SELLER GUIDE

Copyright Notice

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Introduction

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

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

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

Planet programs include:

- Fannie Mae: Conforming, High Balance, HomeReady, HomeStyle Renovation, High LTV Refinance Options (Fixed/ARM). DU Refi Plus (Fixed Rate)
- FHA: Standard, Streamline, 203(h), 203(k) (Fixed/ARM)
- Freddie Mac: Conforming and Super Conforming, Home Possible, HomeOne (Fixed Rate)
- VA, VA IRRRL and VA Alterations and Repair (Fixed/ARM)
- USDA: Purchase and Non-Streamlined refinance, Streamlined, and Streamlined-Assist (Fixed Rate)

Planet's centralized Correspondent platform streamlines the loan delivery process and maximizes efficiency to increase our Seller's profitability.

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

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

Planet Home Lending Funding Website

The Planet website is www.phlcorrespondent.com. Upon Seller approval, a login and password will be assigned by the Client Management Department to allow Seller's access to the secure area referred to as the "CORE Seller Portal".

Use of the Seller Guide

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

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

Updates to the Seller Guide

Sellers are responsible for staying up-to-date on Planet's current loan programs and guidelines. All updates to the Planet Seller Guide and Planet Announcements are in writing and posted on the CORE Seller Portal located at www.phlcorrespondent.com. All updates to the Seller Guide and Announcements are effective as of the date stated on the update and/or Announcement.

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

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

Doing Business with Planet Home Lending

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

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

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

Directory

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1924 E. Deere Avenue, Suite 200
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Hours of Operation:
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Chapter 1: Seller Eligibility

Correspondent Approval Overview

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

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

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

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

Eligibility

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

Financial

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

Net Worth

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

Experience

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

Fair Lending

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

Errors & Omissions / Fidelity Bond

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

Litigation

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

Delegation

Non-Delegation

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

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

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

FHA Sponsored Third-Party Originator (TPO)

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

FHA Principal/Authorized Agent

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

Underwriting Delegation

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

Underwriting Delegation Eligibility

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

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

TPO

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

U.S. Territories

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

Standard Conventional Conforming Loans

Additional eligibility requirements apply to all Sellers submitting conventional loans for purchase in Puerto Rico. Approved Sellers must be expressly authorized by Planet, and have the ability to originate, process, and close loans using industry accepted best practices.

Government Loans

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

Additional eligibility requirements apply to all Sellers submitting government loans for purchase in Puerto Rico. Approved Sellers must be expressly authorized by Planet, and have the ability to originate, process, and close loans using industry accepted best practices.

FHA Approval Request

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

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

VA Approval Request

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

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

USDA Approval Request

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

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

Application Process

The prospective Seller is directed to the Comergence website to complete the application form and upload all documents required by Planet. The use of Comergence is mandatory for the application and recertification processes. Under no circumstances will Planet accept paper applications.

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

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

Underwriting Delegation Approval (if applicable):

18. Executed Delegated Underwriting Addendum

FHA Approval (additional items if applicable):

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

FHA 203(k) Delivery Approval:

22. Completed Questionnaire

VA Approval (additional items if applicable):

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

USDA Approval (additional items if applicable):

25. Copy of fully-executed Form RD 3555-16 or Form 1980-16 (if approval proceeded December 1, 2014). “Lender Agreement for Single-Family Housing Guaranteed Loan Programs”
26. Copy of USDA Underwriter’s resumes

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

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

Comergence performs the following tasks as to all of Seller's banks and credit unions:

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

Comergence performs constant monitoring of the following information:

- Judgments and Tax Liens
- Bankruptcies
- Civil and Criminal Records

- OFAC
- Information appearing in the NMLS database.

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

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

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

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

Approvals

Seller Approval

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

Special Approvals

An approval letter is issued by Planet, indicating the Seller's Underwriting Delegation Authority and approval to sell FHA, VA and USDA Loans.

Ongoing Requirements

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

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

Annual Recertification (Seller Annual Renewal)

Planet sends an initial "notification of renewal" to the Seller 60 days prior to their recertification date. If the Seller has not completed the recertification process within the allotted time frame, Planet sends a second and final notification giving an additional 60 days to certify.

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

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

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

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

Underwriting Delegation Approval (additional items if applicable):

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

FHA Approval (additional items if applicable):

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

VA Approval (additional items if applicable):

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

USDA Approval (additional items if applicable):

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

Maintaining Eligibility and Authorities

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

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

Examples of Significant Events

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

Termination

Termination with Cause

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

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

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

Termination without Cause

The Seller can be terminated without cause upon 1 30-day written notice. Only loans locked prior to the termination date are eligible for purchase. A terminated Seller must close out its pipeline by the expiration date of the lock agreement or the termination date, whichever is sooner.

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

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

Chapter 2: Compliance

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

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

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

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

Newly Enacted Laws and Acts

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

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

- Red Flags
- Risked-Based Pricing
- TRID

State-Specific Requirements

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

Planet Commonly Used Terms Defined

Within the scope of this Seller Guide, the terms below will have the following meanings:

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

Anti-Predatory Lending and Fair Lending Guidelines Policy

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

Planet requires the Seller to comply with all of the requirements of the Equal Credit Opportunity Act (Regulation B) and all other anti-discriminatory regulations and laws. Planet shall only maintain business relationships with those persons and entities which provide credit services to all qualified individuals without discrimination on the basis of race, color, national origin, religion, gender, marital or familial status, age (ability to contract), handicap, receipt of income from a public assistance program, or good faith exercise of rights under the Consumer Credit Protection Act.

LDP and GSA List Verifications

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

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

The LDP and GSA lists can be accessed at:

LDP: Limited Denials of Participation

GSA: Excluded Parties List System

OFAC Specially Designated Nationals (SDN) List Verification

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

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

The OFAC SDN list can be accessed at: Office of Foreign Assets Control

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

- U.S. Department of the Treasury or
- Call 1-800-540-6322.

Loan Estimate

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

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

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

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

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

Closing Disclosure

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

- The date of the borrower’s actual receipt evidenced by documentation received by Planet.
- Same day if provided in person.

- If by U.S. mail or other form of delivery and no evidence of earlier actual receipt; three (3) business days after it is placed into the mail or otherwise sent.
- If sent electronically and no evidence of earlier actual receipt, three (3) business days after it is sent.

NOTE: If sent electronically, previous consent to receive documents electronically must be in the file.

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

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

Re-Disclosure

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

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

APR, Finance Charge and Per Diem Interest Collection Cures

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

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

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

Notice of Borrower's Right to Cancel

Refinance transactions (owner occupied homes) that are subject to Notice of Right to Cancel ("NORTC") must contain two (2) NORTC forms given to the borrower at closing. One form is for the Borrower to keep and, if the Borrower wishes to cancel, the Borrower must execute the other form and submit to the Seller.

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

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

- Corrections and/or changes to NORTC are not initialed by all of the borrowers.
- Loan funded within the required rescission period. Planet will not purchase loans that were funded within the rescission period, disclosed or actual. Files should not be delivered or shipped to Planet until the rescission period has expired.
- The "midnight of" date has not been calculated properly, including Saturdays or excluding Sundays and legal holidays.
- The "midnight of" date does not consider the "later of" the three specific instances per the regulation; the "transaction date", the date the borrower received the TIL, or the date the borrower received the NORTC.
- There is no evidence that the borrower received two (2) copies of the NORTC at closing.
- Transaction date is not the same date as the date the borrower signed the loan documents, evidenced by the notary date on the Deed of Trust/Mortgage.

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

Invoices

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

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

- Credit Report
- Appraisal
- Recording Fees

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

Patriot Act – Mandatory Compliance

All persons and entities doing business with Planet must comply with certain criteria regarding the identity of their borrowers. The following are required for each loan:

- **Mandatory Photo ID**

  All loans require the borrower(s) provide a:

  - Government issued photo ID
  - Passport
  - Valid driver's license, or valid state or county identification card

  Photo identification is **required** at the time of application for all loans.

  The identity of the borrower must be verified as a condition to close; this is **mandatory** for all loans. If a borrower does not have a photo ID or any of the items listed above, the loan will not be purchased without specific, written approval from Planet's legal counsel.

- **Mandatory Birth Date**

  The actual birth date of all borrowers, not just their age, is required for all loans. The birth date shall be printed on page one (1) of the 1003 application form.

- **Mandatory Check – OFAC Specially Designated Nationals List (OFAC SDN)**

  All borrowers must be verified against the SDN list either via credit report, other electronic means, or may be verified manually. Evidence of verification must be in the loan file.

Patriot Act Disclosure – Borrower Information

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

Data Collection of Information for Government Monitoring Purposes

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

Loans Ineligible for Purchase

Planet will not purchase certain mortgage loans. These loans include, but are not limited to:

- Any loan originated by a loan originator not licensed or registered in accordance with S.A.F.E. Mortgage Licensing Act—Federal Registration of Residential Mortgage Loan Originators, (Regulation G), CFPB 12 CFR, Chapter X, Part 1007 or S.A.F.E. Mortgage Licensing Act—State Compliance and Bureau Registration System, (Regulation H), CFPB 12 CFR, Chapter X, Part 1008.
- High-Cost, Higher-Priced, "Covered" Loans, or those loans defined as Predatory, by any state or local government.
- High-Cost Mortgages as defined by the Truth-In-Lending Act (TILA, Regulation Z), CFPB 12 CFR, Chapter X, Part 1026, Section 32.
- Loan files that do not contain a FINAL CD Settlement Statement. This is necessary to ensure compliance with Regulation Z and RESPA.
- Loans originated using predatory or abusive lending practices, defined at the sole discretion of Planet.
- Loans that are funded during the rescission period.
- Loans that are not funded in accordance with state WET or EOR provisions.
- Loans that violate the tolerance provisions or other requirements of the Truth-In-Lending Act (TILA, Regulation Z), CFPB 12 CFR, Chapter X, Part 1026, including Homeowners Protection Act. Some cures may be acceptable.
- Loans that violate the TILA-RESPA Integrated Disclosure rule (TRID Regulation X and Z), CFPB, 12 CFR, Chapter X, Part 1024, 1026.
- Loans that violate the Real Estate Settlement and Procedures Act (RESPA, Regulation X), CFPB 12 CFR, Chapter X, Part 1024, specifically the disclosure of the Good Faith Estimate, re- disclosure of the Good Faith Estimate and Changed Circumstances.
- Loans that are submitted for purchase where the subject property is located in a state Planet is not licensed to do business.

Ability to Repay / Qualified Mortgage

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

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

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

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

ATR/QM rules do not apply to the following:

- Investment properties that are for business purposes.
- If the borrower occupies any investment property for > 14 days in any given year, the investment property is no longer considered for business purposes only and would be subject to ATR/QM rules.
- Additionally, there can be no evidence that the borrower purchased/refinanced the investment property for personal rather than business reasons (e.g., property purchased for a family member). Any indication of personal reasons the loan is subject to ATR/QM rules.
- Construction loans (during the construction phase).

QM APR Thresholds

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

Planet Program	APR	Points and Fees Limits
Fannie Mae (all programs) **Freddie Mac** **FHA** (all programs) **USDA** **VA**	APR must be: <APOR + 1.50%	Thresholds are subject to change annually • Loan amount ≥ $107,747 limited to 3% of the total loan amount • Loan amount $64,648 to $107,747 $3,232 (flat fee) • Loan amount $40,000 to $64,648 5% of the total loan amount
FHA (HUD Temporary QM)	APR must be: < APOR + 1.15% + applicable annual MIP	

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

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

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

Points and Fees for QM Loans

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

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

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

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

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

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

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

ECOA Valuations Rule

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

  Emailed Appraisal Copy

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

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

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

  Mailed Appraisal Copy

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

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

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

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

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

Non-Higher Priced Mortgage Loans

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

Higher Priced Mortgage Loans

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

HOEPA Counseling Disclosure

The borrower must be advised that homeownership counseling is available and provided a written list of homeownership counseling agencies near the borrower's current zip code within three (3) days of taking a loan application. To view the entire Bulletin, click here: CFPB Bulletin 2013-13.

NMLS Identification

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

Disclosures/Documentation Required under ATR/QM

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

- ECOA Valuations
    - A Notice of Right to Receive a Copy of Appraisal (sample on Planet website) or similar document.
    - The waiver, if applicable.
    - Documentation that the appraisal(s)/valuation(s) was provided in compliance with the Valuations Rule (e.g,. copy of email sent to borrower, notes indicating date documents mailed to borrower, etc.), and
    - Appraisal Acknowledgment Form.
- HOEPA Counseling Disclosure
    - Copy of disclosure provided to the borrower.
- NMLS Identification

  - The loan originator's name, NMLS ID number and the loan originator's company (employer) name and NMLS ID number as listed in the NMLS must be included on all of the following:
    - Loan application
    - Note
    - Security instrument (i.e., Mortgage or Deed of Trust)
- Lender Fee Worksheet
- QM and HOEPA Loan Detail Worksheet
- Affiliate Disclosure Worksheet, if applicable
- Lender QM/HOEPA Points and Fees Test Results
- Copy of Undiscounted Lender Rate Sheet, if applicable
- Bona Fide Discount Point Worksheet, if applicable
- Lender Rate Lock Confirmation with Borrower

Quality Control Requirements

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

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

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

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

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

- CoreLogic Loan Safe
- Data Verify

- Interthinx FraudGUARD
- LexisNexis

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

Chapter 3: Prior Approval

Loans Submitted for Prior Approval

The Seller must fully process the loan prior to submission to Planet. Loans must be electronically uploaded through the CORE Seller Portal at www.phlcorrespondent.com.

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

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

Delegated Seller

The following requires Planet prior approval:

- Loans that exceed their delegation authority or with a loan amount greater than $850,000
- Loans with an appraisal with a condition and/or quality rating of C6 or Q6

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

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

Non-Delegated Seller

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

FHA — Non-Delegated Underwriting

A Seller with an FHA-Mortgagee approval can request to be approved as a Sponsored Third-Party Originator (TPO). A Seller that is an FHA Mortgagee and has Unconditional Direct Endorsement

(DE) authority has the option of being a Sponsored TPO or a Principal/Authorized Agent with Planet.

Sponsored Third-Party Originator Relationship

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

Principal/Authorized Agent Relationship

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

FHA Prior Approval for 203(k) Loans

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

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

  As part of the 203(k) process, Planet will offer prior approval of the contractor.

    - Sellers must submit a complete Contractor Validation Package to ensure a complete appraisal.
- Sellers must pay the Up Front Mortgage Insurance Premium (UFMIP) for FHA loans underwritten by Planet, and Planet will submit the loan for insuring.

NOTE: There is an Administration Fee for all FHA 203(k) loans underwritten by Planet is $695.

FHA 203(k) — Seller Draw Administration

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

- Validate that the contractor(s) are qualified to perform the work as agreed to in the Work Write Up or the Contractor Estimate and meets all jurisdictional licensing and bonding requirements. Validation includes:
  - Contractor's credentials
  - Work experience, and
  - Client references
- Manage any disputes between contractor and borrower.
  - Intercede and work with all parties to resolve such issues.
  - Validate a new contractor if the borrower opts to terminate the existing borrower/contractor relationship.
- Maintain communication with the borrower, contractor and consultant including but not limited to providing notices for the following:
  - Rehab has not started within 30 days of the disbursement date
  - Ceases for more than 30 consecutive days; or
  - Has not been completed within the established time, or an extended period approved by the Seller/Planet.
- Obtain the executed HUD-9746-A, Draw Request from the 203(k) Consultant, or the Borrower when there is no 203(k) Consultant.
  - The Seller will review and approve each draw request
    - Ensure the work for which funds are being requested has been completed satisfactorily. and
    - The form has been properly executed prior to submitting the draw request to Planet.
- Submit **Change Orders** to Planet for approval, prior to work being completed.
  - A Contingency Release Letter must be submitted with each change order.
- Order and obtain a title update for each draw (Standard) and final draw (Limited).
- A 10% holdback will apply for all interim draws on Standard 203(k). Holdback funds will not be released until final title update has been received and reviewed by Planet.
- To ensure disbursement within five (5) business days of receipt, the HUD-9746-A and all other applicable documentation listed on the 203(k) Draw Disbursement Request Checklist must be submitted within a timely manner. The Checklist is posted on the CORE Seller Portal at www.phlcorrespondent.com under **Forms and Resources > 203(k) Forms**.

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

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

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

As part of the Draw disbursement process, Planet will:

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

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

Loan Process

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

Seller Responsibilities

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

Planet Responsibilities

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

Documentation

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

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

VA Supervised and Non-Supervised Sponsored Agent

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

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

Loan Process

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

Seller Responsibilities

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

Planet Responsibilities

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

Documentation

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

- 26-1802a VA Addendum to Uniform Residential Loan Application

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

Chapter 4: Mortgage Insurance

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

Eligible Mortgage Insurance Companies

Planet accepts MI issued by any MI company that is Fannie Mae or Freddie Mac approved. View approved MI companies at FannieMae.com or FreddieMac.com. The MI coverage must meet the requirements detailed in the "Coverage Requirements " on page 38 listed below.

Eligible Types of Mortgage Insurance

Planet accepts the following MI products:

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

  Additionally, the following applies to financed MI:

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

The following MI options are available:

- Non-refundable
- Refundable
- Level/constant renewal

Ineligible Types of MI

Planet will not accept the following types of MI:

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

QM Points and Fees Test

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

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

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

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

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

Coverage Requirements

Planet requires MI coverage on conventional loans as detailed below:

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

*ARMs maximum LTV 95% on conforming loan amounts. ARMs available on Fannie Mae products; Freddie Mac ineligible at this time.

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

Chapter 5: Products and Programs

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

Planet offers the following programs and products:

Conventional Programs

Fannie Mae Conforming Program

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

Fannie Mae High Balance Program

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

Fannie Mae High LTV Refinance Options

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

Fannie Mae HomeReady

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

Fannie Mae HomeStyle Renovation

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

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

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

Freddie Mac

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

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

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

Freddie Mac HomeOne

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

Freddie Mac Home Possible

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

Government Programs

FHA Conforming and High Balance Program

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

FHA Streamline Program – Conforming and High Balance

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

FHA 203(k) Program – Conforming and High Balance

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

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

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

VA and VA IRRRL Programs – Conforming and High Balance

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

VA Alterations and Repair

- Fixed Rate: Fully amortizing 15, 20, 25 and 30-year terms
- Cash-Out Refinance on LTV's 90% must be 30 year fixed only (HB not allowed on Cash-Out > 90% LTV)
- ARM: 3/1 and 5/1; 1-year Treasury index; 1/1/5 Caps; Margin/Floor: 2.00
    - Qualified at the Note rate

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

- Fixed Rate: Fully amortizing 30-year terms

All Programs

- Financed Properties: Maximum 4 loans per borrower up to $1.5MM
- Assumptions: Allowed
- Buydowns: Permitted on FHA and VA only
- Interest-only: Not permitted
- Prepayment penalty: Not permitted
- Escrow/Impound Accounts:

  Conventional:

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

  FHA:

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

  VA:

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

Loan Documents

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

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

Conventional

Fannie Mae Conforming Program Grid

Owner-Occupied Primary Residence[3] Fixed Rate and ARM					
Transaction Type	**Units**	**LTV[1]**	**CLTV**	**Loan Amount[2]**	**Credit Score**
Purchase	1	97%[7]	97%[7]	*See* Loan Limits below	Per DU
		95%	95%[6]		
	2	85%	85%[6]		
	3-4	75%	75%[6]		
Limited Cash-Out	1	97%	97%		
		95%	95%[6]		
	2	85%	85%[6]		
	3-4	75%	75%[6]		
Cash-Out	1	80%	80%		
		80%	80%[7]		
	2-4	75%	75%		

Second Home[3,4] Fixed Rate and ARM					
Transaction Type	**Units**	**LTV[1]**	**CLTV**	**Loan Amount[2]**	**Credit Score**
Purchase	1	90%	90%	*See* Loan Limits below	Per DU
Limited Cash-Out	1	90%	90%		
Cash-Out	1	75%	75%		

Investment (Non-Owner Occupied)[3,5] Fixed Rate and ARM					
Transaction Type	**Units**	**LTV**	**CLTV**	**Loan Amount[2]**	**Credit Score**
Purchase	1	85%	85%	*See* Loan Limits below	Per DU
	2-4	75%	75%		
Limited Cash-Out	1-4	75%	75%		
Cash-Out[6]	1	75%	75%		
Cash-Out	2-4	70%	70%		
Texas 50(a)(6)[8,9,] Fixed Rate Only					
Cash-Out	1	80%	80%	*See* Loan Limits below	Per DU
Texas 50(f)[9] Fixed Rate Only					
Rate Term Refinance	1	80%	80%	*See* Loan Limits below	Per DU
Manufactured Homes[10]					
Purchase	1	95%	95%	*See* Loan Limits below	Per DU
Limited Cash-Out		95%	95%		
Cash-Out		65%	65%		
MH Advantage [12,13]					
Purchase	1	97%	97%	*See* Loan Limits below	Per DU
Limited Cash-Out		97%	97%		
Cash-Out		65%	65%		

Footnotes:

1. Loans >80% LTV require mortgage insurance and are subject to MI guidelines. The more restrictive minimum credit score requirement and guidelines apply. LTV/CLTV restrictions may apply for properties located in adverse markets. *See* "Mortgage Insurance" on page 79 for additional information
2. Minimum loan amount $40,000.00.
3. New or newly converted condominium projects located in Florida require PERS approval. Established Condominium projects in FL with PERS approval or Full Review; project review not required on detached condos or 2-4 unit projects; no LTV restrictions; projects with a Limited/CPM Review:
   - Primary residence: Max 75/90/90% LTV/CLTV/HCLTV
   - Second home: Max 70/75/75% LTV/CLTV/HCLTV

- Investment: Max 70/75/75% LTV/CLTV/HCLTV; Manufactured housing ineligible

4. Second home and investment transactions, Borrowers with 5-10 financed properties, are subject to specific Fannie Mae guidelines. *See* "Financed Properties" on page 64 for details.
5. *See* **Delayed Financing** in "Refinance Transactions" on page 85 for detailed requirements.
6. Up to 105% CLTV allowed when using a Community Seconds that meets Fannie Mae guidelines.
7. Purchase transactions: Must be first time home buyer. Refinance transactions: Current loan must be owned/securitized by Fannie Mae. *See* "95.01% — 97% LTV" on page 45 for complete details.
8. Fee restrictions apply. Some third-party fees are allowed but **not** included in the 2% fee cap. *See* "Texas 50(a)(6)" on page 89 Loan Fees for complete listings.
9. Conventional, FHA or VA Rate/Term Refinance allowed (Restrictions apply).
10. Second Homes allowed.
11. MH Advantage available for primary residence and second homes only. Second homes allowed on 1 unit only, purchase and LCOR, up to 90% LTV.
12. Maximum 95% LTV on High Balance MH Advantage property types.

