD submission responses from <u>both</u> Fannie Mae and Freddie Mac to forgo assigning or transferring the UCD file to AIG.</p>
Uniform Collateral Data Portal (UCDP) Documentation	<p>For Loans requiring an appraisal report:</p> <p>Sellers or their designated agents are required to submit appraisal data files (based on the final version of the appraisal) to <u>both</u> Fannie Mae and Freddie Mac prior to Loan purchase by an Approved Buyer.</p> <p>When a successful submission is received by only <u>one</u> Agency, then follow the guidance below:</p> <ul style="list-style-type: none"> • When using DU, a successful UCDP document file status is required from Fannie Mae. • When using LPA, a successful UCDP document file status is required from Freddie Mac. <p>The closed loan package must include the final UCDP Submission Summary Report (SSR) from each agency regardless of the final Document File Status.</p>