Fannie Mae Maximum Cost Conforming Loan Limits			
Contiguous States, District of Columbia, and Puerto Rico			**Alaska, Hawaii**
Unit	General	High Cost Area	General
1	$510,4000	$725,600	$765,600
2	$653,550	$980,325	$980,325
3	$789,950	$1,184,925	$1,184,925
4	$981,700	$1,472,550	$1,472,550

Fannie Mae Conforming Program Guidelines

4506-T

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

NOTE: In the event of past identity theft, Planet will accept transcripts that the borrower obtained from the IRS along with a certification that the returns are true and correct.

95.01% — 97% LTV

Purchase and rate/term refinance eligible as follows:

- Property is a 1-unit primary residence
- Fixed rate required
- DU Approve/Eligible is received
- Conforming loan amounts only
- Maximum 97% LTV/CLTV/HCLTV. CLTV may only exceed 97% if the second lien is a Community Seconds (maximum 105% CLTV)
- 35% mortgage insurance coverage
- Standard minimum borrower contribution requirements apply (purchase transactions)
- **Purchase transactions** at least one borrower is a first-time home buyer (defined as a borrower who has not had an ownership interest in a property in the previous 3 years)
- **Refinance transactions** require documentation that the loan is currently owned/securitized by Fannie Mae (e.g., screen shots from Fannie Mae's KnowYourOptions website, documentation from loan service, etc.)
- Loan meets all other Planet guidelines

Ability to Repay/Qualified Mortgage

Planet requires all loans to be originated and closed in compliance with Agency and Planet guidelines. Planet will purchase owner-occupied and second home transactions as follows:

- Loans eligible under Temporary QM, and
- Loans that meet the Safe Harbor or Rebuttable Presumption provisions, and
- Pass the points and fees test, as applicable.

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

Affidavit of Identity

Planet may require an Affidavit of Identity if a borrower signature appears incomplete or illegible.

Age of Documents

- All credit and asset documentation must be the lesser of the expiration date noted per DU or 2 months as of Note date.
- Appraisal documents must be within 2 months as of the Note date or an appraisal update will be required. Appraisal updates must be ≤ 8 months or a new appraisal is required.
- The title commitment must be ≤ 90 days from the Note date.
- VVOE requirements:
  - Wage earners: ≤ 10 business days from the Note date
  - Self-employed: ≤ 60 calendar days
- New construction requires all documentation to be ≤ 4 months from the Note date.

Appraisals

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

- Appraisals must be Uniform Appraisal Data (UAD) compliant and meet Fannie Mae's Appraiser Independence Requirements (AIR).
- All appraisals must be submitted to the UCDP by the AMC or independent appraiser. A copy of the Fannie Mae Submission Summary Report (SSR) that includes the Appraisal Finding Detail Report (AFDR) with a Document File Status of "Successful" and the ten (10) digit Doc File ID number or a copy of the XML file, must be provided.
- Appraisal must identify and address properties located within a declining market.
- A full appraisal must provide legible interior and exterior photos.
  - The exterior photos must contain photos of the front, back and street scene of the subject property as well as the front of all comparable sales.
  - The interior photos, at minimum, must include:
    - Kitchen (free-standing stove/range or refrigerator not required)
    - Main living area
    - All bathrooms
    - Any physical deterioration and recent updates that materially impact the market value or marketability of the subject property (i.e., remodel, restoration, renovation)
- Comparable sales used for new construction properties are subject to the following:
  - If all three of the comparable sales used to support the value of the subject property were obtained from one of the above sources (public source eligible in Vermont and Maine only), no

further action is required.

- If the comparable sales are not all obtained from an MLS, MRIS, MRED, NTREIS, or from an independent source (Vermont and Maine only), the appraiser must comment that the subject property development is being marketed in an "open" or "public" environment (i.e., newspaper advertisements, billboard signs, website, etc.).

Additionally, the following applies:

- One of the comparable sales must be outside the project the subject property is located in and be from an MLS, MRIS, MRED, NTREIS, SABOR, GeoData, or Comps Inc. or public source (public source Vermont/Maine only).
- Two of the comparable sales must be from sources other than the subject property Builder.

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

- Planet requires properties to be, at minimum, in average condition. Additionally, the following applies:
  - A conventional heat source with the ability to maintain a temperature of 50° in areas of the property where there is plumbing.
  - Any broken glass that is a health hazard must be removed and the opening closed.
- Properties with a Condition Rating of C6 or Quality Rating of Q6 require Planet prior approval.
- An appraisal update will be required when the appraisal is dated more than 4 months from the Note date. The update must be completed prior to the expiration of the appraisal. The appraisal update must include a photo of the front of the subject property. If the appraiser indicates a decline in value, a new appraisal is required. A new appraisal will be required when the appraisal with an update is > 8 months from the Note date.
- A transferred appraisal is acceptable when the following is provided:
  - A copy of the Fannie Mae Submission Summary Report (SSR) with a Document File Status of "Successful" and a PDF version of the appraisal report,
  - An appraisal transfer letter, and
  - Confirmation that the appraisal is AIR compliant.
- Properties located in a FEMA Disaster Declaration area will be subject to additional appraisal review. *See* "Chapter 8: Loan Purchasing" on page 531 for detailed requirements.

See Fannie Mae Selling Guide for complete appraisal requirements.

Assets

Documentation requirements per DU.

- All funds used to close the transaction must be disclosed on the 1003 and input into DU.
- The borrower must provide evidence that the earnest money deposit came from an acceptable source and that they have sufficient assets to cover the down payment, closing costs, prepaids and reserve requirements. Evidence required:
  - Two months most recent bank or financial statements, all pages. If a copy of the canceled deposit check is used to document the source of funds, the bank statements must cover the period up and including the date, the earnest money check cleared the bank.
  - Sellers who are also the depository for the borrower's account may provide a printout or other alternative verification of the borrower's bank account assets produced directly from the bank or credit union's system in lieu of bank statement(s).
- A Verification of Deposit (VOD) is acceptable as the primary source of verification.
- Business funds of a self-employed borrower may be used for down payment, closing costs and/or reserve requirements subject to the following:
  - The borrower must be listed as an owner on the account. If the borrower's name is not listed on the business account statement, documentation that the borrower is an authorized signer on the account is required. This applies to all business accounts, including sole proprietorships, when business account funds are being used for down payment, closing costs and/or reserves. Examples of acceptable documentation:
    - Letter from the bank confirming borrower is an authorized signer, or
    - Online documentation that confirms borrower is an authorized signer.
- A cash flow analysis, based on 3-months' business bank statements, dated within 60 days of the closing date, is required. The cash flow analysis must indicate the following:
  - The average running balance in the account for the previous 3 months stayed the same or was better, **and**
  - The monthly business expenses were analyzed and documented (i.e., rent, payroll, lease of equipment, etc.), as applicable, for the type of business. The Seller is responsible for determining the withdrawal will not have a negative impact on the business.
- Cash on hand, unsecured borrowed funds or unverified funds are ineligible sources for assets.
- Verification of assets from foreign sources:
  - Funds that a borrower (either U.S. citizen or non-U.S. citizen) has deposited into a U.S. depository institution are acceptable provided **all** of the following requirements are met:
    - Documentation of the transfer of funds from the borrower's country of origin is provided, and
    - It can be established that the funds belonged to the borrower before the date of transfer, and
    - The source of all funds used for closing can be verified following the same requirements

for U.S. citizens.

- Payout from a life insurance policy is acceptable for down payment or closing costs. A copy of the check or payout statement issued by the insurance company is required. If the cash value is being used for reserves, documentation of the cash value is required; however, the policy does not need to be liquidated.
- Proceeds from the sale of a currently owned property are eligible for down payment and closing costs. The final Settlement/CD for the existing property (not required to be fully executed) must be provided before or at closing to show sufficient net cash proceeds to close the purchase.
- Large deposits are considered to be a single deposit where any **unsourced** portion of the deposit exceeds 50% of the combined gross monthly income of the borrower(s). If the deposit includes both sourced and unsourced funds, only the unsourced portion is used to calculate whether the deposit meets the 50% definition. Direct deposits (such as IRS or state income tax refunds) and transfer of funds between verified accounts that are easily identified on the account statement(s), do not require documentation. Requirements for documenting large deposits are as follows:
  - **Refinance transactions:** Large deposits are not required to be explained; however, it must be determined if the deposit represents borrowed funds, which would require any payment to be considered in the DTI ratios.
  - **Purchase transactions:** If the funds from a large deposit are needed for the down payment, closing costs or reserves on the transaction documentation must be provided that the funds are from an acceptable source. Any large undocumented deposit will be deducted from the amount of verified funds, and the reduced asset amount will be used for qualification.

  Examples:

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

     In this example, only the $500.00 is considered “unsourced” ($3,000.00 total deposit minus $2,500.00 tax refund) and is included in the large deposit calculation.

     The unsourced $500.00 is only 12.5% of the borrower’s monthly income; therefore, it does not meet the large deposit definition (50% of the borrower’s total monthly qualifying income). In this example, documentation is not required and the entire $20,000.00 balance in the borrower’s bank account may be used for underwriting purposes.

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

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

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

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

- Cash-on-hand is an acceptable source of funds for the borrower's down payment, funds for closing cost and prepaid items on purchase money transactions for 1 unit properties. Cash-on-hand may not be used to fund the borrower's reserve requirement, if applicable. The Seller must verify and document the following with respect to the cash-on-hand funds:
  - The borrower customarily uses cash for expenses, and the amount of funds saved is consistent with the borrower's previous payment practice.
  - Funds for down payment and closing costs must exist in a financial institution account or an acceptable escrow account. Funds must be on deposit at the time of application, or no less than 30 days prior to closing.
  - A written statement from the borrower that discloses the source of funds and states that the funds have not been borrowed.
  - The borrower's credit report and other verifications should indicate limited or no use of credit and limited or no depository relationship between the borrower and the financial institution.

Assumptions

Planet follows Fannie Mae Guidelines.

AUS

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

Available Markets

- **Delegated Sellers**

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

- **Non-Delegated Sellers**

  Planet will purchase loans from non-delegated Sellers in all states on Fannie Mae products. **All** loans require Planet underwriting approval.

- The U.S. territories of Guam and the Virgin Islands are ineligible regardless of delegation.

Borrowers — Eligible

- A natural person
- U.S. Citizens
- Permanent resident aliens:

    - Permanent resident alien borrowers must hold an unexpired "Green Card" issued by the U.S. Citizenship and Immigration Services (USCIS). A copy of both the front and back of the card is required.
- Revocable Inter-Vivos Trust that meets Fannie Mae guidelines
- Non-permanent resident aliens:
    - Non-permanent resident aliens are temporary residents who are eligible to live/work in the United States for a specific period of time. Acceptable documentation of their work authorization is:
        - An unexpired Employment Authorization Document (EAD) by the USCIS, or
        - An unexpired visa. Eligible types are E-1, G series, H series, or TN.
    - If the authorization for temporary residency will expire within one year of closing and a prior history of residency status renewals exists, continuation may be assumed. If there are no prior renewals, the likelihood the authorization will be renewed must be determined based on information received from the USCIS.
- All borrowers are required to have a social security number.

Borrowers — Ineligible

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

Borrower Types

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

Non-Occupant Co-Borrower: An individual, who applies with the applicant, may or may not take title to the property and is liable for the debt but does not live in the property.

- DU determines the risk factor without the non-occupant co-borrower's income.
- Non-occupant co-borrower's assets may be used to meet the 5% borrower contribution requirement (as applicable). The total liquid assets for both the occupying and non- occupying borrower must be entered in DU to ensure an accurate DU calculation of total available assets.

Co-Signer: An individual who has no ownership interest in the property but is liable for the debt. Assets are always used for qualification. Income and debt are only considered when the co-signer occupies the subject property.

Non-Borrowing/Non-Purchasing Spouse

- Generally have no ownership interest in the property and are not liable for the debt. In community property/marital rights states, the non-borrowing spouse does have an interest in the property and is required to execute the security instrument and all applicable documents as determined by state law.

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

Down Payment and Qualifying Ratio Requirements

When a non-occupant co-borrower or cosigner is on the loan, the occupying borrower must make a minimum 5% of the down payment from their own funds unless:

- The LTV/CLTV ratio is ≤ 80%, and
- The occupying borrower is purchasing a 1-unit principal residence and meets the requirements of gifts to pay for some or all of the borrower's minimum contribution.

Chain of Title

A 12-month chain of title is required for all loans. Title must include all transfers in the previous 12-month period, including copies of all recorded deed(s). If more than one transfer in previous 12 months **or** property has significant increase in value since prior transfer, an appraisal addendum addressing all transfers is required.

Community Seconds

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

Construction-to-Perm

- The conversion of construction-to-permanent financing involves the granting of a long-term mortgage to a borrower for the purpose of replacing interim construction financing that the borrower has obtained to fund the construction of a new residence.
- Construction-to-permanent financing can be structured as a transaction with one or two separate closings, and both single closing and two closing transactions are eligible for purchase.
- All construction work, including any work that could entitle a party to file a mechanics' lien or materialmen's lien, must be completed and paid for, and all mechanics' liens and any other liens and claims that could become liens relating to the construction must be satisfied before the loan is closed with Planet. Planet will retain the appraiser's certificate of completion and a photograph of the completed property in the loan file. When a construction-to- permanent mortgage loan provides funds for acquisition or refinancing of an unimproved lot and the construction of a residence on the loan, Planet will retain a certificate of occupancy or an equivalent from the applicable government authority.
- Units in a condo project are not eligible for construction-to-permanent financing.
- Detached condos allowed.

Single-Closing Transactions

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

Two-Closing Transactions

- Two-closing construction-to-permanent transactions use two separate loan closings with two separate sets of legal documents. A modification may not be used to update the original Note — a new Note must be completed and signed by the borrowers. The first closing is to obtain the interim construction financing (and may include the purchase of the lot) and the second closing is to obtain the permanent financing upon completion of the improvements.
- The borrower is underwritten based on the terms of the permanent mortgage.
- Transactions are subject to the limited cash-out and cash-out refinance maximum LTV/CLTV/ HCLTV ratios, as applicable.
- Cash-out refinance transactions require the borrower to have held legal title to the lot for at least 6 months prior to the closing of the permanent mortgage.
- All other standard cash-out refinance eligibility and underwriting requirements apply.

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

Contingent Liability

Business Debt

- Business debt that appears on a self-employed borrower's personal credit report requires documentation that the debt is paid from company funds and considered in the cash flow analysis for the borrower's business.
- Business debt does **not** need to be considered as part of the borrower's individual recurring monthly debt when:
  - The account does not have a history of delinquency, **and**
  - Documentation is provided that the debt was paid from the borrower's business funds (e.g., 12-months' canceled business checks), **and**

- The cash-flow analysis of the business took payment of the obligation into consideration. If documentation of payment from the business funds cannot be provided or there is a history of delinquency on the account, the debt must be considered as part of the borrower's individual recurring debt obligation.

If documentation of payment from the business funds cannot be provided, or there is a history of delinquency on the account, the debt must be considered as part of the borrower's individual recurring debt obligation.

Co-Signed Debt (aka Contingent Liability)

- Co-signed debt is **not** required to be included in the borrower's DTI calculation if all of the following applies:
  - Documentation that the party making the payment is obligated on the mortgage/debt
  - No delinquent payments in the most recent 12-month history
  - Most recent consecutive canceled checks are provided documenting the primary party obligated on the debt has been making the payments (the checks cannot be from an account co-owned with the borrower).
- Co-signed debt **must** be included in the borrower's DTI calculation if:
  - It cannot be properly documented that the primary party obligated on the loan is making the payments, **or**
  - A 12-month pay history, by the primary party, cannot be established, **or**
  - The credit report indicates there have been late payments on the debt, **or**
  - Another party is making the payments, but the borrower is the individual responsible for the debt.

Conversion of Principal of Residence or Pending Sale

Pending Sale

If the borrower is purchasing a new primary residence, and the current primary residence is pending sale, and the transaction will not close prior to the new transaction, the following is required:

- The borrower is qualified using their current PITA and the proposed PITIA (principal, interest, taxes, insurance and other assessments).
- The borrower must have 6 months PITIA in reserves for both properties.
- Two months reserves for each property will be allowed if 30% equity can be documented by an appraisal.
- The borrower's PITIA payment on their current residence will not be required when qualifying the borrower if **all** of the following applies:
  - The borrower meets the 6-months' reserve requirement (or 2 months with documented equity) for both properties, and

  - A copy of the executed sales contract is provided, and
  - Documentation is provided confirming all financing contingencies have been cleared.

Conversion of Second Residence or Principal Investment Property: *see* Fannie Mae Selling Guide.

Credit History

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

Credit — Installment/Revolving Accounts

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

- **Installment Debt**
  - All Installment debts, including garnishments, are considered recurring monthly debt obligations and must be included in the borrower's long-term debt for qualifying purposes if there are more than 10 months payments remaining.
  - Installment debt with ≤ 10 months remaining will be considered as a recurring monthly debt obligation if it significantly affects the borrower's ability to meet their credit obligations.
- **Revolving Debt**
  - Revolving debt is considered part of the borrower's recurring monthly debt. Revolving debt includes credit cards and personal lines of credit (equity lines, secured by real estate, are included in the housing expense). Revolving debt is subject to the following:
    - If the monthly payment is not included on the credit report, the underwriter will use the greater of $10.00 or 5% of the outstanding balance to determine the monthly payment.
- **Payoff or Pay Down Debt Before Qualification**
  - Payoff or pay down of a debt solely to qualify the borrower is carefully evaluated and will be considered in the overall loan analysis by the underwriter. Generally, the following applies:
    - Revolving accounts that will be paid off at or prior to closing, a monthly payment is not required to be included in the debt ratio. Documentation that the account was paid off must be provided and verified prior to loan disbursement, or the payoff must be shown on the Settlement/CD.
    - Installment loans that are being paid off or paid down to 10 or fewer remaining monthly payments do not need to be included in the borrower's long-term debt. Such accounts do not need to be closed as a condition of excluding the payment from the DTI ratio.
- Open 30-day charge accounts require sufficient assets to pay off the debt to be excluded from the debt ratio.
- **Student Loans**

Payments evidenced on credit reports can be used to qualify the borrower. When the credit report does not reflect the correct monthly payment amount:

- Planet may use the most recent monthly payment reflected on the student loan documentation.

When the credit report does not reflect a monthly payment amount or shows a $0 amount as the monthly payment, one of the following options must be used when determining the qualifying monthly payment:

- Planet may qualify borrowers on income driven payment plans using the $0 as a monthly payment amount with evidenced documentation.

  or

- For loans that are deferred loans or in forbearance, Planet may calculate:
  - A payment equal to 1% of the outstanding student loan balance (even if this amount is lower than the actual fully amortizing payment), or
  - A fully amortizing payment using the documented loan repayment terms.

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

Alimony, child support or separate maintenance payments that are required to be paid due to a divorce decree, separation agreement or another legal document may be:

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

Alimony Treatment

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

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

   - Lenders using option 1
     - Must enter the adjusted income figure as the income amount in DU
     - Disregard the DU message requiring the inclusion of the alimony obligation as a monthly liability that is issued whenever the borrower declares on the loan application that they are obligated to pay alimony.
   - Lenders using option 2

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

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

- **Delinquent Federal Income Tax Installments**

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

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

Credit Report/Scores

- Credit score per DU.
- All borrowers are required to have a credit score (*see* "Credit Exceptions/Non-Traditional Credit" on the next page).
- Planet will accept a credit report, in the Seller's name, from any Fannie Mae acceptable credit vendor.
- A tri-merged credit report is required for all borrowers.
- The representative credit score is determined as follows:
  - If there are three (3) valid scores, the middle score is used. If two of the three scores are a duplicate, the duplicate score is used.
  - If there are two (2) valid scores, the lower of the two is used.
  - If there is one (1) valid score, that score is used.

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

- The borrower(s) must address **all** credit inquiries indicated on the credit report within the previous 120 days and indicate the reason for and result of the inquiry (i.e., was new credit obtained or not).
- Sellers are required to document that the borrower did not incur any new debt from the time the credit used to make the credit decision was pulled to the time of loan closing. Any of the following is acceptable documentation:
  - A "soft pull" credit report, or
  - An affidavit, signed by the borrower(s) (sample form is posted on the CORE Seller Portal at www.phlcorrespondent.com under **Forms and Resources**), or

- A letter, written and signed by the borrower(s) stating no new credit was obtained.
- The credit report must be ≤ 4 months from the Note date

Frozen Credit

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

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

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

Credit Report — Fraud Alert

When a fraud alert, active duty alert, or freeze is included with a credit report, additional steps are required to verify the borrower's identity and documentation must be provided. Documentation should include, but is not limited to:

- A letter of explanation from the borrower, and
- A copy of the identity theft report, and
- An additional form of identity verification, and
- If the credit alert contains a phone number for a verbal verification prior to credit being issued, documentation must be provided that the borrower was contacted.

Credit Exceptions/Non-Traditional Credit

- DU "Approve/Eligible" results
- 1-unit, primary residence
- All borrowers will occupy the property
- Purchase or LCOR transactions only
- Reserves may be required as determined by DU
- When no borrower has a credit score, a non-traditional credit history must be documented for each borrower.

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

- All property types are permitted, with the exception of manufactured housing
- DTI must be less than 40%
- The maximum LTV, CLTV, and HCLTV ratios are 90%
- Fixed Rate mortgage

- When no borrower has a credit score, a non-traditional credit history must be documented for each borrower.

When one or more borrower(s) has a credit score and additional borrower(s) do not, all of the above requirements apply in addition to the following:

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

See Fannie Mae Selling Guide for complete details.

Deed/Resale Restrictions

Properties with age-related restrictions (55+ communities) are eligible subject to Fannie Mae requirements. All other properties subject to deed/resale restrictions are ineligible.

Derogatory Credit

Bankruptcy

Derogatory Event	Waiting Period	Extenuating Circumstance
Chapter 7 or 11 BK	4 years from discharge date to the disbursement date of the new loan.	2 years from discharge. The maximum LTV is the lesser of the 90% LTV or maximum LTV allowed for the program.
Chapter 13 BK	2 years from discharge date to the disbursement date of the LTV is the lesser of new loan, **or** 4 years from dismissal date the allowed for the program. disbursement date of the new loan.	2 years from discharge. The maximum LTV is the lesser of the 90% LTV or maximum LTV allowed for the program.
Multiple BK Filing*	5 years if more than one filing in the previous 7 years.	3 years from discharge dismissal

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

Extenuating circumstances are considered isolated events that are beyond the borrower's control that result in a sudden, significant and prolonged reduction in income or a large increase in the borrower's financial obligations (e.g., death of a borrower, layoff, serious illness, divorce, etc.).

- Acceptable documentation to support extenuating circumstances and that illustrate factors that contributed to the borrower's inability to resolve the problem is required (e.g., copy of divorce decree, layoff notice, death certificate, medical bills, tax returns, property listing agreements, etc.).
- Additionally. a letter of explanation from the borrower explaining the relevance of the documentation is required.

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

Collections/Charge-Offs/Judgments

The following applies to collection and charge-off accounts:

- Past-due accounts (that have not gone to collection) must be brought current.
- **One Unit Owner-Occupied Primary Residence:**
  - The borrower is not required to pay off outstanding collections or non-mortgage charge-offs regardless of the amount.
- **Two-to-Four Unit Owner-Occupied Primary Residence and Second Home**
  - If the combined total of collections and non-mortgage charge-offs are greater than $5,000.00, the accounts must be paid in full prior to or at closing.
- **Investment Property**
  - Individual/non-mortgage charge-off accounts greater than or equal to $250.00 or, if the combined balance of all accounts is greater than $1000.00, the accounts must be paid in full prior to or at closing.

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

Mortgage Charge-Offs

If the charge-off account was a mortgage, a 4-year waiting period (2 years with extenuating circumstances) applies. *See* "Deed-in-Lieu/Pre-Foreclosure (Short Sale/Short Pay-Off)" on the next page for complete details.

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

Judgments/Tax Liens

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

Consumer Credit Counseling

Follow DU Findings.

Foreclosure

A previous foreclosure is subject to the following:

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

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

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

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

*Extenuating Circumstances

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

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

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

A letter of explanation from the borrower, explaining the event and documentation provided is also required.

Disputed Accounts

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

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

Delinquent Child Support

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

Re-Established Credit Requirements

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

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

DTI

- Per DU
- Business debt may only be excluded from the DTI calculation if satisfactory documentation of the following is provided:
  - The account in question does not have a history of delinquency.
  - The debt(s) are paid through the business verified with 12 months canceled business account checks.
  - A cash-flow analysis of the business took the payment obligation into consideration.
- Debt that has been assigned by order of the court is not required to be included in the borrower's DTI calculations; however, the payment history for the debt prior to its assignment must be reviewed.
- When a borrower is obligated on a **mortgage debt** but not the party repaying the debt, the full monthly housing expense may be excluded from the borrowers recurring monthly obligation if:
  - The party making the payment is obligated on the mortgage debt
  - No delinquencies in the most recent 12 months, and
  - Rental income from the applicable property is not being used to qualify

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

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

Employment

- A two-year employment history is recommended.
- Wage earner borrowers may be considered with a shorter employment history as long as the employment profile demonstrates positive factors to offset the shorter income history reasonably.
- Borrowers relying on overtime and/or bonus income for qualifying purposes must have a minimum 12-months' history to be considered stable.
- Self-employed borrowers may be considered with a 12 to 24 month self-employment history when:
  - The borrower's most recent signed federal tax returns reflect the receipt of income at the same or greater level from a field that provides the same products/services as the current business, or
  - Reflects income from an occupation in which the borrower had similar responsibilities as those undertaken in the current business.
  - Seller's must thoroughly review and consider the borrower's level of experience and the amount of debt the business has.
  - For loans with application dates on or after 4/15/20 – 5/17/20 the existence of the borrower's business must be verified within 120 calendars prior to the Note date. The business must be open and operational. This must be confirmed within 10 business days prior to the Note date or prior to delivery to Planet.
- A verbal verification of employment (VVOE) is required within 10-business days of the Note date for salaried borrowers and within 120 calendar days for self-employed borrowers. A sample VVOE form is posted on the CORE Seller Portal at www.phlcorrespondent.com under **Forms and Resources**. Sellers are not required to use this exact form. However, any form used must provide the information contained on the Planet form.
- A current paystub with YTD income and most recent W-2s are required.
- Seller must independently obtain the phone number and, when possible, the address of the wage earner borrower's employer using directory assistance/internet/phone book, etc.
- Self-employed borrowers require verification of the business by a third-party source (e.g., CPA, Federal Tax ID Certificate, Business License, and 411/Reverse Look-up). Self- employed borrowers are individuals who have 25% or greater ownership interest in a business.

See Fannie Mae Selling Guide for complete employment requirements.

Escrow Holdback

Loans with an escrow holdback are eligible for purchase when all funds are disbursed prior to the loan being purchased by Planet except as noted below. Loans must meet Planet's loan seasoning requirements detailed in "Chapter 8: Loan Purchasing" on page 531. Loans with holdback funds not disbursed prior to purchase are eligible as follows:

- **Newly constructed properties — weather related**
  - Funds held for completion of grading of yard/driveway, pouring concrete for driveway/sidewalks
  - Seller must provide proof of completion and release of funds post-purchase
- **Newly constructed properties with city held bond — weather related**
  - Eligible for purchase with temporary Certificate of Occupancy when a city bond is held for completion of roads and/or driveways
- **New construction — non-weather related**
  - Funds held for completion of landscaping
  - Seller must provide proof of completion and release of funds post-purchase.

NOTE: Existing properties with new renovations allowed on a case-by-case basis.

Escrow/Impound Account

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

Escrowed Flood Insurance Premiums

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

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

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

Financed Properties

- Owner-occupied properties: Unlimited
- Second home and investment: Maximum 10 residential properties may be financed, including the borrower's principal residence. Borrowers with 7-10 properties must have a minimum credit score of 720; all other standards apply.

See "Reserves" on page 87 for additional information.

Calculating the Number of Financed Properties

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

- Joint ownership of residential real estate.
- Property held in the name of a trust.
- Joint or total ownership of property held in the name of a corporation or S corporation, even if the borrower is the owner of the corporation and the financing is in the name of the borrower.
- Borrower is obligated on the mortgage debt for a residential property regardless of whether or not the borrower is an owner of the property.
- The property is owned in the name of an LLC or partnership, and the individual or combined ownership is > 25% regardless of the entity or borrower that is obligated on the mortgage.
- The property is owned in the name of an LLC or partnership where the borrower(s) have an individual or combined ownership in the LLC or partnership < 25% and the financing are in the name of the borrower.
- Ownership of a manufactured home and the land on which it sits is titled as real property.

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

- Commercial real estate
- Multifamily property consisting of more than 4 dwelling units
- Joint or total ownership of a property held in the name of a corporation or S corporation, even if the borrower is the owner of the corporation and the financing is in the name of the corporation or S corp.
- Timeshare
- Vacant lot
- Ownership of a manufactured home on a leasehold estate not titled as real property.

Gift Funds

Gift funds from an acceptable donor may be used for all or part of the down payment, closing costs, or reserve requirements as long as the borrower meets the minimum contribution requirements below.

LTV/CLTV	Property Type	Minimum Contribution from Borrower Own Funds
≥ 80.01%	1 unit primary residence	Not required if MI Certificate confirms coverage; otherwise 5% borrower's own funds required.
	2-4 units, second home	5% borrower contribution required. Gifts may be used after the borrower own funds contribution is met.
≤ 80%	1-4 primary, second home	Not required. All funds may come from a gift.

- Gift funds are not allowed on investment transactions.
- Gift funds may be provided by any of the following:
  - A relative, defined as the borrower's spouse, child, or other dependent, or by another individual who is related to the borrower by blood marriage, adoption, legal guardianship, or
  - A fiancé or fiancée, or domestic partner.
- The gift must be evidenced by a gift letter, signed by the donor and it must:
  - Specify the dollar amount,
  - Be signed by the donor and the borrower,
  - Specify the date the funds were transferred,
  - Indicate the donor(s) name, address, phone number, and relationship to the borrower, and
  - Include a statement by the donor that no repayment of the gift funds is expected.
- The transfer of the gift funds must be documented. Acceptable documentation includes:
  - Copy of the donor's canceled check and the borrower's deposit slip
  - Copy of the donor's withdrawal slip and the borrower's deposit slip
  - Copy of the donor's check to the closing agent, or
  - The settlement statement showing receipt of the donor's check.
  - If funds not transferred prior to settlement, documentation the donor gave the closing agent the gift funds in the form of a certified/cashier's check or other official check.

See Fannie Mae Selling Guide for complete details.

Gift of Equity

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

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

Income

Income documentation is determined per DU, however, at underwriter discretion, additional documentation may be required. Unless addressed below, follow Fannie Mae guidelines for income requirements.

- Wage earner borrowers:
  - At minimum, a current paystub with YTD earnings and the most recent W-2. The paystub must be dated within 30 days of the initial loan application date.
- Self-employed borrowers:

- Copy of the most recent 2-years signed federal individual and business tax returns with all schedules. If DU requires business returns, business tax transcripts will be required.
- The requirement for business tax returns **may be waived** if:
  - Borrower is using personal funds for down payment, closing costs and to satisfy applicable reserve requirements
  - Borrower has been self-employed in the same business for a minimum of 5 years
  - Borrower's individual tax returns show an increase in self-employment income over the past 2-years

- When the co-borrowers self-employment income is not used for qualifying purposes, no documentation or evaluation of income or losses is required. However, all borrowers will continue to be evaluated for creditworthiness.
- Permitted for non-traditional credit qualifying transactions.
- Business income may only be used to qualify the borrower when there is a history of income distribution to the borrower consistent with the level being used to qualify.

See Fannie Mae Selling Guide for additional details.

- Other sources of income:
  - Employment related assets used as qualifying income is permitted; *see* Fannie Mae Selling Guide for additional details.
  - DU determines the documentation, verification and continuation requirements for other sources of income.
  - Social Security income for retirement or long-term disability that the borrower is drawing from his or her own account/work record will not have a defined expiration date and must be expected to continue.

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

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

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

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

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

2. **Loan delivered prior to borrower starting employment** are limited to the following requirements:
   - Purchase Transaction only
   - 1-unit principal residence
   - Borrower is not employed by a family member or by an interested party to the transaction
   - Borrower is qualified using only fixed base income
   - Employment start date must be within 90 days of the note date
   - The employment offer or contract must:
     - Clearly identify the employer and the borrower
     - Be signed by the employer, and
     - Be accepted and signed by the borrower
     - Clearly identify the terms of employment, including position, type and rate of pay, and start date, and
     - Be non-contingent
     - Review of all conditions of employment (if applicable) must be evidenced in the file
   - File must evidence, in addition to reserves required by DU or for the transaction, one of the following:
     - 6 months sufficient reserves, or
     - Sufficient reserves or income to cover monthly obligations including DTI and PITIA for the number of months between the note date and employment start date plus one (1)

See Fannie Mae Selling Guide for complete details.

Income — Rental

- Planet follows Fannie Mae guidelines regarding the use of rental income.
- First-time homebuyer: Rental income **not** eligible for qualifying when purchasing an investment property.
- Seller is encouraged to use the Fannie Mae rental income worksheets when calculating rental income.

The worksheets (Form 1037, 1038, and 1039) are located on the Fannie Mae website under **Guide Forms & Legal Docs**.

Inspections

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

Interested Party Contributions

Interested Party Contributions (IPC) pay for costs that are normally charged to the buyer of the property (borrower) and are provided by a party that has a financial interest in, or can influence the terms and sale/transfer of the subject property such as:

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

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

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

IPC's are limited as follows:

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

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

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

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

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

They may also include:

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

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

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

Investment Property Requirements

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

- If the property is vacant, verification from the appraiser that all units are currently vacant (can be noted in the appraisal report), **or**

- If the property has any tenants, verification from the title company that they will not have “Tenants in Possession” exception in the title policy. Specific verification from the title company is required; the title company must provide written documentation that they will now have a “tenants in possession” exception, **or**
- A copy of the lease documentation that specifically indicates:
  - The lease is subordinate to any mortgage, or
  - Any tenant’s right to purchase the property or any rights that could affect Planet's interest has been formally waived by all tenants of the property.

LDP/SAM

LDP / SAM

All of the following parties to the transaction, as applicable, must be checked against the HUD's Limited Denial of Participation list and the System for Award Management list.

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

Manufactured Homes

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

- Per DU

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

Eligible Properties

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

Ineligible Properties

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

Additional Requirements

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

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

  - Certification of completion is required prior to submission to Fannie Mae and must include:
    - Verification improvements were completed, and all other requirements/conditions have been satisfied
    - Previously unavailable information, and
    - Photographs of the completed improvements attached to the permanent foundation.
- **Site Requirements**
  - Opinion of value must be based on the characteristics of the subject property including site area.
  - Property must be compatible and conform to the manufactured homes in the neighborhood.
- **Comparable sales**

- Two comparable sales of similar manufactured homes are required and must address the marketability and comparability of a manufactured home (example: multi-wide to multi-wide homes)
  - A third comparable sale can be either a site-built home or a different type of factory-built housing.

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

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

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

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

Additional Requirements

- Cash-out Transactions: ≤ 20 year term.
- Property must be at least 12 feet wide
- Minimum of 600 square ft. of living space, and
- Attached to a permanent foundation in accordance with the manufactured homes industry standards.
- Must be legally classified as real property under applicable state law.
- Permanently connected to a septic tank or sewage system and other utilities according with local and state requirements.
- Properties not situated on a publicly dedicated and maintained street:
  - Must be situated on a street that is community owned and maintained or
  - Privately owned and maintained.
- Must not have been previously installed or occupied at any other site or location, except from the Manufacturer's or the dealer's lot as a new unit.
- Running Gear, towing hitch must be removed (must assume the characteristics of site-built housing).
- Existing properties that need repairs or are in the renovation process are not eligible for purchase until the necessary work has been completed.
  - Exceptions may be considered for items that do not affect the ability to get an occupancy certification.
- Additions and/or modifications are allowed

  - File must evidence approved inspections of modifications certified by the state when required.
  - Inspections not required by the state must be done by a licensed professional engineer.
- File must evidence certification that the addition or structural changes were completed in accordance with the HUD Manufactured Home Construction Safety Standards.
- Borrower must own the land in fee simple.
- Must be built in compliance with the Federal Manufactured Home Construction and Safety Standards established June 15, 1976, as amended and in force at the time the home is manufactured; and
- Must be evidenced by the presence of both a HUD Data Plate and the HUD Certification Label (HUD seal or tag).

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

Down Payment

Borrower must provide 5% of their own funds unless:

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

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

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

Determining the Value of the Land

Date of Land Purchase	Value of Land	Required Documentation
>12 months preceding the loan application	The current appraised value	N/A
<12 months preceding the date of the loan application	The Lesser of the sales price or the current appraised value	Borrower cash investment must be obtained and include: – Copy of settlement statement – Copy of the warranty deed showing no outstanding liens against the property, or – Copy of the release of any prior lien(s)

Date of Land Purchase	Value of Land	Required Documentation
Land acquired at any time as a gift, inheritance, or other non-purchase transactions	The current appraised value	Documentation which verifies the acquisition and transfer of ownership of the land

Transactions Type

- **Purchase Transactions**

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

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

- **Limited Cash-Out Refinance Transactions**

  Proceeds may be used to:

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

- Maximum LTV must be based on the lower of the current appraised value and land; or
- If property is owned by the borrower for < than 12 months on the loan application date, and
- If the home and land are secured by separate liens, the lowest price at which the home was previously sold during that 12-month period plus:
  - The lower of the current appraised value of the land, or
  - The lowest sales price at which the land was sold during that 12-month period.
- If the property and land are secured by a single lien, the lowest price at which the home and land were previously sold during that 12-month period.

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

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

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

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

- The purchase, conveyance, and financing (or refinancing) must be evidenced by:
  - A valid and enforceable first-lien mortgage or deed of trust that is recorded in the land records, and
  - Must represent a single real estate transaction under applicable state law.

- A Copy of the Appraisal Report (form 1004C) and Completion Report 1004D (if applicable) is required.
- For new construction follow Fannie Mae standard appraisals requirements for:
  - Postponed Improvements
  - Factory-Built Housing:
    - Manufactured Housing for appraisals based on plans and specifications.
    - This will ensure site improvements that are not attached to the home, such as detached garages, are complete.
- Appraisal photos must evidence:
  - The presence of the MH Advantage Sticker (placed in proximity to the HUD Data Plate).
  - HUD Data Plate, and
  - HUD Certification Labels.
- Final inspection photo must show the presence of a driveway leading to the home, garage or carport (if one is available). The driveway must consist of:
  - Blacktop
  - Pavers
  - Bricks
  - Concrete
  - Cement, or
  - Gravel
  - The presence of a sidewalk connecting either the driveway, or a detached garage or carport, to a door or attached porch of the home. The sidewalk must consist of:
    - Blacktop
    - Pavers
    - Flagstone
    - Bricks
    - Concrete, or
    - Cement

Comparable Sales

- Must use other MH Advantage properties when available.
- Appraiser must supplement with the best and most appropriate sales if fewer than three MH Advantage sales are available.
- Site-built homes may be included in the comparable.
- Sales of new manufactured homes and land (often referred to as land/home sales) may be used as comparables provided both the land and home transpire as a single transaction, and the file evidences that the appraiser has adequately verified the physical attributes, conditions

of sale, sales price, and concessions.

- Combining separate transactions of vacant land and purchase price to create a comparable sale is not permitted but may be used as additional support.

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

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

Down Payment

Borrower must provide 5% of their own funds unless:

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

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

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

Mortgage Insurance

Follow standard Fannie Mae Guidelines for manufactured homes.

Product

- Fixed Rate: 10, 15, 20, 25, and 30-year term
- Cash-out Transactions: ≤ 20-year term.

Site Requirements

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

Transaction Type

- Purchase
- Limited Cash-Out
- Cash-out

Ineligible Transactions

- Loans secured by one-frame modular construction.

Mortgage Insurance

- Loans with >80% LTV, mortgage insurance is required and are subject to MI guidelines.
- Eligible MI products:
  - Borrower paid mortgage insurance (BPMI). Monthly or single premium are eligible. The single premium may be financed. *See* "Chapter 4: Mortgage Insurance" on page 36 for detailed requirements.
  - Lender paid mortgage insurance (LPMI). Single premium only.
  - Split Premium.
- Eligible MI options:
  - Non-refundable
  - Refundable
  - Level/constant renewal type (as applicable)

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

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

Required MI Coverage				
Loan Terms	**LTV**			
	80.01% - 85%	85.01% - 90%	90.01% - 95%	95.01% - 97%**
Fixed Rate: 10,15,20	6%	12%	25%	35%
Fixed Rate: 25, 30 year term and ARMs*	12%	25%	30%	35%

*ARM maximum LTV 95%

** > 95%. *See* "95.01% — 97% LTV" on page 45 for restrictions

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

Mortgage/Rental History

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

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

- The credit report must reflect the most recent 12 months activity.
- Mortgage must be current for the month closing.
- Copies of rent checks are required to document rental payment history per DU results in lieu of rent checks, at the underwriter's discretion, the following may be acceptable:
  - A direct verification of rent (VOR) provided by a professional management company, or
  - Copies of money orders

Non-Arms' Length or Identity of Interest Transactions

- A non-ARM's length transaction is a purchase transaction where there is a relationship or business affiliation between the buyer and seller of the property.
- Non-ARM's length transactions are eligible for resale properties.
- When a non-ARM's length transaction occurs on a property that is new construction, the property must be a primary residence only. Non-ARM's length transactions are ineligible if the property is a second home or investment.

- An identity of interest transaction involves parties who are not related and do not have close personal ties, however, they have a strong interest in the transaction (i.e., broker acting for buyer and seller, the broker is both realtor and mortgage broker, the realtor is selling own property, etc.). Additional review will be required to ensure validity of the transaction, value, etc. which may include additional documentation and/or a desk review or second appraisal.

Occupancy

- Owner-occupied
- Second home
- Investment (non-owner occupied)

Power of Attorney

A Power of Attorney (POA) is allowed on a case-by-case basis on purchase and rate/term refinance transactions subject to all of the following:

- For extenuating circumstances, active military personnel or individuals with a documented medical condition that prevents them from attending the closing or performing borrower requirements.
- Must be specific to the transaction.
- Must include the borrower name, property address and loan amount.
- POA must be fully executed and notarized.
- Borrower must sign the application and disclosures.
- POA must be recorded along with the mortgage (certified copy required).
- POA is eligible on purchase and rate/term refinance transactions only; cash-out is ineligible.
- If there are two or more borrowers on the loan, at least one borrower must be present for the closing and sign for the absent borrower (as their attorney-in-fact).

Prepayment Penalty

Not permitted.

Products

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

Properties — Eligible

- Single-family residences
- 2-4 units
- Rowhouse
- Manufactured Homes/Modular, prefabricated panelized or sectional housing (must have like

comparables and property must be legally classified as real property)

- Leaseholds meeting Fannie Mae guidelines
- Mixed use eligible subject to Fannie Mae guidelines
- Rural properties
- Owner-occupied SFR
- Properties owned free and clear properties (no existing lien). A copy of the tax transcript indicating no mortgage interest is required. If the borrower owns multiple properties, a 1098 is required matching the lien(s) on the 1003 with the 1098 and **one** of the following:
  - Copy of the hazard insurance declaration page with no mortgagee listed, **or**
  - Copy of the MERS report for the property showing no mortgage listed, **or**
  - Copy of the Data Verify report showing no mortgage listed.
- Agricultural properties (allowed for Texas 50(a)(6) and Texas 50(f) transactions only)
- Properties without road access are allowed on a case-by-case basis with approval from the Credit Risk Officer.

Properties - Eligible - Condo/PUDs and Project Standards

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

Litigation

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

See Fannie Mae Selling Guide for complete requirements.

Eligible Project Types

- Established Condo projects

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

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

- Projects < 90% sold can be treated as an established project if the deficit is a result of developers holding back units for rent.
- Developer's share of holdback for rental is < 20% of total units.
- HOA fees are paid current.
- No active or pending special assessments in the project.

- New or newly converted condominium projects located in Florida require PERS approval.
- Established condominium projects in FL with PERS approval or Full Review; project review not required on detached condos or 2-4 unit projects; no LTV restrictions; projects with a Limited/CPM Review:
  - Primary residence: Max 75/90/90% LTV/CLTV/HCLTV
  - Second home: Max 70/75/75% LTV/CLTV/HCLTV
  - Investment: Max 70/75/75% LTV/CLTV/HCLTV
- Fannie Mae to Fannie Mae Limited Cash-Out Refinance projects: Project review not required on LTVs ≤ 80%.
- New condo:- < 90% of the total units must have been conveyed to unit purchasers (or 80% with exceptions).
- Detached condo: No project review required for new or established projects
- 2-4 unit condo projects: No project review required for new or established projects.
  - Each unit is evidenced by its own title and deed
  - No project review required for new or established project with ≤ 4 units
- PUDs

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

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

Properties — Ineligible

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

- Boarding houses
- Builder bailout properties
- Commercial property
- Condo Hotels or Timeshares
- Commercial Space and mixed use allocation
- Industrial zoned property
- Incoming producing properties (e.g., adult care facilities, bed & breakfast, etc.)
- Live-Work Projects that do not meet Fannie's live-work requirements
- Log Homes
- Kiddie Condos
- Mobile homes (any property that had/has wheels, axles, towing hitch, etc.)
- Multi-family dwellings > 4 units
- New or newly converted condominium projects in Florida without a PERS approval
- Non-warrantable condominiums
- Properties located on Tribal Lands Properties not suitable for year-round occupancy, regardless of location
- Properties with an Assignment of Contract
- Properties located in the Hawaiian Islands in lava zones one (1) or two (2)
- Unique properties (geodesic domes, earth barn homes, log homes, etc.)
- Vacant land is ineligible for refinance transactions
- Properties with problem drywall (aka Chinese drywall). Evidence of complete remediation must be provided if property previously contained Chinese drywall.
- Properties without road access not approved by Planet's Credit Risk Officer.
- Single-Entity ownership project

Property Flips

Property flips are subject to:

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

Property Inspection Waiver (PIW)

Permitted in cases of refinance and the borrowers name in the case file does not match the borrowers name on the new appraisal.

Property with an Accessory Unit

Eligible subject to Fannie Mae guidelines.

Property with an Addition without Permits

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

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

Property with Solar Panels

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

Purchase Agreement Amended/Renegotiated

- Not eligible if the sales price was increased **after** the original appraisal was completed if:
  - The appraised value is higher than the originally contracted sales price that was provided to the appraiser, and
  - The new purchase agreement and/or addendum to the purchase agreement is dated after the appraisal, and
  - The only change to the purchase agreement was the sales price.
- If the purchase agreement was renegotiated after the completion of the appraisal, the LTV would be based on the **lower** of the original purchase price or the appraised value, unless:
  - The re-negotiation was only for seller paid closing costs and/or pre-paids where the seller paid closing costs/pre-paids are common and customary for the area and are supported by the comparables, or
  - The purchase contract was amended for a new construction property due to Improvements made that impact the tangible value of the property. An updated appraisal report must be obtained to validate the value of the improvements.
- Assignment of the purchase contract is not allowed.

Refinance Transactions

Properties that were listed for sale in the previous 12 months must be taken off the market prior to the application date and borrowers must provide written confirmation of their intent to occupy the property.

Cash-Out

- Cash–Out transactions for properties listed for sale in the six months preceding the disbursement date of the new mortgage loan are limited to 70% LTV, CLTV, and HCLTV ratios (or less if mandated by the specific product, occupancy, or property type).

- Cash-Out transactions require a minimum 6 months title seasoning (6 months from close date of the previous transaction to the disbursement date of the new mortgage) except as follows:
  - Delayed financing guidelines are met (*see* "Delayed Financing" below), **or**
  - The borrower inherited or was legally awarded the property (divorce, separation or dissolution of domestic partnership). The property must have cleared probate and be vested in the borrower's name.

Rate/Term Refinance

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

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

Transaction may also be used to pay off:

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

Subordinate liens used to purchase property:

- Financing **is** allowed to secure the payment of closing costs, points, and prepaid items.
- Financing **is not** allowed when the property taxes are more than 60 days delinquent.
  - The borrower can include property taxes in the new loan amount as long as an escrow account is established, subject to applicable law or regulation.
  - Cash back to the borrower may not exceed the lesser of 2% of the new refinance loan amount or $2,000.

See Fannie Mae Selling Guide section for complete details.

Delayed Financing

Borrowers who purchased the subject property within the past six months are eligible for a cash-out refinance when no financing was obtained for the purchase transaction, and **all** of the following requirements are met:

- The borrower must have initially purchased the property as one of the following:
  - A natural person
  - An eligible Inter Vivos Revocable Trust, where the borrower established that trust and is the beneficiary of the trust

   - An eligible land trust where the borrower is the beneficiary of the land trust, or
   - An LLC or partnership in which the borrower(s) have 100% ownership individual or joint, **and**
- The new loan amount cannot exceed the actual documented amount of the borrower's initial investment to purchase the property plus the financing of closing costs, prepaid fees, and points (subject to the maximum LTV/CLTV ratios for a cash-out transaction based on the current appraised value), **and**
- The purchase transaction was an arms-length transaction, **and**
- The CD from the original transaction is required to confirm that there was no mortgage financing used to obtain the property, **and**
- The source of the funds used to purchase the property can be documented (i.e. bank statements, personal loan documents, HELOC against another property) and were the borrower's own funds,

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

- The preliminary title documentation must not indicate any existing liens on the subject property. If the source of the funds to acquire the property was an unsecured loan or secured by an asset other than a subject property (e.g. HELOC), the settlement/CD for the refinance transaction must reflect that **all** cash-out proceeds be used to pay off or pay down, as applicable, the loan used to purchase the property; **and**
- An "Approve/Eligible" result from DU is required, and the transaction must meet all other cash- out eligibility requirements.

Rent Back

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

Reserves

- Per DU
- Cash-out refinance transactions with Borrower DTI over 45%, six (6) months reserves required.
- Borrowers financing a second home or investment property must meet Fannie Mae's Reserve Requirements.

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

- Reserves for multiple financed properties are a percentage of unpaid principal balance of all mortgages: 2% for 1-4 properties owned, 4% for 5-6 properties owned, 6% for 7-10 properties owned.
- Premium pricing or lender credits not allowed.

Acceptable Sources of Reserves

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

Unacceptable Sources of Reserves

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

Seller Contribution

See "Interested Party Contributions" on page 69 for Seller contribution limits.

Subordinate Financing

- Eligible subject to the CLTV limits on the matrix located on page 1. Max CLTV is 105% for a fixed-rate, owner occupied 1-4 unit property with a Community Seconds.
- If existing subordinate financing is an HELOC, the full amount of the available credit must be used to determine the HCLTV.
- Unacceptable subordinate financing terms include:
  - Mortgages with negative amortization (except employer subordinate financing that has deferred payments).
  - Subordinate financing that does not fully amortize under a level monthly payment plan where the maturity or balloon payment date is less than 5 years after the Note date of the new first mortgage.
- Subordinate financing that has a prepayment penalty. (Does not apply to HELOC early termination fees).

Temporary Buydown

Not available.

Texas 50(a)(6)

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

A Texas Section 50(a)(6) loan is a loan originated in accordance with and secured by a lien permitted under the provisions of Article XVI, Section 50(a)(6), of the Texas Constitution, which allow a borrower to take equity out of a homestead property under certain conditions. The transaction must meet all the eligibility criteria specified in the Texas Constitution.

Please note the following Planet requirements:

- Borrower Types
  - Unmarried co-borrowers are permitted, must take title to the property and are legally liable for the debt.
  - Non-borrowing spouse is permitted.
- Borrower Eligibility
  - Owner-occupied properties only.
  - No power of attorney permitted.
  - Inter-vivos revocable transactions must meet the qualifying trust requirements under Texas law for purposes of owning residential property that qualifies for the homestead exemption.
- Collateral Eligibility
  - Property must be borrower's Urban Homestead (Rural Homesteads are not allowed).
  - Eligible properties are limited to a single unit, principal residence consisting of:
    - An attached or detached dwelling
    - A unit in a Planned Unit Development (PUD)
    - A unit in a Condominium Project, or
    - Manufactured housing is ineligible.
  - Property must be residential in nature and zoning; not a farm or ranch.
  - Property site must not exceed 10 acres (actual size of property; larger parcels may not be valued considering only 10 acres).
  - Full appraisal with both interior and exterior inspection is required.
  - Survey or other acceptable evidence that the homestead property and any adjacent land are separate parcels and the homestead property is a separately platted and subdivided lot for which full ingress and egress is available
  - Max 80.00% LTV/CLTV.
- Transaction Details

- A full appraisal is required
- An existing Texas Section 50(a)(6) first or second mortgage on the homestead must have a minimum of 365 days seasoning prior to the new loan closing date.
- An existing Texas Section 50(a)(6) second mortgage may not be re-subordinated to a new Texas Section 50(a)(6) first mortgage. Only one Texas Section 50(a)(6) lien is allowed at a time.
- New mortgage may not be assumable.
- Fixed rate only.
- LPA Eligible/Accept required.
- FICO per LPA.
- Temporary interest rate Buydowns are ineligible.
- Planet requires the Seller to provide a copy of the Attorney Representation letter as evidence that the closing documents were prepared or reviewed by a Texas licensed attorney prior to closing. Planet will only purchase Texas 50(a)(6) loans where the closing documents were reviewed and/or prepared by one of the following attorneys:
  - Baird Law, PLLC
  - Black, Mann & Graham
  - Carolyne K. Davis, P.C.
  - Dorsett Johnson & Swift, LLC
  - Gregg & Valby
  - Matt Haddock, PLLC
  - Kubik Law Firm, PLLC
  - MRG – Mortgage Resource Group
  - McGlynchey, Stafford
  - Pierson & Patterson
  - Polunsky Beitel Green, Attorneys at Law
  - Rich Karlseng, LLC
  - Robertson Anschutz Vetters
  - Sandler Law Group

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

The Texas Attorney Response Letter must be in the loan file as evidence of the approving attorney and to confirm the attorney's conditions have been met.

- Loan Fees
  - Loan fees paid by the borrower may not exceed 2% of the loan amount. There is a 2% fee Cap for all closing cost, fees and charges except the following:

- Discount Points (if bona fide and documented)
- Flood Insurance
- Hazard Insurance
- HOA Maintenance Fees/Dues
- Late Charges
- Prepaid Per Diem Interest
- Property Tax
- Appraisal fees paid to a third-party appraiser (AMC is not excluded)
- Survey Fees
- Title Premiums, or
- Title Examination charges if less than the title premium
- Title Endorsements

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

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

  - **Condominium Rider**
    - Texas Home Equity Condominium Rider — Fannie Mae/Freddie Mac UNIFORM INSTRUMENT Form 3140.44 01/01
      - If the property is a Condominium Unit.
  - **Planned Unit Development (PUD) Rider**
    - Texas Home Equity Planned Unit Development Rider — Fannie Mae/Freddie Mac UNIFORM INSTRUMENT Form 3150.44 01/01

    - If the property is in a PUD.

- Notice Concerning Extensions of Credit Defined by Section 50(a)(6), Article XVI, Texas Constitution (12-day notice). Must be revised version dated 11-17
    - **Per Texas Law, all borrowers must receive a copy of the signed 12-day notice, and**
    - **Loan cannot close until the 13th day of application submission date.**
- Texas Home Equity Receipt of Copies
- Texas Home Equity Election Not to Rescind
    - Document must be signed 3-business days after rescission date has expired
- Acknowledgment as to Fair Market Value of Homestead Property
    - This document must accompany the appraisal
- Texas Home Equity Loan/HELOC Closing Instructions Addendum
- File must evidence a copy of closing instructions and acknowledgment receipt.
- Texas Home Equity Certificate from Originating Lender Regarding Compliance with Section 50(a)(6) Article XVI of the Texas Constitution.
- Owner's Affidavit Acknowledging Lender's Compliance with Constitutional Requirements to Provide Owner Early Final Itemized Disclosure of Actual Fees and Charges
- Owner's Affidavit of Compliance

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

Texas 50(f) Rate/Term Refinance

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

- 365 days seasoning at closing is evidenced in the file
- Borrower receives no-cash-out at closing
- No additional advances allowed with the exception of refinancing the existing lien and actual closing costs and reserves.
- CLTV does not exceed 80%
- Borrower must sign the Notice of Refinance of Texas Home Equity within 3 business days of loan application (12-day notice).
- Texas Home Equity Refinance Affidavit executed at closing
- A full appraisal is required

NOTE: *See* "Refinance Transactions" on page 85 for conventional refinance requirements.

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

Transaction — Eligible

- 1031 Exchange
- Cash-out
- Land contracts subject to Fannie Mae guidelines
- Limited cash-out refinance (rate/term)
- New York CEMAs allowed on refinance transactions. CEMA not eligible on purchase transactions. Planet does not accept Lost Note Affidavits. Use Fannie Mae Form 3172. Sellers must include the recorded original CEMA, including Exhibits A-D and all mortgage assignments.
- Purchase. The assignment of a purchase contract is not allowed.

Transaction — Ineligible

- Any transaction without a DU “Approval/Eligible” Finding
- Community Land Trusts
- Fannie Mae My Community, Community Solutions, and Community Home Choice
- Fannie Mae Homestyle
- Interest-only
- Lease option to purchase
- Loans with tutorship lien
- Non-traditional credit (*see* "Credit Report/Scores" on page 57 for exceptions)
- Non-Arm’s length transaction that involves new construction and the loan is secured by a second home or investment property.
- Properties in the “Right of Redemption Period” as applicable state law allows.
- Refinance transactions where the subject property is listed for sale at time of disbursement of the new loan.
- Restructured mortgages that do not meet Fannie Mae guidelines.
- Transactions using Mortgage Credit Certificates(MCC) may be considered with approval from the Planet Credit Risk Officer.
- Transactions where the property securing the loan is subject to a private transfer fee covenant created on or after February 8, 2011, and fee collect does not directly benefit the property.

Fannie Mae High Balance Program Grid

Owner-Occupied Primary Residence[3,4] Fixed Rate & ARM					
Transaction Type	**Units**	**LTV[1]**	**CLTV**	**Loan Amount[2]**	**Credit Score**
Purchase	1	95%	95%[6]	*See* Loan Limits below	Per DU
	2	85%	85%[6]		
	3-4	75%	75%		
Limited Cash-Out	1	95%	95%[6]		
	2	85%	85%[6]		
	3-4	75%	75%		
Cash-Out[6]	1	80%	80%		
	2-4	75%	75%		
Second Home[3,4,5] Fixed Rate & ARM					
Transaction Type	**Units**	**LTV[2]**	**CLTV**	**Loan Amount**	**Credit Score**
Purchase and Limited Cash-Out	1	90%	90%	*See* Loan Limits below	Per DU
Cash-Out	1	75%	75%		
Investment (non-Owner Occupied)[3,4,5] Fixed Rate & ARM					
Transaction Type	**Units**	**LTV**	**CLTV**	**Loan Amount**	**Credit Score**
Purchase	1	85%	85%	*See* Loan Limits below	Per DU
Limited Cash-Out	1	75%	75%		
Purchase and Limited Cash-Out	2-4	75%	75%		
Cash-Out	2-4	70%	70%		
Manufactured Homes[6]					
Purchase	1	95%	95%	*See* Loan Limits below	Per DU
Limited Cash-Out		95%	95%		
Cash-Out		65%	65%		

MH Advantage[7]					
Purchase	1	95%	95%	*See* Loan Limits below	Per DU
Limited Cash-Out	1	95%	95%		
Cash-Out	1	65%	65%		

Footnotes:

1. Loans > 80% LTV requires mortgage insurance and are subject to MI guidelines. The more restrictive minimum credit score and guideline requirements apply. LTV/CLTV restrictions may apply for properties located in adverse markets. *See* "Mortgage Insurance" on page 129 for additional information.
2. Minimum loan amount $679,650. Maximum loan amount is determined by county. *See* Federal Housing Finance Agency high-cost area summary for loan amounts that may be lower than the maximum stated below.
3. New or newly converted condominium projects located in Florida require PERS approval. Established Condominium projects in FL with PERS approval or Full Review; project review not required on detached condos or 2-4 unit projects; no LTV restrictions; projects with a Limited/CPM Review:
   - Primary residence: Max 75/90/90% LTV/CLTV/HCLTV
   - Second home: Max 70/75/75% LTV/CLTV/HCLTV
   - Investment: Max 70/75/75% LTV/CLTV/HCLTV Manufactured housing ineligible
4. Second home and investment transactions, Borrowers with 5-10 financed properties, are subject to Fannie Mae guidelines for 5-10 financed properties. *See* "Financed Properties" on page 114 for details. *See* **Delayed Financing** in the "Refinance Transactions" on page 135 section for detailed requirements.
5. Up to 105%, CLTV allowed when using a Community Seconds that meets Fannie Mae guidelines.
6. Second Homes allowed.
7. MH Advantage available for primary residence and second homes only. Second homes allowed on 1 unit only, purchase and LCOR, up to 90% LTV.

Maximum High Cost Loan Limits	
Units	**Contiguous States and District of Columbia**
1	$725,600
2	$980,325
3	$1,184,925
4	$1,427,550

Fannie Mae High Balance Program Guidelines

4506-T

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

NOTE: In the event of past identity theft, Planet will accept transcripts that the borrower obtained from the IRS along with a certification that the returns are true and correct.

Ability to Repay/Qualified Mortgage

Planet requires all loans to be originated and closed in compliance with Agency and Planet guidelines. Planet will purchase owner-occupied and second home transactions as follows:

- Loans eligible under Temporary QM, and
- Loans that meet the Safe Harbor or Rebuttable Presumption provisions, and
- Pass the points and fees test, as applicable.

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

Affidavit of Identity

Planet may require an Affidavit of Identity if a borrower signature appears incomplete or illegible.

Age of Documents

- All credit and asset documentation must be the lesser of the expiration date noted per DU or 2 months as of Note date.
- Appraisal documents must be within 2 months as of the Note date or an appraisal update will be required. Appraisal updates must be ≤ 8 months or a new appraisal is required.
- The title commitment must be ≤ 90 days from the Note date.
- VVOE requirements:
  - Wage earners: ≤ 10 business days from the Note date
  - Self-employed: ≤ 60 calendar days
- New construction requires all documentation to be ≤ 4 months from the Note date.

Appraisals

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

- Appraisals must be Uniform Appraisal Data (UAD) compliant and meet Fannie Mae's Appraiser Independence Requirements (AIR).
- All appraisals must be submitted to the UCDP by the AMC or independent appraiser. A copy of the Fannie Mae Submission Summary Report (SSR) that includes the Appraisal Finding Detail Report (AFDR) with a Document File Status of "Successful" and the ten (10) digit Doc File ID number or a copy of the XML file, must be provided.
- Appraisal must identify and address properties located within a declining market.
- A full appraisal must provide legible interior and exterior photos.
  - The exterior photos must contain photos of the front, back and street scene of the subject property as well as the front of all comparable sales.
  - The interior photos, at minimum, must include:
    - Kitchen (free-standing stove/range or refrigerator not required)
    - Main living area
    - All bathrooms
    - Any physical deterioration and recent updates that materially impact the market value or marketability of the subject property (i.e., remodel, restoration, renovation)
- Comparable sales used for new construction properties are subject to the following:
  - If all three of the comparable sales used to support the value of the subject property were obtained from one of the above sources (public source eligible in Vermont and Maine only), no further action is required.
  - If the comparable sales are not all obtained from an MLS, MRIS, MRED, NTREIS, or from an independent source (Vermont and Maine only), the appraiser must comment that the subject property development is being marketed in an "open" or "public" environment (i.e., newspaper advertisements, billboard signs, website, etc.).

  Additionally, the following applies:

  - One of the comparable sales must be outside the project the subject property is located in and be from an MLS, MRIS, MRED, NTREIS, SABOR, GeoData, or Comps Inc. or public source (public source Vermont/Maine only).
  - Two of the comparable sales must be from sources other than the subject property Builder.

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

- Planet requires properties to be, at minimum, in average condition. Additionally, the following applies:
  - A conventional heat source with the ability to maintain a temperature of 50° in areas of the property where there is plumbing.
  - Any broken glass that is a health hazard must be removed and the opening closed.
- Properties with a Condition Rating of C6 or Quality Rating of Q6 require Planet prior approval.
- An appraisal update will be required when the appraisal is dated more than 4 months from the Note date. The update must be completed prior to the expiration of the appraisal. The appraisal update must include a photo of the front of the subject property. If the appraiser indicates a decline in value, a new appraisal is required. A new appraisal will be required when the appraisal with an update is > 8 months from the Note date.
- A transferred appraisal is acceptable when the following is provided:
  - A copy of the Fannie Mae Submission Summary Report (SSR) with a Document File Status of "Successful" and a PDF version of the appraisal report,
  - An appraisal transfer letter, and
  - Confirmation that the appraisal is AIR compliant.
- Properties located in a FEMA Disaster Declaration area will be subject to additional appraisal review. *See* "Chapter 8: Loan Purchasing" on page 531 for detailed requirements.

See Fannie Mae Selling Guide for complete appraisal requirements.

Assets

Documentation requirements per DU.

- All funds used to close the transaction must be disclosed on the 1003 and input into DU.
- The borrower must provide evidence that the earnest money deposit came from an acceptable source and that they have sufficient assets to cover the down payment, closing costs, prepaids and reserve requirements. Evidence required:
  - Two months most recent bank or financial statements, all pages. If a copy of the canceled deposit check is used to document the source of funds, the bank statements must cover the period up and including the date, the earnest money check cleared the bank.
  - Sellers who are also the depository for the borrower's account may provide a printout or other alternative verification of the borrower's bank account assets produced directly from the bank or credit union's system in lieu of bank statement(s).
- A Verification of Deposit (VOD) is acceptable as the primary source of verification.
- Business funds of a self-employed borrower may be used for down payment, closing costs and/or reserve requirements subject to the following:
  - The borrower must be listed as an owner on the account. If the borrower's name is not listed on the business account statement, documentation that the borrower is an authorized signer on the account is required. This applies to all business accounts, including sole proprietorships,

when business account funds are being used for down payment, closing costs and/or reserves. Examples of acceptable documentation:

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

- A cash flow analysis, based on 3-months' business bank statements, dated within 60 days of the closing date, is required. The cash flow analysis must indicate the following:
  - The average running balance in the account for the previous 3 months stayed the same or was better, **and**
  - The monthly business expenses were analyzed and documented (i.e., rent, payroll, lease of equipment, etc.), as applicable, for the type of business. The Seller is responsible for determining the withdrawal will not have a negative impact on the business.
- Cash on hand, unsecured borrowed funds or unverified funds are ineligible sources for assets.
- Verification of assets from foreign sources:
  - Funds that a borrower (either U.S. citizen or non-U.S. citizen) has deposited into a U.S. depository institution are acceptable provided **all** of the following requirements are met:
    - Documentation of the transfer of funds from the borrower's country of origin is provided, and
    - It can be established that the funds belonged to the borrower before the date of transfer, and
    - The source of all funds used for closing can be verified following the same requirements for U.S. citizens.
- Payout from a life insurance policy is acceptable for down payment or closing costs. A copy of the check or payout statement issued by the insurance company is required. If the cash value is being used for reserves, documentation of the cash value is required; however, the policy does not need to be liquidated.
- Proceeds from the sale of a currently owned property are eligible for down payment and closing costs. The final Settlement/CD for the existing property (not required to be fully executed) must be provided before or at closing to show sufficient net cash proceeds to close the purchase.
- Large deposits are considered to be a single deposit where any **unsourced** portion of the deposit exceeds 50% of the combined gross monthly income of the borrower(s). If the deposit includes both sourced and unsourced funds, only the unsourced portion is used to calculate whether the deposit meets the 50% definition. Direct deposits (such as IRS or state income tax refunds) and transfer of funds between verified accounts that are easily identified on the account statement(s), do not require documentation. Requirements for documenting large deposits are as follows:
  - **Refinance transactions:** Large deposits are not required to be explained; however, it must be determined if the deposit represents borrowed funds, which would require any payment to be considered in the DTI ratios.
  - **Purchase transactions:** If the funds from a large deposit are needed for the down payment, closing costs or reserves on the transaction documentation must be provided that the funds

are from an acceptable source. Any large undocumented deposit will be deducted from the amount of verified funds, and the reduced asset amount will be used for qualification.

Examples:

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

   In this example, only the $500.00 is considered "unsourced" ($3,000.00 total deposit minus $2,500.00 tax refund) and is included in the large deposit calculation.

   The unsourced $500.00 is only 12.5% of the borrower's monthly income; therefore, it does not meet the large deposit definition (50% of the borrower's total monthly qualifying income). In this example, documentation is not required and the entire $20,000.00 balance in the borrower's bank account may be used for underwriting purposes.

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

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

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

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

- Cash-on-hand is an acceptable source of funds for the borrower's down payment, funds for closing cost and prepaid items on purchase money transactions for 1 unit properties. Cash-on-hand may not be used to fund the borrower's reserve requirement, if applicable. The Seller must verify and document the following with respect to the cash-on-hand funds:
  - The borrower customarily uses cash for expenses, and the amount of funds saved is consistent with the borrower's previous payment practice.
  - Funds for down payment and closing costs must exist in a financial institution account or an acceptable escrow account. Funds must be on deposit at the time of application, or no less than 30 days prior to closing.
  - A written statement from the borrower that discloses the source of funds and states that the funds have not been borrowed.
  - The borrower's credit report and other verifications should indicate limited or no use of credit and limited or no depository relationship between the borrower and the financial institution.

Assumptions

Planet follows Fannie Mae Guidelines.

AUS

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

Available Markets

- **Delegated Sellers**

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

- **Non-Delegated Sellers**

  Planet will purchase loans from non-delegated Sellers in all states on Fannie Mae products. **All** loans require Planet underwriting approval.

- The U.S. territories of Guam and the Virgin Islands are ineligible regardless of delegation.

Borrowers - Eligible

- A natural person
- U.S. Citizens
- Permanent resident aliens:
  - Permanent resident alien borrowers must hold an unexpired "Green Card" issued by the U.S. Citizenship and Immigration Services (USCIS). A copy of both the front and back of the card is required.
- Revocable Inter-Vivos Trust that meets Fannie Mae guidelines
- Non-permanent resident aliens:
  - Non-permanent resident aliens are temporary residents who are eligible to live/work in the United States for a specific period of time. Acceptable documentation of their work authorization is:
    - An unexpired Employment Authorization Document (EAD) by the USCIS, or
    - An unexpired visa. Eligible types are E-1, G series, H series, or TN.
  - If the authorization for temporary residency will expire within one year of closing and a prior history of residency status renewals exists, continuation may be assumed. If there are no prior renewals, the likelihood the authorization will be renewed must be determined based on information received from the USCIS.
- All borrowers are required to have a social security number.

Borrowers - Ineligible

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

Borrower Types

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

Non-Occupant Co-Borrower: An individual, who applies with the applicant, may or may not take title to the property and is liable for the debt but does not live in the property.

- DU determines the risk factor without the non-occupant co-borrower's income.
- Non-occupant co-borrower's assets may be used to meet the 5% borrower contribution requirement (as applicable). The total liquid assets for both the occupying and non- occupying borrower must be entered in DU to ensure an accurate DU calculation of total available assets.

Co-Signer: An individual who has no ownership interest in the property but is liable for the debt. Assets are always used for qualification. Income and debt are only considered when the co-signer occupies the subject property.

Non-Borrowing/Non-Purchasing Spouse

- Generally have no ownership interest in the property and are not liable for the debt. In community property/marital rights states, the non-borrowing spouse does have an interest in the property and is required to execute the security instrument and all applicable documents as determined by state law.

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

Down Payment and Qualifying Ratio Requirements

When a non-occupant co-borrower or cosigner is on the loan, the occupying borrower must make a minimum 5% of the down payment from their own funds unless:

- The LTV/CLTV ratio is ≤ 80%, and
- The occupying borrower is purchasing a 1-unit principal residence and meets the requirements of gifts to pay for some or all of the borrower’s minimum contribution.

Chain of Title

A 12-month chain of title is required for all loans. Title must include all transfers in the previous 12-month period, including copies of all recorded deed(s). If more than one transfer in previous 12 months **or** property has significant increase in value since prior transfer, an appraisal addendum addressing all transfers is required.

Community Seconds

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

Construction-to-Perm

- The conversion of construction-to-permanent financing involves the granting of a long-term mortgage to a borrower for the purpose of replacing interim construction financing that the borrower has obtained to fund the construction of a new residence.
- Construction-to-permanent financing can be structured as a transaction with one or two separate closings, and both single closing and two closing transactions are eligible for purchase.
- All construction work, including any work that could entitle a party to file a mechanics' lien or materialmen's lien, must be completed and paid for, and all mechanics' liens and any other liens and claims that could become liens relating to the construction must be satisfied before the loan is closed with Planet. Planet will retain the appraiser's certificate of completion and a photograph of the completed property in the loan file. When a construction-to- permanent mortgage loan provides funds for acquisition or refinancing of an unimproved lot and the construction of a residence on the loan, Planet will retain a certificate of occupancy or an equivalent from the applicable government authority.
- Units in a condo project are not eligible for construction-to-permanent financing.
- Detached condos allowed.

Single-Closing Transactions

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

Two-Closing Transactions

- Two-closing construction-to-permanent transactions use two separate loan closings with two separate sets of legal documents. A modification may not be used to update the original Note — a new Note must be completed and signed by the borrowers. The first closing is to obtain the interim construction financing (and may include the purchase of the lot) and the second closing is to obtain the permanent financing upon completion of the improvements.
- The borrower is underwritten based on the terms of the permanent mortgage.
- Transactions are subject to the limited cash-out and cash-out refinance maximum LTV/CLTV/ HCLTV ratios, as applicable.
- Cash-out refinance transactions require the borrower to have held legal title to the lot for at least 6 months prior to the closing of the permanent mortgage.
- All other standard cash-out refinance eligibility and underwriting requirements apply.

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

Contingent Liability

Business Debt

- Business debt that appears on a self-employed borrower's personal credit report requires documentation that the debt is paid from company funds and considered in the cash flow analysis for the borrower's business.
- Business debt does **not** need to be considered as part of the borrower's individual recurring monthly debt when:
  - The account does not have a history of delinquency, **and**
  - Documentation is provided that the debt was paid from the borrower's business funds (e.g., 12-months' canceled business checks), **and**
  - The cash-flow analysis of the business took payment of the obligation into consideration. If documentation of payment from the business funds cannot be provided or there is a history of delinquency on the account, the debt must be considered as part of the borrower's individual recurring debt obligation.

If documentation of payment from the business funds cannot be provided, or there is a history of delinquency on the account, the debt must be considered as part of the borrower's individual recurring debt obligation.

Co-Signed Debt (aka Contingent Liability)

- Co-signed debt is **not** required to be included in the borrower's DTI calculation if all of the following applies:
  - Documentation that the party making the payment is obligated on the mortgage/debt
  - No delinquent payments in the most recent 12-month history
  - Most recent consecutive canceled checks are provided documenting the primary party

obligated on the debt has been making the payments (the checks cannot be from an account co-owned with the borrower).

- Co-signed debt **must** be included in the borrower's DTI calculation if:
    - It cannot be properly documented that the primary party obligated on the loan is making the payments, **or**
    - A 12-month pay history, by the primary party, cannot be established, **or**
    - The credit report indicates there have been late payments on the debt, **or**
    - Another party is making the payments, but the borrower is the individual responsible for the debt.

Conversion of Principal of Residence or Pending Sale

Pending Sale

If the borrower is purchasing a new primary residence, and the current primary residence is pending sale, and the transaction will not close prior to the new transaction, the following is required:

- The borrower is qualified using their current PITA and the proposed PITIA (principal, interest, taxes, insurance and other assessments).
- The borrower must have 6 months PITIA in reserves for both properties.
- Two months reserves for each property will be allowed if 30% equity can be documented by an appraisal.
- The borrower's PITIA payment on their current residence will not be required when qualifying the borrower if **all** of the following applies:
    - The borrower meets the 6-months' reserve requirement (or 2 months with documented equity) for both properties, and
    - A copy of the executed sales contract is provided, and
    - Documentation is provided confirming all financing contingencies have been cleared.

Conversion of Second Residence or Principal Investment Property: *see* Fannie Mae Selling Guide.

Credit History

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

Credit - Installment/Revolving Accounts

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

- **Installment Debt**

    - All Installment debts, including garnishments, are considered recurring monthly debt obligations and must be included in the borrower's long-term debt for qualifying purposes if there are more than 10 months payments remaining.
    - Installment debt with ≤ 10 months remaining will be considered as a recurring monthly debt obligation if it significantly affects the borrower's ability to meet their credit obligations.
- **Revolving Debt**
    - Revolving debt is considered part of the borrower's recurring monthly debt. Revolving debt includes credit cards and personal lines of credit (equity lines, secured by real estate, are included in the housing expense). Revolving debt is subject to the following:
        - If the monthly payment is not included on the credit report, the underwriter will use the greater of $10.00 or 5% of the outstanding balance to determine the monthly payment.
- **Payoff or Pay Down Debt Before Qualification**
    - Payoff or pay down of a debt solely to qualify the borrower is carefully evaluated and will be considered in the overall loan analysis by the underwriter. Generally, the following applies:
        - Revolving accounts that will be paid off at or prior to closing, a monthly payment is not required to be included in the debt ratio. Documentation that the account was paid off must be provided and verified prior to loan disbursement, or the payoff must be shown on the Settlement/CD.
        - Installment loans that are being paid off or paid down to 10 or fewer remaining monthly payments do not need to be included in the borrower's long-term debt. Such accounts do not need to be closed as a condition of excluding the payment from the DTI ratio.
- Open 30-day charge accounts require sufficient assets to pay off the debt to be excluded from the debt ratio.
- **Student Loans**

  Payments evidenced on credit reports can be used to qualify the borrower. When the credit report does not reflect the correct monthly payment amount:

    - Planet may use the most recent monthly payment reflected on the student loan documentation.

  When the credit report does not reflect a monthly payment amount or shows a $0 amount as the monthly payment, one of the following options must be used when determining the qualifying monthly payment:

    - Planet may qualify borrowers on income driven payment plans using the $0 as a monthly payment amount with evidenced documentation.

      or

    - For loans that are deferred loans or in forbearance, Planet may calculate:
        - A payment equal to 1% of the outstanding student loan balance (even if

this amount is lower than the actual fully amortizing payment), or
- A fully amortizing payment using the documented loan repayment terms.

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

  Alimony, child support or separate maintenance payments that are required to be paid due to a divorce decree, separation agreement or another legal document may be:

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

  Alimony Treatment

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

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

     - Lenders using option 1
       - Must enter the adjusted income figure as the income amount in DU
       - Disregard the DU message requiring the inclusion of the alimony obligation as a monthly liability that is issued whenever the borrower declares on the loan application that they are obligated to pay alimony.
     - Lenders using option 2
       - Follow the standard requirements as outlined in the Monthly Debt Obligations section of the Selling Guide.

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

- **Delinquent Federal Income Tax Installments**

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

  - No federal tax lien has been filed against the borrower in the county in which the subject property is located.
  - The following documentation is evidenced in the file:
    - An approved IRS installment agreement which includes the payment amount and total amount due.
    - Evidence that borrower is current on monthly payments:

- Most recent payment reminder from the IRS which reflects the last and next payment amount and due date
- File evidences at least one payment was made prior to closing.

Credit Report/Scores

- Credit score per DU.
- All borrowers are required to have a credit score (*see* "Credit Exceptions/Non-Traditional Credit" on the next page).
- Planet will accept a credit report, in the Seller's name, from any Fannie Mae acceptable credit vendor.
- A tri-merged credit report is required for all borrowers.
- The representative credit score is determined as follows:
  - If there are three (3) valid scores, the middle score is used. If two of the three scores are a duplicate, the duplicate score is used.
  - If there are two (2) valid scores, the lower of the two is used.
  - If there is one (1) valid score, that score is used.

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

- The borrower(s) must address **all** credit inquiries indicated on the credit report within the previous 120 days and indicate the reason for and result of the inquiry (i.e., was new credit obtained or not).
- Sellers are required to document that the borrower did not incur any new debt from the time the credit used to make the credit decision was pulled to the time of loan closing. Any of the following is acceptable documentation:
  - A "soft pull" credit report, or
  - An affidavit, signed by the borrower(s) (sample form is posted on the CORE Seller Portal at www.phlcorrespondent.com under **Forms and Resources**), or
  - A letter, written and signed by the borrower(s) stating no new credit was obtained.
  - The credit report must be ≤ 4 months from the Note date

Frozen Credit

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

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

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

Credit Report — Fraud Alert

When a fraud alert, active duty alert, or freeze is included with a credit report, additional steps are required to verify the borrower's identity and documentation must be provided. Documentation should include, but is not limited to:

- A letter of explanation from the borrower, and
- A copy of the identity theft report, and
- An additional form of identity verification, and
- If the credit alert contains a phone number for a verbal verification prior to credit being issued, documentation must be provided that the borrower was contacted.

Credit Exceptions/Non-Traditional Credit

Not permitted.

Deed/Resale Restrictions

Properties with age-related restrictions (55+ communities) are eligible subject to Fannie Mae requirements. All other properties subject to deed/resale restrictions are ineligible.

Derogatory Credit

Bankruptcy

Derogatory Event	Waiting Period	Extenuating Circumstance
Chapter 7 or 11 BK	4 years from discharge date to the disbursement date of the new loan.	2 years from discharge. The maximum LTV is the lesser of the 90% LTV or maximum LTV allowed for the program.
Chapter 13 BK	2 years from discharge date to the disbursement date of the LTV is the lesser of new loan, **or** 4 years from dismissal date the allowed for the program. disbursement date of the new loan.	2 years from discharge. The maximum LTV is the lesser of the 90% LTV or maximum LTV allowed for the program.
Multiple BK Filing*	5 years if more than one filing in the previous 7 years.	3 years from discharge dismissal

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

Extenuating circumstances are considered isolated events that are beyond the borrower's control that result in a sudden, significant and prolonged reduction in income or a large increase in the borrower's financial obligations (e.g., death of a borrower, layoff, serious illness, divorce, etc.).

- Acceptable documentation to support extenuating circumstances and that illustrate factors that contributed to the borrower's inability to resolve the problem is required (e.g., copy of divorce decree, layoff notice, death certificate, medical bills, tax returns, property listing agreements, etc.).
- Additionally. a letter of explanation from the borrower explaining the relevance of the documentation is required.

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

Collections/Charge-Offs/Judgments

The following applies to collection and charge-off accounts:

- Past-due accounts (that have not gone to collection) must be brought current.
- **One Unit Owner-Occupied Primary Residence:**
  - The borrower is not required to pay off outstanding collections or non-mortgage charge-offs regardless of the amount.
- **Two-to-Four Unit Owner-Occupied Primary Residence and Second Home**
  - If the combined total of collections and non-mortgage charge-offs are greater than $5,000.00, the accounts must be paid in full prior to or at closing.
- **Investment Property**
  - Individual/non-mortgage charge-off accounts greater than or equal to $250.00 or, if the combined balance of all accounts is greater than $1000.00, the accounts must be paid in full prior to or at closing.

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

Mortgage Charge-Offs

If the charge-off account was a mortgage, a 4-year waiting period (2 years with extenuating circumstances) applies. *See* "Deed-in-Lieu/Pre-Foreclosure (Short Sale/Short Pay-Off)" on the next page for complete details.

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

Judgments/Tax Liens

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

Consumer Credit Counseling

Follow DU Findings.

Foreclosure

A previous foreclosure is subject to the following:

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

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

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

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

*Extenuating Circumstances

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

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

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

A letter of explanation from the borrower, explaining the event and documentation provided is also required.

Disputed Accounts

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

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

Delinquent Child Support

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

Re-Established Credit Requirements

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

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

DTI

- Per DU
- Business debt may only be excluded from the DTI calculation if satisfactory documentation of the following is provided:
  - The account in question does not have a history of delinquency.
  - The debt(s) are paid through the business verified with 12 months canceled business account checks.
  - A cash-flow analysis of the business took the payment obligation into consideration.
- Debt that has been assigned by order of the court is not required to be included in the borrower's DTI calculations; however, the payment history for the debt prior to its assignment must be reviewed.
- When a borrower is obligated on a **mortgage debt** but not the party repaying the debt, the full monthly housing expense may be excluded from the borrowers recurring monthly obligation if:
  - The party making the payment is obligated on the mortgage debt
  - No delinquencies in the most recent 12 months, and
  - Rental income from the applicable property is not being used to qualify

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

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

Employment

- A two-year employment history is recommended.
- Wage earner borrowers may be considered with a shorter employment history as long as the employment profile demonstrates positive factors to offset the shorter income history reasonably.
- Borrowers relying on overtime and/or bonus income for qualifying purposes must have a minimum 12-months' history to be considered stable.
- Self-employed borrowers may be considered with a 12 to 24 month self-employment history when:
  - The borrower's most recent signed federal tax returns reflect the receipt of income at the same or greater level from a field that provides the same products/services as the current business, or
  - Reflects income from an occupation in which the borrower had similar responsibilities as those undertaken in the current business.
  - Seller's must thoroughly review and consider the borrower's level of experience and the amount of debt the business has.
  - For loans with application dates on or after 4/15/20 – 5/17/20 the existence of the borrower's business must be verified within 120 calendars prior to the Note date. The business must be open and operational. This must be confirmed within 10 business days prior to the Note date or prior to delivery to Planet.
- A verbal verification of employment (VVOE) is required within 10-business days of the Note date for salaried borrowers and within 120 calendar days for self-employed borrowers. A sample VVOE form is posted on the CORE Seller Portal at www.phlcorrespondent.com under **Forms and Resources**. Sellers are not required to use this exact form. However, any form used must provide the information contained on the Planet form.
- A current paystub with YTD income and most recent W-2s are required.
- Seller must independently obtain the phone number and, when possible, the address of the wage earner borrower's employer using directory assistance/internet/phone book, etc.
- Self-employed borrowers require verification of the business by a third-party source (e.g., CPA, Federal Tax ID Certificate, Business License, and 411/Reverse Look-up). Self- employed borrowers are individuals who have 25% or greater ownership interest in a business.

See Fannie Mae Selling Guide for complete employment requirements.

Escrow Holdback

Loans with an escrow holdback are eligible for purchase when all funds are disbursed prior to the loan being purchased by Planet except as noted below. Loans must meet Planet's loan seasoning requirements detailed in "Chapter 8: Loan Purchasing" on page 531. Loans with holdback funds not disbursed prior to purchase are eligible as follows:

- **Newly constructed properties — weather related**
  - Funds held for completion of grading of yard/driveway, pouring concrete for driveway/sidewalks
  - Seller must provide proof of completion and release of funds post-purchase
- **Newly constructed properties with city held bond — weather related**
  - Eligible for purchase with temporary Certificate of Occupancy when a city bond is held for completion of roads and/or driveways
- **New construction — non-weather related**
  - Funds held for completion of landscaping
  - Seller must provide proof of completion and release of funds post-purchase.

NOTE: Existing properties with new renovations allowed on a case-by-case basis.

Escrow/Impound Account

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

Escrowed Flood Insurance Premiums

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

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

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

Financed Properties

- Owner-occupied properties: Unlimited
- Second home and investment: Maximum 10 residential properties may be financed, including the borrower's principal residence. Borrowers with 7-10 properties must have a minimum credit score of 720; all other standards apply.

See "Reserves" on page 137 for additional information.

Calculating the Number of Financed Properties

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

- Joint ownership of residential real estate.
- Property held in the name of a trust.
- Joint or total ownership of property held in the name of a corporation or S corporation, even if the borrower is the owner of the corporation and the financing is in the name of the borrower.
- Borrower is obligated on the mortgage debt for a residential property regardless of whether or not the borrower is an owner of the property.
- The property is owned in the name of an LLC or partnership, and the individual or combined ownership is > 25% regardless of the entity or borrower that is obligated on the mortgage.
- The property is owned in the name of an LLC or partnership where the borrower(s) have an individual or combined ownership in the LLC or partnership < 25% and the financing are in the name of the borrower.
- Ownership of a manufactured home and the land on which it sits is titled as real property.

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

- Commercial real estate
- Multifamily property consisting of more than 4 dwelling units
- Joint or total ownership of a property held in the name of a corporation or S corporation, even if the borrower is the owner of the corporation and the financing is in the name of the corporation or S corp.
- Timeshare
- Vacant lot
- Ownership of a manufactured home on a leasehold estate not titled as real property.

Gift Funds

Gift funds from an acceptable donor may be used for all or part of the down payment, closing costs, or reserve requirements as long as the borrower meets the minimum contribution requirements below.

LTV/CLTV	Property Type	Minimum Contribution from Borrower Own Funds
≥ 80.01%	1 unit primary residence	Not required if MI Certificate confirms coverage; otherwise 5% borrower's own funds required.
	2-4 units, second home	5% borrower contribution required. Gifts may be used after the borrower own funds contribution is met.
≤ 80%	1-4 primary, second home	Not required. All funds may come from a gift.

- Gift funds are not allowed on investment transactions.
- Gift funds may be provided by any of the following:
  - A relative, defined as the borrower's spouse, child, or other dependent, or by another individual who is related to the borrower by blood marriage, adoption, legal guardianship, or
  - A fiancé or fiancée, or domestic partner.
- The gift must be evidenced by a gift letter, signed by the donor and it must:
  - Specify the dollar amount,
  - Be signed by the donor and the borrower,
  - Specify the date the funds were transferred,
  - Indicate the donor(s) name, address, phone number, and relationship to the borrower, and
  - Include a statement by the donor that no repayment of the gift funds is expected.
- The transfer of the gift funds must be documented. Acceptable documentation includes:
  - Copy of the donor's canceled check and the borrower's deposit slip
  - Copy of the donor's withdrawal slip and the borrower's deposit slip
  - Copy of the donor's check to the closing agent, or
  - The settlement statement showing receipt of the donor's check.
  - If funds not transferred prior to settlement, documentation the donor gave the closing agent the gift funds in the form of a certified/cashier's check or other official check.

See Fannie Mae Selling Guide for complete details.

Gift of Equity

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

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

Income

Income documentation is determined per DU, however, at underwriter discretion, additional documentation may be required. Unless addressed below, follow Fannie Mae guidelines for income requirements.

- Wage earner borrowers:
  - At minimum, a current paystub with YTD earnings and the most recent W-2. The paystub must be dated within 30 days of the initial loan application date.
- Self-employed borrowers:

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

See Fannie Mae Selling Guide for additional details.

- Other sources of income:
  - Employment related assets used as qualifying income is permitted; *see* Fannie Mae Selling Guide for additional details.
  - DU determines the documentation, verification and continuation requirements for other sources of income.
  - Social Security income for retirement or long-term disability that the borrower is drawing from his or her own account/work record will not have a defined expiration date and must be expected to continue.

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

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

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

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

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

2. **Loan delivered prior to borrower starting employment** are limited to the following requirements:
    - Purchase Transaction only
    - 1-unit principal residence
    - Borrower is not employed by a family member or by an interested party to the transaction
    - Borrower is qualified using only fixed base income
    - Employment start date must be within 90 days of the note date
    - The employment offer or contract must:
        - Clearly identify the employer and the borrower
        - Be signed by the employer, and
        - Be accepted and signed by the borrower
        - Clearly identify the terms of employment, including position, type and rate of pay, and start date, and
        - Be non-contingent
        - Review of all conditions of employment (if applicable) must be evidenced in the file
    - File must evidence, in addition to reserves required by DU or for the transaction, one of the following:
        - 6 months sufficient reserves, or
        - Sufficient reserves or income to cover monthly obligations including DTI and PITIA for the number of months between the note date and employment start date plus one (1)

See Fannie Mae Selling Guide for complete details.

Income — Rental

- Planet follows Fannie Mae guidelines regarding the use of rental income.
- First-time homebuyer: Rental income **not** eligible for qualifying when purchasing an investment property.
- Seller is encouraged to use the Fannie Mae rental income worksheets when calculating rental income.

The worksheets (Form 1037, 1038, and 1039) are located on the Fannie Mae website under **Guide Forms & Legal Docs**.

Inspections

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

Interested Party Contributions

Interested Party Contributions (IPC) pay for costs that are normally charged to the buyer of the property (borrower) and are provided by a party that has a financial interest in, or can influence the terms and sale/transfer of the subject property such as:

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

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

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

IPC's are limited as follows:

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

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

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

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

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

They may also include:

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

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

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

Investment Property Requirements

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

- If the property is vacant, verification from the appraiser that all units are currently vacant (can be noted in the appraisal report), **or**

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

LDP/SAM

LDP / SAM

All of the following parties to the transaction, as applicable, must be checked against the HUD's Limited Denial of Participation list and the System for Award Management list.

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

Manufactured Homes

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

- Per DU

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

Eligible Properties

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

Ineligible Properties

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

Additional Requirements

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

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

  - Certification of completion is required prior to submission to Fannie Mae and must include:
    - Verification improvements were completed, and all other requirements/conditions have been satisfied
    - Previously unavailable information, and
    - Photographs of the completed improvements attached to the permanent foundation.
- **Site Requirements**
  - Opinion of value must be based on the characteristics of the subject property including site area.
  - Property must be compatible and conform to the manufactured homes in the neighborhood.
- **Comparable sales**

- Two comparable sales of similar manufactured homes are required and must address the marketability and comparability of a manufactured home (example: multi-wide to multi-wide homes)
  - A third comparable sale can be either a site-built home or a different type of factory-built housing.

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

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

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

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

Additional Requirements

- Cash-out Transactions: ≤ 20 year term.
- Property must be at least 12 feet wide
- Minimum of 600 square ft. of living space, and
- Attached to a permanent foundation in accordance with the manufactured homes industry standards.
- Must be legally classified as real property under applicable state law.
- Permanently connected to a septic tank or sewage system and other utilities according with local and state requirements.
- Properties not situated on a publicly dedicated and maintained street:
  - Must be situated on a street that is community owned and maintained or
  - Privately owned and maintained.
- Must not have been previously installed or occupied at any other site or location, except from the Manufacturer's or the dealer's lot as a new unit.
- Running Gear, towing hitch must be removed (must assume the characteristics of site-built housing).
- Existing properties that need repairs or are in the renovation process are not eligible for purchase until the necessary work has been completed.
  - Exceptions may be considered for items that do not affect the ability to get an occupancy certification.
- Additions and/or modifications are allowed

    - File must evidence approved inspections of modifications certified by the state when required.
    - Inspections not required by the state must be done by a licensed professional engineer.
- File must evidence certification that the addition or structural changes were completed in accordance with the HUD Manufactured Home Construction Safety Standards.
- Borrower must own the land in fee simple.
- Must be built in compliance with the Federal Manufactured Home Construction and Safety Standards established June 15, 1976, as amended and in force at the time the home is manufactured; and
- Must be evidenced by the presence of both a HUD Data Plate and the HUD Certification Label (HUD seal or tag).

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

Down Payment

Borrower must provide 5% of their own funds unless:

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

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

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

Determining the Value of the Land

Date of Land Purchase	Value of Land	Required Documentation
>12 months preceding the loan application	The current appraised value	N/A
<12 months preceding the date of the loan application	The Lesser of the sales price or the current appraised value	Borrower cash investment must be obtained and include: – Copy of settlement statement – Copy of the warranty deed showing no outstanding liens against the property, or – Copy of the release of any prior lien(s)

Date of Land Purchase	Value of Land	Required Documentation
Land acquired at any time as a gift, inheritance, or other non-purchase transactions	The current appraised value	Documentation which verifies the acquisition and transfer of ownership of the land

Transactions Type

- **Purchase Transactions**

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

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

- **Limited Cash-Out Refinance Transactions**

  Proceeds may be used to:

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

  - Maximum LTV must be based on the lower of the current appraised value and land; or
  - If property is owned by the borrower for < than 12 months on the loan application date, and
  - If the home and land are secured by separate liens, the lowest price at which the home was previously sold during that 12-month period plus:
    - The lower of the current appraised value of the land, or
    - The lowest sales price at which the land was sold during that 12-month period.
  - If the property and land are secured by a single lien, the lowest price at which the home and land were previously sold during that 12-month period.
- **Cash-Out Refinance Transactions**
  - Property and land must be owned for at least 12 months preceding the date of application.
  - 65% LTV/CLTV/HCLTV based on the appraised value of property and land.
  - No restriction on use of proceeds.
  - Loan term must be ≤ 20 years.
- **MH Advantage**

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

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

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

  - The purchase, conveyance, and financing (or refinancing) must be evidenced by:
    - A valid and enforceable first-lien mortgage or deed of trust that is recorded in the land records, and
    - Must represent a single real estate transaction under applicable state law.

- A Copy of the Appraisal Report (form 1004C) and Completion Report 1004D (if applicable) is required.

- For new construction follow Fannie Mae standard appraisals requirements for:
  - Postponed Improvements
  - Factory-Built Housing:
    - Manufactured Housing for appraisals based on plans and specifications.
    - This will ensure site improvements that are not attached to the home, such as detached garages, are complete.
- Appraisal photos must evidence:
  - The presence of the MH Advantage Sticker (placed in proximity to the HUD Data Plate).
  - HUD Data Plate, and
  - HUD Certification Labels.
- Final inspection photo must show the presence of a driveway leading to the home, garage or carport (if one is available). The driveway must consist of:
  - Blacktop
  - Pavers
  - Bricks
  - Concrete
  - Cement, or
  - Gravel
  - The presence of a sidewalk connecting either the driveway, or a detached garage or carport, to a door or attached porch of the home. The sidewalk must consist of:
    - Blacktop
    - Pavers
    - Flagstone
    - Bricks
    - Concrete, or
    - Cement

Comparable Sales

- Must use other MH Advantage properties when available.
- Appraiser must supplement with the best and most appropriate sales if fewer than three MH Advantage sales are available.
- Site-built homes may be included in the comparable.
- Sales of new manufactured homes and land (often referred to as land/home sales) may be used as comparables provided both the land and home transpire as a single transaction, and the file evidences that the appraiser has adequately verified the physical attributes, conditions

of sale, sales price, and concessions.

- Combining separate transactions of vacant land and purchase price to create a comparable sale is not permitted but may be used as additional support.

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

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

Down Payment

Borrower must provide 5% of their own funds unless:

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

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

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

Mortgage Insurance

Follow standard Fannie Mae Guidelines for manufactured homes.

Product

- Fixed Rate: 10, 15, 20, 25, and 30-year term
- Cash-out Transactions: ≤ 20-year term.

Site Requirements

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

Transaction Type

- Purchase
- Limited Cash-Out
- Cash-out

Ineligible Transactions

- Loans secured by one-frame modular construction.

Mortgage Insurance

- Loans with >80% LTV, mortgage insurance is required and are subject to MI guidelines.
- Eligible MI products:
  - Borrower paid mortgage insurance (BPMI). Monthly or single premium are eligible. The single premium may be financed. *See* "Chapter 4: Mortgage Insurance" on page 36 for detailed requirements.
  - Lender paid mortgage insurance (LPMI). Single premium only.
  - Split Premium.
- Eligible MI options:
  - Non-refundable
  - Refundable
  - Level/constant renewal type (as applicable)

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

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

Required MI Coverage				
Loan Terms	LTV			
	80.01% - 85%	85.01% - 90%	90.01% - 95%	95.01% - 97%
Fixed Rate: 10,15,20	6%	12%	25%	N/A
Fixed Rate: 25, 30-year term and ARMs	12%	25%	30%	N/A

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

Mortgage/Rental History

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

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

- The credit report must reflect the most recent 12 months activity.
- Mortgage must be current for the month closing.
- Copies of rent checks are required to document rental payment history per DU results in lieu of rent checks, at the underwriter's discretion, the following may be acceptable:
  - A direct verification of rent (VOR) provided by a professional management company, or
  - Copies of money orders

Non-Arms' Length or Identity of Interest Transactions

- A non-ARM's length transaction is a purchase transaction where there is a relationship or business affiliation between the buyer and seller of the property.
- Non-ARM's length transactions are eligible for resale properties.
- When a non-ARM's length transaction occurs on a property that is new construction, the property must be a primary residence only. Non-ARM's length transactions are ineligible if the property is a second home or investment.
- An identity of interest transaction involves parties who are not related and do not have close personal ties, however, they have a strong interest in the transaction (i.e., broker acting for buyer and seller, the broker is both realtor and mortgage broker, the realtor is selling own property, etc.). Additional review will be required to ensure validity of the transaction, value, etc. which may include additional documentation and/or a desk review or second appraisal.

Occupancy

- Owner-occupied
- Second home
- Investment (non-owner occupied)

Power of Attorney

A Power of Attorney (POA) is allowed on a case-by-case basis on purchase and rate/term refinance transactions subject to all of the following:

- For extenuating circumstances, active military personnel or individuals with a documented medical condition that prevents them from attending the closing or performing borrower requirements.
- Must be specific to the transaction.
- Must include the borrower name, property address and loan amount.
- POA must be fully executed and notarized.
- Borrower must sign the application and disclosures.
- POA must be recorded along with the mortgage (certified copy required).
- POA is eligible on purchase and rate/term refinance transactions only; cash-out is ineligible.
- If there are two or more borrowers on the loan, at least one borrower must be present for the closing and sign for the absent borrower (as their attorney-in-fact).

Prepayment Penalty

Not permitted.

Products

Fixed Rate: 15 and 30 year

ARM: 5/1 (2/2/5 Caps), 7/1 and 10/1 (5/2/5 Caps); LIBOR index; Margin Floor: 2.25% Qualifying:

- 5/1 qualified at the greater of the fully indexed rate or the Note rate plus 2%
- 7/1 and 10/1 qualified at the greater of the fully indexed rate or the Note rate

Properties — Eligible

- Single-family residences
- 2-4 units
- Rowhouse
- Manufactured Homes/Modular, prefabricated panelized or sectional housing (must have like comparables and property must be legally classified as real property)
- Leaseholds meeting Fannie Mae guidelines
- Mixed use eligible subject to Fannie Mae guidelines
- Rural properties

- Owner-occupied SFR
- Properties owned free and clear properties (no existing lien). A copy of the tax transcript indicating no mortgage interest is required. If the borrower owns multiple properties, a 1098 is required matching the lien(s) on the 1003 with the 1098 and **one** of the following:
  - Copy of the hazard insurance declaration page with no mortgagee listed, **or**
  - Copy of the MERS report for the property showing no mortgage listed, **or**
  - Copy of the Data Verify report showing no mortgage listed.
- Agricultural properties (allowed for Texas 50(a)(6) and Texas 50(f) transactions only)
- Properties without road access are allowed on a case-by-case basis with approval from the Credit Risk Officer.

Properties - Eligible - Condo/PUDs and Project Standards

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

Litigation

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

See Fannie Mae Selling Guide for complete requirements.

Eligible Project Types

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

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

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

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

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

Properties — Ineligible

- Agricultural-type properties (allowed on Texas 50 (a)(6) and Texas 50(f) transactions only)
- Farms
- Orchards
- Ranches
- Bed and Breakfast
- Boarding houses
- Builder bailout properties
- Commercial property
- Condo Hotels or Timeshares

- Commercial Space and mixed use allocation
- Industrial zoned property
- Incoming producing properties (e.g., adult care facilities, bed & breakfast, etc.)
- Live-Work Projects that do not meet Fannie's live-work requirements
- Log Homes
- Kiddie Condos
- Mobile homes (any property that had/has wheels, axles, towing hitch, etc.)
- Multi-family dwellings > 4 units
- New or newly converted condominium projects in Florida without a PERS approval
- Non-warrantable condominiums
- Properties located on Tribal Lands Properties not suitable for year-round occupancy, regardless of location
- Properties with an Assignment of Contract
- Properties located in the Hawaiian Islands in lava zones one (1) or two (2)
- Unique properties (geodesic domes, earth barn homes, log homes, etc.)
- Vacant land is ineligible for refinance transactions
- Properties with problem drywall (aka Chinese drywall). Evidence of complete remediation must be provided if property previously contained Chinese drywall.
- Properties without road access not approved by Planet's Credit Risk Officer.
- Single-Entity ownership project

Property Flips

Property flips are subject to:

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

Property Inspection Waiver (PIW)

Permitted in cases of refinance and the borrowers name in the case file does not match the borrowers name on the new appraisal.

Property with an Accessory Unit

Eligible subject to Fannie Mae guidelines.

Property with an Addition without Permits

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

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

Property with Solar Panels

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

Purchase Agreement Amended/Renegotiated

- Not eligible if the sales price was increased **after** the original appraisal was completed if:
  - The appraised value is higher than the originally contracted sales price that was provided to the appraiser, and
  - The new purchase agreement and/or addendum to the purchase agreement is dated after the appraisal, and
  - The only change to the purchase agreement was the sales price.
- If the purchase agreement was renegotiated after the completion of the appraisal, the LTV would be based on the **lower** of the original purchase price or the appraised value, unless:
  - The re-negotiation was only for seller paid closing costs and/or pre-paids where the seller paid closing costs/pre-paids are common and customary for the area and are supported by the comparables, or
  - The purchase contract was amended for a new construction property due to Improvements made that impact the tangible value of the property. An updated appraisal report must be obtained to validate the value of the improvements.
- Assignment of the purchase contract is not allowed.

Refinance Transactions

Properties that were listed for sale in the previous 12 months must be taken off the market prior to the application date and borrowers must provide written confirmation of their intent to occupy the property.

Cash-Out

- Cash–Out transactions for properties listed for sale in the six months preceding the disbursement date of the new mortgage loan are limited to 70% LTV, CLTV, and HCLTV ratios (or less if mandated by the specific product, occupancy, or property type).
- Cash-Out transactions require a minimum 6 months title seasoning (6 months from close date of the previous transaction to the disbursement date of the new mortgage) except as follows:
  - Delayed financing guidelines are met (*see* "Delayed Financing" on the next page), **or**
  - The borrower inherited or was legally awarded the property (divorce, separation or dissolution

of domestic partnership). The property must have cleared probate and be vested in the borrower's name.

Rate/Term Refinance

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

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

Transaction may also be used to pay off:

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

Subordinate liens used to purchase property:

- Financing **is** allowed to secure the payment of closing costs, points, and prepaid items.
- Financing **is not** allowed when the property taxes are more than 60 days delinquent.
  - The borrower can include property taxes in the new loan amount as long as an escrow account is established, subject to applicable law or regulation.
  - Cash back to the borrower may not exceed the lesser of 2% of the new refinance loan amount or $2,000.

See Fannie Mae Selling Guide section for complete details.

Delayed Financing

Borrowers who purchased the subject property within the past six months are eligible for a cash-out refinance when no financing was obtained for the purchase transaction, and **all** of the following requirements are met:

- The borrower must have initially purchased the property as one of the following:
  - A natural person
  - An eligible Inter Vivos Revocable Trust, where the borrower established that trust and is the beneficiary of the trust
  - An eligible land trust where the borrower is the beneficiary of the land trust, or
  - An LLC or partnership in which the borrower(s) have 100% ownership individual or joint, **and**

- The new loan amount cannot exceed the actual documented amount of the borrower's initial investment to purchase the property plus the financing of closing costs, prepaid fees, and points (subject to the maximum LTV/CLTV ratios for a cash-out transaction based on the current appraised value), **and**
- The purchase transaction was an arms-length transaction, **and**
- The CD from the original transaction is required to confirm that there was no mortgage financing used to obtain the property, **and**
- The source of the funds used to purchase the property can be documented (i.e. bank statements, personal loan documents, HELOC against another property) and were the borrower's own funds,

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

- The preliminary title documentation must not indicate any existing liens on the subject property. If the source of the funds to acquire the property was an unsecured loan or secured by an asset other than a subject property (e.g. HELOC), the settlement/CD for the refinance transaction must reflect that **all** cash-out proceeds be used to pay off or pay down, as applicable, the loan used to purchase the property; **and**
- An "Approve/Eligible" result from DU is required, and the transaction must meet all other cash- out eligibility requirements.

Rent Back

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

Reserves

- Per DU
- Cash-out refinance transactions with Borrower DTI over 45%, six (6) months reserves required.
- Borrowers financing a second home or investment property must meet Fannie Mae's Reserve Requirements.

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

- Reserves for multiple financed properties are a percentage of unpaid principal balance of all mortgages: 2% for 1-4 properties owned, 4% for 5-6 properties owned, 6% for 7-10 properties owned.
- Premium pricing or lender credits not allowed.

Acceptable Sources of Reserves

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

Unacceptable Sources of Reserves

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

Seller Contribution

See "Interested Party Contributions" on page 119 for Seller contribution limits.

Subordinate Financing

- Eligible subject to the CLTV limits on the matrix located on page 1. Max CLTV is 105% for a fixed-rate, owner occupied 1-4 unit property with a Community Seconds.
- If existing subordinate financing is an HELOC, the full amount of the available credit must be used to determine the HCLTV.
- Unacceptable subordinate financing terms include:
  - Mortgages with negative amortization (except employer subordinate financing that has deferred payments).
  - Subordinate financing that does not fully amortize under a level monthly payment plan where the maturity or balloon payment date is less than 5 years after the Note date of the new first mortgage.
- Subordinate financing that has a prepayment penalty. (Does not apply to HELOC early termination fees).

Temporary Buydown

Not available.

Transaction — Eligible

- 1031 Exchange
- Cash-out
- Land contracts subject to Fannie Mae guidelines
- Limited cash-out refinance (rate/term)
- New York CEMAs allowed on refinance transactions. CEMA not eligible on purchase transactions. Planet does not accept Lost Note Affidavits. Use Fannie Mae Form 3172. Sellers must include the recorded original CEMA, including Exhibits A-D and all mortgage assignments.
- Purchase. The assignment of a purchase contract is not allowed.

Transaction — Ineligible

- Any transaction without a DU “Approval/Eligible” Finding
- Community Land Trusts
- Fannie Mae My Community, Community Solutions, and Community Home Choice
- Fannie Mae Homestyle
- Interest-only
- Lease option to purchase
- Loans with tutorship lien
- Non-traditional credit (*see* "Credit Report/Scores" on page 108 for exceptions)
- Non-Arm’s length transaction that involves new construction and the loan is secured by a second home or investment property.
- Properties in the “Right of Redemption Period” as applicable state law allows.
- Refinance transactions where the subject property is listed for sale at time of disbursement of the new loan.
- Restructured mortgages that do not meet Fannie Mae guidelines.
- Transactions using Mortgage Credit Certificates(MCC) may be considered with approval from the Planet Credit Risk Officer.
- Transactions where the property securing the loan is subject to a private transfer fee covenant created on or after February 8, 2011, and fee collect does not directly benefit the property.

Fannie Mae High LTV Refinance Option Program Grid

Primary Residence[1,2,3,4] Limited Cash-Out Refinance				
Units	**Min. LTV**	**CLTV**	**Loan Amount**	**Credit Score**
1	97.01%	N/A	*See* Loan Limits below	Per DU
2	85.01%	N/A		
3-4	75.01%	N/A		
Second Home[1,2,3,4] Limited Cash-Out Refinance				
Units	**Min. LTV**	**CLTV**	**Loan Amount**	**Credit Score**
1	90.01%	N/A	*See* Loan Limits below	Per DU
Investment[1,2,3,4] Limited Cash-Out Refinance				
Units	**Min. LTV**	**CLTV**	**Loan Amount**	**Credit Score**
1-4	75.01%	N/A	*See* Loan Limits below	Per DU

Footnotes:

1. Existing loans must be:
   - First, lien Conventional mortgage owned or scrutinized by Fannie Mae.
   - Originated on or after October 1, 2017 (measured from the Note date).
   - At least 15 months seasoning required with application dates on or after November 1, 2018 (measured from the Note date of the existing loan to the note date of the new loan).
2. The loan being refinanced and the new loan do not have to represent the same occupancy. The occupancy of the subject property may have changed by the time of the high LTV refinance transaction.
3. There are no maximum LTV, CLTV, or HCLTV ratios for fixed-rate loans. There is a maximum LTV ratio of 105% for ARM loans, but no maximum CLTV or HCLTV ratio.
4. Existing subordinate financing may remain in place as long as it is resubordinated to the new loan. See Subordinate Finance topic below for additional details.

Fannie Mae Maximum Low and High-Cost Conforming Loan Limits			
Units	**Contiguous States, District of Columbia, and Puerto Rico**		**Alaska & Hawaii**
	Low Cost	**High Cost**	
1	$510,400	$765,600	Not Applicable
2	$653,550	$980,325	
3	$789,950	$1,184,925	
4	$981,700	$1,472,550	

Property eligibility can be determined at: Know Your Options.com by Fannie Mae.

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

Fannie Mae High LTV Refinance Option Program Guidelines

4506-T

- All borrowers must sign 4506-T prior to loan closing. Planet does not require a signed 4506-T for borrowers whose income is not used to qualify.

Ability to Repay/Qualified Mortgage

Planet requires all loans to be originated and closed in compliance with Agency and Planet guidelines. Planet will purchase owner-occupied and second home transactions as follows:

- Loans eligible under Temporary QM, and
- Loans that meet the Safe Harbor or Rebuttable Presumption provisions, and
- Pass the points and fees test, as applicable.

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

Affidavit of Identity

Planet may require an Affidavit of Identity if a borrower signature appears incomplete or illegible.

Appraisals

- Interior and exterior inspection required.
- Appraisal waiver allowed per DU on certain loan casefiles and may only be exercised under the under the below circumstances.
  - The final submission of the loan casefile to DU resulted in an appraisal waiver offer,
  - An appraisal is not obtained for the transaction, and
  - The appraisal waiver offer is not more than four months old on the date of the note and the mortgage.

NOTE: Obtained appraisals must be used for valuation even if waiver is offered.

- Repairs to a property damaged as the result of a disaster will not be required prior to delivery as long as the loan meets the applicable property insurance requirements. An additional inspection and/or new appraisal of the property are not necessary after a disaster.

Assets

Verification not required unless needed to meet the requirements in the "Employment Income" on page 144 section.

AUS

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

Borrower Benefits

- New loans
  - At least one of the following:
    - A lower P&I payment
    - A lower interest rate
    - A shorter amortization term; or
    - Movement to a more stable product (for example, from an ARM or step-rate modification to a fixed rate loan).
- Mortgagee may provide an incentive to the borrower(s) in the form of a payment to pay off a portion of the existing loan being refinanced provided the following:
  - No repayment is required
  - The payment is reflected on the settlement statement as a lender credit, and
  - Because any such reduction of the existing loan balance will impact the LTV ratio as it applies to the calculation of the new loan amount.

Borrowers — Eligible

- The borrower(s) on the loan being refinanced (or the current borrower(s) if the existing loan was assumed) must be the borrower on the new loan.
- Borrower may be excluded from the new loan for either of the following:
  - The remaining borrower(s) meets the mortgage payment history requirements and file evidences all payments on existing loan have been made from their own funds for the most recent 12 months prior to the application of the new loan, or
  - Due to the death of a borrower. Evidence of the deceased borrower's death must be documented in the loan file.

NOTE: New borrowers may not be added to the new loan being refinanced via the high LTV refinance option.

- If the loan being refinanced was assumed by the current borrower(s) prior to the refinance, the current borrowers must have been qualified for the existing loan in accordance with the requirements of the Fannie Mae Selling Guide.
- Borrowers who have applied for or received a modification are eligible for refinancing provided the following:
  - The borrower benefit provision is met using the prevailing payment, and
  - The payment history requirement is met.

Cash Back to Borrower

Maximum cash back allowed to borrower is $250.00. Excess proceeds may be applied as a curtailment on the new loan.

Credit Report

No minimum credit score required. Tri-merged credit report required for all borrowers for payment and pricing purposes only.

Debt-To-Income (DTI)

No maximum DTI. Ratios are not calculated.

Derogatory Credit — Significant

- Compliance with waiting periods and re-establishment of credit requirements, credit events or the payoff or satisfaction of a judgment identified on the credit report is not required.
- Review of the 1003 Declarations Section VIII (a-f) not required in the underwriting evaluation

Eligible Markets

- Eligible in all states
- The U.S. territories of Guam, Puerto Rico and the Virgin Islands are ineligible

Employment Income

One of the following must be obtained for the new loan:

- A verbal verification of employment (VVOE) for employment or self-employment income for at least one borrower.
- Documentation of a non-employment income source, or
- Documentation of liquid financial reserves equal to 12 months of the new monthly housing payment.

Verification and assessment of Income is not required

Escrow/Impound Account

Required, regardless of LTV, unless prohibited by state law

Financed Properties

There are no limits on the number of financed properties the borrower may own. The additional eligibility requirements for borrowers with multiple financed properties in the Fannie Mae Selling Guide do not apply.

Higher-Priced Loans

Higher-priced mortgage loans or higher-priced covered transactions under Regulation Z are not eligible.

Loan Requirements

Existing Loans must be:

- First, lien conventional mortgage owned or scrutinized by Fannie Mae.
- Originated on or after October 1, 2017 (measured from the Note date).
- At least 15 months seasoning required from the note date of the existing loan to the note date of the new loan (measured from the Note date of the existing loan to the note date of the new loan).

NOTE: Loans that are part of a risk-sharing structure (for example, credit risk transfers) are eligible to be refinanced under the high LTV refinance option.

New Loans must meet current general or high-balance loan limits, as applicable at time of delivery.

Mortgage Insurance

- Existing Loans being refinanced **without** MI
  - Mortgage insurance is not required on the new loan.
- Existing loans being refinanced **with** MI
  - The existing mortgage insurance coverage must be continued on the new loan.
  - To accomplish this, the mortgage insurer will modify the existing MI certificate and transfer it to the new loan. Such transfer may or may not include assignment of a new MI certificate number.
- Financed mortgage Insurance
  - Existing loans with financed mortgage insurance are eligible for high LTV refinance loans.
  - There should be no difference in how coverage is continued on the refinance of such loans versus existing loans that do not have financed mortgage insurance.
  - The existing coverage can be continued on the new loan regardless of whether the financed premium on the existing loan was paid as a single premium or a split premium.
- Life of Coverage
  - Coverage must extend for the life of the new loan, or
  - Until cancellation or termination of coverage as required by law or Fannie Mae Selling guidelines.

Example: If a 15-year loan that is 3 years old is refinanced into a 30-year loan, the mortgage insurance coverage should be extended for the full life of the new loan.

Payment History

File must evidence most recent 12 months' pay history, with

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

Properties Eligible

- All Fannie Mae-eligible property types are permitted.
- For properties in condo or PUD projects, all project review requirements are waived.
- Sellers do not need to confirm that the subject property is not currently listed for sale.

Product

New loan:

- Fixed Rate: up to 30 year term, or
- ARM: Maximum LTV of 105%

  ARM loans must refinance an existing ARM loan, with the new ARM having a minimum five-year fixed rate term.

Standard Limited Cash-out

The standard limited cash-out refinance requirements are modified for high LTV loan transactions.

The new loan amount is limited to:

- The payoff of the UPB of the existing first mortgage loan being refinanced (including accrued interest).
- The financing of closing costs, prepaid items, and points up to $5,000 total for the new loan.

Subordinate Financing

Must replace existing subordinate financing, and

- May not be satisfied with the proceeds of the new loan
- May remain in place as long as it is resubordinated to the new loan, and
- May be simultaneously refinanced as long as the new subordinate lien loan amount does not exceed the existing UPB.

Transaction — Ineligible

- Existing DU Refi Plus or Refi Plus loans
- Loans that are subject to outstanding repurchase demands; or

- Loans that are subject to recourse, repurchase agreement, indemnification, or another negotiated credit enhancement required at origination for eligibility purposes are not eligible unless:
  - The new loan is also subject to a credit enhancement that meets eligibility requirements, or
  - Such credit enhancement is not required for eligibility purposes on the new loan.
- Texas 50(a)(6) not allowed.

Temporary Buydowns

Not permitted

Fannie Mae HomeReady Program Grid

Owner-Occupied Primary Residence Fixed Rate					
Transaction Type	**Units**	**LTV**	**CLTV/HCLTV**	**Loan Amount**	**Credit Score**
Purchase	1	97%[2,3,4]	97%[1,4]	*See* Loan Limits below	Per DU
	2	85%	85%		
	3-4	75%	75%		
Limited Cash-Out	1	95%	95%		
	2	85%	85%		
	3-4	75%	75%		
Fannie Owned Limited Cash-Out	1	97%[2,3,4]	97%[4]		
Owner-Occupied Primary Residence ARM					
Transaction Type	**Units**	**LTV**	**CLTV/HCLTV**	**Loan Amount**	**Credit Score**
Purchase	1	95%	95%	*See* Loan Limits below	Per DU
	2	85%	85%		
	3-4	75%	75%		
Limited Cash-Out	1	95%	95%		
	2	85%	85%		
	3-4	75%	75%		
Manufactured Homes					
Purchase	1	95%	95%	*See* Loan Limits below	Per DU
Limited Cash-Out					
Cash-Out		65%	65%		
MH Advantage[5]					
Purchase	1	97%	97%	*See* Loan Limits below	Per DU
Limited Cash-Out	1	97%	97%		

Footnotes:

1. Up to 105% CLTV allowed when using a Community Seconds that meets Fannie Mae guidelines.
2. Transactions with non-occupant borrowers permitted to a maximum 95% LTV.

3. LTV > 95% subject to additional requirements. *See* "95.01% — 97% LTV" on page 150 for details.
4. High Balance LTV/CLTV/HCLTV permitted to a maximum of 95%.
5. MH Advantage available for primary residence and second homes only. Second homes allowed on 1 unit only, purchase and LCOR, up to 90% LTV.

Fannie Mae Maximum Conforming Loan Limits			
Contiguous States and District of Columbia			Alaska, Hawaii
Unit	General	High Cost	General
1	$510,400	$765,600	$765,600
2	$653,550	$980,325	$980,325
3	$789,950	$1,184,925	$1,184,925
4	$981,700	$1,472,550	$1,472,550

Fannie Mae HomeReady Program Guidelines

4506-T

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

NOTE: In the event of past identity theft, Planet will accept transcripts that the borrower obtained from the IRS along with a certification that the returns are true and correct.

95.01% — 97% LTV

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

- Per DU only
- Property is a 1-unit primary residence, and all borrowers must occupy
- Fixed rate loans only with terms up to 30 years. ARM not permitted.
- High Balance loans not permitted
- Maximum CLTV/HCLTV 95.01-97% if the subordinate lien is not a Community Seconds loan.
- Maximum CLTV 105% if the subordinate lien is a Community Seconds loan.
- Mortgage being refinanced must be owned by Fannie Mae.

Ability to Repay/Qualified Mortgage

Planet requires all loans to be originated and closed in compliance with Agency and Planet guidelines. Planet will purchase owner-occupied and second home transactions as follows:

- Loans eligible under Temporary QM, and
- Loans that meet the Safe Harbor or Rebuttable Presumption provisions, and
- Pass the points and fees test, as applicable.

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

Affidavit of Identity

Planet may require an Affidavit of Identity if a borrower signature appears incomplete or illegible.

Age of Documents

- All credit and asset documentation must be the lesser of the expiration date noted per DU or 2 months as of Note date.
- Appraisal documents must be within 2 months as of the Note date or an appraisal update will be required. Appraisal updates must be ≤ 8 months or a new appraisal is required.

- The title commitment must be ≤ 90 days from the Note date.
- VVOE requirements:
  - Wage earners: ≤ 10 business days from the Note date
  - Self-employed: ≤ 60 calendar days
- New construction requires all documentation to be ≤ 4 months from the Note date.

Appraisals

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

- Appraisals must be Uniform Appraisal Data (UAD) compliant and meet Fannie Mae's Appraiser Independence Requirements (AIR).
- All appraisals must be submitted to the UCDP by the AMC or independent appraiser. A copy of the Fannie Mae Submission Summary Report (SSR) that includes the Appraisal Finding Detail Report (AFDR) with a Document File Status of "Successful" and the ten (10) digit Doc File ID number or a copy of the XML file, must be provided.
- Appraisal must identify and address properties located within a declining market.
- A full appraisal must provide legible interior and exterior photos.
  - The exterior photos must contain photos of the front, back and street scene of the subject property as well as the front of all comparable sales.
  - The interior photos, at minimum, must include:
    - Kitchen (free-standing stove/range or refrigerator not required)
    - Main living area
    - All bathrooms
    - Any physical deterioration and recent updates that materially impact the market value or marketability of the subject property (i.e., remodel, restoration, renovation)
- Comparable sales used for new construction properties are subject to the following:
  - If all three of the comparable sales used to support the value of the subject property were obtained from one of the above sources (public source eligible in Vermont and Maine only), no further action is required.
  - If the comparable sales are not all obtained from an MLS, MRIS, MRED, NTREIS, or from an independent source (Vermont and Maine only), the appraiser must comment that the subject property development is being marketed in an "open" or "public" environment (i.e., newspaper advertisements, billboard signs, website, etc.).

  Additionally, the following applies:

- One of the comparable sales must be outside the project the subject property is located in and be from an MLS, MRIS, MRED, NTREIS, SABOR, GeoData, or Comps Inc. or public source (public source Vermont/Maine only).
- Two of the comparable sales must be from sources other than the subject property Builder.

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

- Planet requires properties to be, at minimum, in average condition. Additionally, the following applies:
  - A conventional heat source with the ability to maintain a temperature of 50° in areas of the property where there is plumbing.
  - Any broken glass that is a health hazard must be removed and the opening closed.
- Properties with a Condition Rating of C6 or Quality Rating of Q6 require Planet prior approval.
- An appraisal update will be required when the appraisal is dated more than 4 months from the Note date. The update must be completed prior to the expiration of the appraisal. The appraisal update must include a photo of the front of the subject property. If the appraiser indicates a decline in value, a new appraisal is required. A new appraisal will be required when the appraisal with an update is > 8 months from the Note date.
- A transferred appraisal is acceptable when the following is provided:
  - A copy of the Fannie Mae Submission Summary Report (SSR) with a Document File Status of “Successful” and a PDF version of the appraisal report,
  - An appraisal transfer letter, and
  - Confirmation that the appraisal is AIR compliant.
- Properties located in a FEMA Disaster Declaration area will be subject to additional appraisal review. *See* "Chapter 8: Loan Purchasing" on page 531 for detailed requirements.

See Fannie Mae Selling Guide for complete appraisal requirements.

Assets

Documentation requirements per DU.

- All funds used to close the transaction must be disclosed on the 1003 and input into DU.
- The borrower must provide evidence that the earnest money deposit came from an acceptable source and that they have sufficient assets to cover the down payment, closing costs, prepaids and reserve requirements. Evidence required:
  - Two months most recent bank or financial statements, all pages. If a copy of the canceled deposit check is used to document the source of funds, the bank statements must cover the period up and including the date, the earnest money check cleared the bank.
  - Sellers who are also the depository for the borrower’s account may provide a printout or other

alternative verification of the borrower's bank account assets produced directly from the bank or credit union's system in lieu of bank statement(s).

- A Verification of Deposit (VOD) is acceptable as the primary source of verification.
- Business funds of a self-employed borrower may be used for down payment, closing costs and/or reserve requirements subject to the following:
  - The borrower must be listed as an owner on the account. If the borrower's name is not listed on the business account statement, documentation that the borrower is an authorized signer on the account is required. This applies to all business accounts, including sole proprietorships, when business account funds are being used for down payment, closing costs and/or reserves. Examples of acceptable documentation:
    - Letter from the bank confirming borrower is an authorized signer, or
    - Online documentation that confirms borrower is an authorized signer.
- A cash flow analysis, based on 3-months' business bank statements, dated within 60 days of the closing date, is required. The cash flow analysis must indicate the following:
  - The average running balance in the account for the previous 3 months stayed the same or was better, **and**
  - The monthly business expenses were analyzed and documented (i.e., rent, payroll, lease of equipment, etc.), as applicable, for the type of business. The Seller is responsible for determining the withdrawal will not have a negative impact on the business.
- Cash on hand, unsecured borrowed funds or unverified funds are ineligible sources for assets.
- Verification of assets from foreign sources:
  - Funds that a borrower (either U.S. citizen or non-U.S. citizen) has deposited into a U.S. depository institution are acceptable provided **all** of the following requirements are met:
    - Documentation of the transfer of funds from the borrower's country of origin is provided, and
    - It can be established that the funds belonged to the borrower before the date of transfer, and
    - The source of all funds used for closing can be verified following the same requirements for U.S. citizens.
- Payout from a life insurance policy is acceptable for down payment or closing costs. A copy of the check or payout statement issued by the insurance company is required. If the cash value is being used for reserves, documentation of the cash value is required; however, the policy does not need to be liquidated.
- Proceeds from the sale of a currently owned property are eligible for down payment and closing costs. The final Settlement/CD for the existing property (not required to be fully executed) must be provided before or at closing to show sufficient net cash proceeds to close the purchase.
- Large deposits are considered to be a single deposit where any **unsourced** portion of the deposit exceeds 50% of the combined gross monthly income of the borrower(s). If the deposit includes both sourced and unsourced funds, only the unsourced portion is used to calculate whether the deposit

meets the 50% definition. Direct deposits (such as IRS or state income tax refunds) and transfer of funds between verified accounts that are easily identified on the account statement(s), do not require documentation. Requirements for documenting large deposits are as follows:

- **Refinance transactions:** Large deposits are not required to be explained; however, it must be determined if the deposit represents borrowed funds, which would require any payment to be considered in the DTI ratios.
- **Purchase transactions:** If the funds from a large deposit are needed for the down payment, closing costs or reserves on the transaction documentation must be provided that the funds are from an acceptable source. Any large undocumented deposit will be deducted from the amount of verified funds, and the reduced asset amount will be used for qualification.

  Examples:

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

     In this example, only the $500.00 is considered "unsourced" ($3,000.00 total deposit minus $2,500.00 tax refund) and is included in the large deposit calculation.

     The unsourced $500.00 is only 12.5% of the borrower's monthly income; therefore, it does not meet the large deposit definition (50% of the borrower's total monthly qualifying income). In this example, documentation is not required and the entire $20,000.00 balance in the borrower's bank account may be used for underwriting purposes.

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

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

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

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

- Cash-on-hand is an acceptable source of funds for the borrower's down payment, funds for closing cost and prepaid items on purchase money transactions for 1 unit properties. Cash-on-hand may not be used to fund the borrower's reserve requirement, if applicable. The Seller must verify and document the following with respect to the cash-on-hand funds:
  - The borrower customarily uses cash for expenses, and the amount of funds saved is consistent with the borrower's previous payment practice.
  - Funds for down payment and closing costs must exist in a financial institution account or an

acceptable escrow account. Funds must be on deposit at the time of application, or no less than 30 days prior to closing.
- A written statement from the borrower that discloses the source of funds and states that the funds have not been borrowed.
- The borrower's credit report and other verifications should indicate limited or no use of credit and limited or no depository relationship between the borrower and the financial institution.

Assumptions

Planet follows Fannie Mae Guidelines.

AUS

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

Available Markets

- **Delegated Sellers**

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

- **Non-Delegated Sellers**

  Planet will purchase loans from non-delegated Sellers in all states on Fannie Mae products. **All** loans require Planet underwriting approval.

- The U.S. territories of Guam and the Virgin Islands are ineligible regardless of delegation.

Borrowers — Eligible

- A natural person
- U.S. Citizens
- Permanent resident aliens:
  - Permanent resident alien borrowers must hold an unexpired "Green Card" issued by the U.S. Citizenship and Immigration Services (USCIS). A copy of both the front and back of the card is required.
- Revocable Inter-Vivos Trust that meets Fannie Mae guidelines
- Non-permanent resident aliens:
  - Non-permanent resident aliens are temporary residents who are eligible to live/work in the United States for a specific period of time. Acceptable documentation of their work authorization is:
    - An unexpired Employment Authorization Document (EAD) by the USCIS, or
    - An unexpired visa. Eligible types are E-1, G series, H series, or TN.

  - If the authorization for temporary residency will expire within one year of closing and a prior history of residency status renewals exists, continuation may be assumed. If there are no prior renewals, the likelihood the authorization will be renewed must be determined based on information received from the USCIS.
- All borrowers are required to have a social security number.

Borrowers — Ineligible

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

Borrower Types

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

Non-Occupant Co-Borrower: An individual, who applies with the applicant, may or may not take title to the property and is liable for the debt but does not live in the property.

- DU determines the risk factor without the non-occupant co-borrower's income.
- Non-occupant co-borrower's assets may be used to meet the 5% borrower contribution requirement (as applicable). The total liquid assets for both the occupying and non- occupying borrower must be entered in DU to ensure an accurate DU calculation of total available assets.

Co-Signer: An individual who has no ownership interest in the property but is liable for the debt. Assets are always used for qualification. Income and debt are only considered when the co-signer occupies the subject property.

Non-Borrowing/Non-Purchasing Spouse

- Generally have no ownership interest in the property and are not liable for the debt. In community property/marital rights states, the non-borrowing spouse does have an interest in the property and is required to execute the security instrument and all applicable documents as determined by state law.

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

Down Payment and Qualifying Ratio Requirements

When a non-occupant co-borrower or cosigner is on the loan, the occupying borrower must make a minimum 5% of the down payment from their own funds unless:

- The LTV/CLTV ratio is ≤ 80%, and
- The occupying borrower is purchasing a 1-unit principal residence and meets the requirements of gifts to pay for some or all of the borrower’s minimum contribution.

Chain of Title

A 12-month chain of title is required for all loans. Title must include all transfers in the previous 12-month period, including copies of all recorded deed(s). If more than one transfer in previous 12 months **or** property has significant increase in value since prior transfer, an appraisal addendum addressing all transfers is required.

Community Seconds

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

- Fixed rate loan
- Purchase/LCOR

NOTE: More than one Community Seconds is allowed.

Credit History

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

Credit — Installment/Revolving Accounts

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

- **Installment Debt**
  - All Installment debts, including garnishments, are considered recurring monthly debt obligations and must be included in the borrower's long-term debt for qualifying purposes if there are more than 10 months payments remaining.
  - Installment debt with ≤ 10 months remaining will be considered as a recurring monthly debt obligation if it significantly affects the borrower's ability to meet their credit obligations.
- **Revolving Debt**
  - Revolving debt is considered part of the borrower's recurring monthly debt. Revolving debt includes credit cards and personal lines of credit (equity lines, secured by real estate, are included in the housing expense). Revolving debt is subject to the following:
    - If the monthly payment is not included on the credit report, the underwriter will use the greater of $10.00 or 5% of the outstanding balance to determine the monthly payment.
- **Payoff or Pay Down Debt Before Qualification**
  - Payoff or pay down of a debt solely to qualify the borrower is carefully evaluated and will be considered in the overall loan analysis by the underwriter. Generally, the following applies:
    - Revolving accounts that will be paid off at or prior to closing, a monthly payment is not required to be included in the debt ratio. Documentation that the account was paid off

must be provided and verified prior to loan disbursement, or the payoff must be shown on the Settlement/CD.

- Installment loans that are being paid off or paid down to 10 or fewer remaining monthly payments do not need to be included in the borrower's long-term debt. Such accounts do not need to be closed as a condition of excluding the payment from the DTI ratio.

- Open 30-day charge accounts require sufficient assets to pay off the debt to be excluded from the debt ratio.
- **Student Loans**

Payments evidenced on credit reports can be used to qualify the borrower. When the credit report does not reflect the correct monthly payment amount:

- Planet may use the most recent monthly payment reflected on the student loan documentation.

When the credit report does not reflect a monthly payment amount or shows a $0 amount as the monthly payment, one of the following options must be used when determining the qualifying monthly payment:

- Planet may qualify borrowers on income driven payment plans using the $0 as a monthly payment amount with evidenced documentation.

  or

- For loans that are deferred loans or in forbearance, Planet may calculate:
  - A payment equal to 1% of the outstanding student loan balance (even if this amount is lower than the actual fully amortizing payment), or
  - A fully amortizing payment using the documented loan repayment terms.

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

Alimony, child support or separate maintenance payments that are required to be paid due to a divorce decree, separation agreement or another legal document may be:

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

Alimony Treatment

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

1. The borrower's monthly qualifying income can be reduced by the amount of the monthly alimony payment, or

2. Included as a monthly payment in the DTI calculation.

    - Lenders using option 1

        - Must enter the adjusted income figure as the income amount in DU
        - Disregard the DU message requiring the inclusion of the alimony obligation as a monthly liability that is issued whenever the borrower declares on the loan application that they are obligated to pay alimony.

    - Lenders using option 2

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

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

- **Delinquent Federal Income Tax Installments**

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

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

Credit Report/Scores

- Credit score per DU.
- All borrowers are required to have a credit score (*see* "Credit Exceptions/Non-Traditional Credit" on the next page).
- Planet will accept a credit report, in the Seller's name, from any Fannie Mae acceptable credit vendor.
- A tri-merged credit report is required for all borrowers.
- The representative credit score is determined as follows:
    - If there are three (3) valid scores, the middle score is used. If two of the three scores are a duplicate, the duplicate score is used.
    - If there are two (2) valid scores, the lower of the two is used.
    - If there is one (1) valid score, that score is used.

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

- The borrower(s) must address **all** credit inquiries indicated on the credit report within the previous 120 days and indicate the reason for and result of the inquiry (i.e., was new credit obtained or not).
- Sellers are required to document that the borrower did not incur any new debt from the time the credit used to make the credit decision was pulled to the time of loan closing. Any of the following is acceptable documentation:
  - A "soft pull" credit report, or
  - An affidavit, signed by the borrower(s) (sample form is posted on the CORE Seller Portal at www.phlcorrespondent.com under **Forms and Resources**), or
  - A letter, written and signed by the borrower(s) stating no new credit was obtained.
  - The credit report must be ≤ 4 months from the Note date

Frozen Credit

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

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

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

Credit Exceptions/Non-Traditional Credit

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

- DU "Approve/Eligible" results
- 1-unit, primary residence
- All borrowers will occupy the property
- Purchase or LCOR transactions only
- Reserves may be required as determined by DU
- When no borrower has a credit score, a non-traditional credit history must be documented for each borrower.

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

- All property types are permitted, with the exception of manufactured housing
- DTI must be less than 40%
- The maximum LTV, CLTV, and HCLTV ratios are 90%
- Fixed Rate mortgage

- When no borrower has a credit score, a non-traditional credit history must be documented for each borrower

When one or more borrower(s) has a credit score and additional borrower(s) do not, all of the above requirements apply in addition to the following:

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

Deed/Resale Restrictions

Properties with age-related restrictions (55+ communities) are eligible subject to Fannie Mae requirements. All other properties subject to deed/resale restrictions are ineligible.

Derogatory Credit

Bankruptcy

Derogatory Event	Waiting Period	Extenuating Circumstance
Chapter 7 or 11 BK	4 years from discharge date to the disbursement date of the new loan.	2 years from discharge. The maximum LTV is the lesser of the 90% LTV or maximum LTV allowed for the program.
Chapter 13 BK	2 years from discharge date to the disbursement date of the LTV is the lesser of new loan, **or** 4 years from dismissal date the allowed for the program. disbursement date of the new loan.	2 years from discharge. The maximum LTV is the lesser of the 90% LTV or maximum LTV allowed for the program.
Multiple BK Filing*	5 years if more than one filing in the previous 7 years.	3 years from discharge dismissal

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

Extenuating circumstances are considered isolated events that are beyond the borrower’s control that result in a sudden, significant and prolonged reduction in income or a large increase in the borrower’s financial obligations (e.g., death of a borrower, layoff, serious illness, divorce, etc.).

- Acceptable documentation to support extenuating circumstances and that illustrate factors that contributed to the borrower's inability to resolve the problem is required (e.g., copy of divorce decree, layoff notice, death certificate, medical bills, tax returns, property listing agreements, etc.).
- Additionally. a letter of explanation from the borrower explaining the relevance of the documentation is required.

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

Collections/Charge-Offs/Judgments

The following applies to collection and charge-off accounts:

- Past-due accounts (that have not gone to collection) must be brought current.
- **One Unit Owner-Occupied Primary Residence:**
  - The borrower is not required to pay off outstanding collections or non-mortgage charge-offs regardless of the amount.
- **Two-to-Four Unit Owner-Occupied Primary Residence and Second Home**
  - If the combined total of collections and non-mortgage charge-offs are greater than $5,000.00, the accounts must be paid in full prior to or at closing.
- **Investment Property**
  - Individual/non-mortgage charge-off accounts greater than or equal to $250.00 or, if the combined balance of all accounts is greater than $1000.00, the accounts must be paid in full prior to or at closing.

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

Mortgage Charge-Offs

If the charge-off account was a mortgage, a 4-year waiting period (2 years with extenuating circumstances) applies. *See* "Deed-in-Lieu/Pre-Foreclosure (Short Sale/Short Pay-Off)" on the next page for complete details.

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

Judgments/Tax Liens

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

Consumer Credit Counseling

Follow DU Findings.

Foreclosure

A previous foreclosure is subject to the following:

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

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

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

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

*Extenuating Circumstances

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

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

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

A letter of explanation from the borrower, explaining the event and documentation provided is also required.

Disputed Accounts

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

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

Delinquent Child Support

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

Re-Established Credit Requirements

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

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

Down Payment

Minimum borrower contribution from the borrower’s own funds for any mortgage loan, if the loan has an LTV/CLTV/HCLTV ratio of 80% or less, is not required. The minimum required borrower contribution is dependent on the number of units, as noted in the table below:

Units	Minimum Down Payment		Minimum Borrower Contribution
Fixed Rate			**LTV/CLTV/HCLTV**
	1	5%[1,3]	None
	2	15%	> 80% = 3%
	3-4	25%	
ARM			**LTV/CLTV/HCLTV[2]**
	1	10%	None
	2	25%	> 80% = 3%
	3-4	N/A	N/A

Footnotes:

1. A 3% down payment permitted for certain purchase transactions. *See* "95.01% — 97% LTV" on page 150 for details.
2. LTV/CLTV/HCLTV may not exceed limits stated in the ARM matrices.
3. A minimum 3% borrower contribution and minimum down payment of 5% is required if sweat equity is being used toward the down payment for one-unit HomeReady purchase transactions. *See* Fannie Mae Selling Guide for additional requirements.

DTI

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

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

Employment

- A two-year employment history is recommended.
- Wage earner borrowers may be considered with a shorter employment history as long as the employment profile demonstrates positive factors to offset the shorter income history reasonably.
- Borrowers relying on overtime and/or bonus income for qualifying purposes must have a minimum 12-months' history to be considered stable.
- Self-employed borrowers may be considered with a 12 to 24 month self-employment history when:
  - The borrower's most recent signed federal tax returns reflect the receipt of income at the same or greater level from a field that provides the same products/services as the current business,

or

- Reflects income from an occupation in which the borrower had similar responsibilities as those undertaken in the current business.
- Seller's must thoroughly review and consider the borrower's level of experience and the amount of debt the business has.
- For loans with application dates on or after 4/15/20 – 5/17/20 the existence of the borrower's business must be verified within 120 calendars prior to the Note date. The business must be open and operational. This must be confirmed within 10 business days prior to the Note date or prior to delivery to Planet.

- A verbal verification of employment (VVOE) is required within 10-business days of the Note date for salaried borrowers and within 120 calendar days for self-employed borrowers. A sample VVOE form is posted on the CORE Seller Portal at www.phlcorrespondent.com under **Forms and Resources**. Sellers are not required to use this exact form. However, any form used must provide the information contained on the Planet form.
- A current paystub with YTD income and most recent W-2s are required.
- Seller must independently obtain the phone number and, when possible, the address of the wage earner borrower's employer using directory assistance/internet/phone book, etc.
- Self-employed borrowers require verification of the business by a third-party source (e.g., CPA, Federal Tax ID Certificate, Business License, and 411/Reverse Look-up). Self- employed borrowers are individuals who have 25% or greater ownership interest in a business.

See Fannie Mae Selling Guide for complete employment requirements.

Escrow Holdback

Loans with an escrow holdback are eligible for purchase when all funds are disbursed prior to the loan being purchased by Planet except as noted below. Loans must meet Planet's loan seasoning requirements detailed in "Chapter 8: Loan Purchasing" on page 531. Loans with holdback funds not disbursed prior to purchase are eligible as follows:

- **Newly constructed properties — weather related**
  - Funds held for completion of grading of yard/driveway, pouring concrete for driveway/sidewalks
  - Seller must provide proof of completion and release of funds post-purchase
- **Newly constructed properties with city held bond — weather related**
  - Eligible for purchase with temporary Certificate of Occupancy when a city bond is held for completion of roads and/or driveways
- **New construction — non-weather related**
  - Funds held for completion of landscaping
  - Seller must provide proof of completion and release of funds post-purchase.

NOTE: Existing properties with new renovations allowed on a case-by-case basis.

Escrow/Impound Account

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

Escrowed Flood Insurance Premiums

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

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

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

Gift Funds

- Gifts, grants and Community Seconds are acceptable as a source of funds for downpayment and closing cost. *See* "Down Payment" on page 164 for Borrower's minimum contributions.
- More than one Community Seconds lien is allowed to a maximum CLTV of 105%. *See* "Community Seconds" on page 157 for additional details.
- Gift funds may be provided by any of the following:
  - A relative, defined as the borrower's spouse, child, or other dependent, or by another individual who is related to the borrower by blood marriage, adoption or legal guardianship, or
  - A fiancé or fiancée, or domestic partner. The gift fund donor cannot be affiliated with the builder, developer, real estate agent, broker, or any other interested party to the transaction.
- The gift must be evidenced by a gift letter, signed by the donor and it must:
  - Specify the dollar amount,
  - Be signed by the donor and the borrower,
  - Specify the date the funds were transferred,
  - Indicate the donor(s) name, address, phone number, and relationship to the borrower, and
  - Include a statement by the donor that no repayment of the gift funds is expected.
- The transfer of the gift funds must be documented. Acceptable documentation includes:
  - Copy of the donor's canceled check and the borrower's deposit slip
  - Copy of the donor's withdrawal slip and the borrower's deposit slip
  - Copy of the donor's check to the closing agent, or
  - The settlement statement showing receipt of the donor's check.
  - If funds not transferred prior to settlement, documentation the donor gave the closing agent the gift funds in the form of a certified/cashier's check or other official check.

See Fannie Mae Selling Guide for complete details.

Homeownership Education

Purchase Only Transactions

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

- If all borrowers are relying on non-traditional credit to qualify, regardless of the loan product or whether the borrowers are First Time Home Buyers (no change to current requirements);
- HomeReady purchase transactions when all occupying borrowers are First Time Home Buyers, regardless of the LTV ratio; or
- Purchase transactions with LTV, CLTV, or HCLTV ratios greater than 95% when all borrowers are First Time Home Buyers.

Homeownership certifications from one of the following providers is acceptable:

- Framework, an online program provided by Fannie Mae (Framework fee may be waived for certifications obtained starting October 23, 2019)
- Any HUD approved non-profit housing counseling agency
  - In addition to a certificate of completion, a Pre-purchase Housing Counseling Form 1017 must be included in the loan file.
  - If the borrower participated in a Community Seconds or Down Payment Assistant Program, those course certifications are acceptable, as long as the counseling agency is HUD approved.

See **Fannie Mae Selling Guide** for a complete list of approved Homeownership Education Agencies.

Special Borrower Consideration

The presence of a disability, lack of Internet access, and other issues may indicate that a consumer is better served by other education modes (e.g., in-person classroom education, telephone conference call, etc.). In these situations, consumers should be directed to Framework's toll-free customer service line, from which they can be directed to an HUD-approved counseling agency that can meet their needs. The counseling agency that handles the referral must provide a certificate of completion and the lender must retain a copy of the certificate in the loan file.

Income

Income documentation is determined per DU, however, at underwriter discretion, additional documentation may be required. Unless addressed below, follow Fannie Mae guidelines for income requirements.

- Wage earner borrowers:

- At minimum, a current paystub with YTD earnings and the most recent W-2. The paystub must be dated within 30 days of the initial loan application date.

- Self-employed borrowers:
  - Copy of the most recent 2-years signed federal individual and business tax returns with all schedules. If DU requires business returns, business tax transcripts will be required.
  - The requirement for business tax returns **may be waived** if:
    - Borrower is using personal funds for down payment, closing costs and to satisfy applicable reserve requirements
    - Borrower has been self-employed in the same business for a minimum of 5 years
    - Borrower's individual tax returns show an increase in self-employment income over the past 2-years

- Self-employed co-borrowers income and loss on loans that are not being used for qualifying purposes do not need to be evaluated or documented; however, the self-employed co-borrower will continue to be evaluated for creditworthiness.
  - Business income may only be used to qualify the borrower when there is a history of income distribution to the borrower consistent with the level being used to qualify.

See Fannie Mae Selling Guide for additional details.

- Other sources of income:
  - Employment related assets used as qualifying income is permitted; *see* Fannie Mae Selling Guide for additional details.
  - DU determines the documentation, verification and continuation requirements for other sources of income.
  - Social Security income for retirement or long-term disability that the borrower is drawing from his or her own account/work record will not have a defined expiration date and must be expected to continue.

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

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

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

1. **Loan delivered after borrower starts employment**
   - Mortgage loan file must include:
     - A copy of the executed employment contract, and
     - A paystub which includes sufficient information to support the income used to qualify the borrower based on the offer contract.
2. **Loan delivered prior to borrower starting employment** are limited to the following requirements:
   - Purchase Transaction only
   - 1-unit principal residence
   - Borrower is not employed by a family member or by an interested party to the transaction
   - Borrower is qualified using only fixed base income
   - Employment start date must be within 90 days of the note date
   - The employment offer or contract must:
     - Clearly identify the employer and the borrower
     - Be signed by the employer, and
     - Be accepted and signed by the borrower
     - Clearly identify the terms of employment, including position, type and rate of pay, and start date; and
     - Be non-contingent
     - Review of all conditions of employment (if applicable) must be evidenced in the file
   - File must evidence, in addition to reserves required by DU or for the transaction, one of the following:
     - 6 months sufficient reserves, or
     - Sufficient reserves or income to cover monthly obligations including DTI and PITIA for the number of months between the note date and employment start date plus one (1).

- Non-Borrower Household member (s) (relatives and/or non-relatives)
  - Permitted as a compensating factor in DU to allow a DTI ratio of >45% up to 50%. Income not considered qualifying income and not applied to income limits. An individual who is considered a non-household member may not also be a contributor of rental income (2-4 unit properties), accessory unit income (1-unit properties), or boarder. The following

additional requirements apply:

- Non-borrower income must total at least 30% of the total monthly qualifying income being used by the borrower(s).
- Income must be documented in accordance with standard **Fannie Mae Selling Guide** policy based on income type.
- Non-borrower(s) must sign a statement of intent to reside with the borrower (s) for a minimum of 12 months.
- Income from more than one non-borrower household member permitted
- Income must be reflected in DU as an "Other Income" type of "Non-Borrower Household member." This income will not impact the DTI ratio used in the risk assessment or display on the DU Underwriting Findings report.

- Boarder income allowed subject to the following:
  - Rental payments that any borrower received from one or more individuals residing with the borrower but are not obligated on the mortgage debt and may or may not be related to the borrower) may be considered as acceptable stable income. This applies to one-unit properties in an amount up to 30% of the total gross income used to qualify if:
    - The boarder can provide appropriate documentation to demonstrate a history of shared residency (i.e. driver's license, bill, or bank statement which shows an address match).
    - The boarder can demonstrate rental payments to the borrower (i.e., canceled checks) for:
      - The last 12 months, or
      - At least 9 of the most recent 12 months provided the rental income is averaged over a 12-month period.

- Payment of rent by the boarder directly to a third party is not acceptable.
  - Non-occupant Borrower:
    - Income considered as part of qualifying income and subject to income limits
    - Maximum LTV 95%

Income Limits

When determining whether a mortgage is eligible under the borrower income limits, all qualifying income from all of the borrowers who will be listed on the mortgage note must be counted, to the extent that the income is considered in evaluating creditworthiness for the mortgage loan.

On all HomeReady mortgage loans, DU will issue a message when the total qualifying income entered in DU appears to be within the AMI limits and/or the property is located within the geographic areas outlined below indicating that the loan may be eligible for a HomeReady mortgage loan.

- Income may not exceed 80% of the annual AMI for the property location.
- No income limits in low-income census tracts defined as those census tracts where the tract median income < 80% AMI.

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

Income — Rental

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

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

NOTE: The appraiser is required to provide a description of the accessory unit and analyze any effect it has on the value or marketability of the subject property.

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

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

Inspections

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

Interested Party Contributions

Interested Party Contributions (IPC) pay for costs that are normally charged to the buyer of the property (borrower) and are provided by a party that has a financial interest in, or can influence the terms and sale/transfer of the subject property such as:

- Seller
- Builder/developer
- Real estate agent

- Broker, or
- Any affiliate of the above that will benefit from the sale of the property and/or at the highest possible sales price.

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

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

IPC's are limited as follows:

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

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

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

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

- Financial contributions from an interested party that benefits the borrower in the financing transaction
- Payments or credits related to acquiring the property, and
- Payments or credits for financing term, including prepaids
- Origination fee
- Discount points
- Commitment fee
- Appraisal cost

- Transfer taxes
- Attorney's fees
- Title insurance premiums

They may also include:

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

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

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

LDP/SAM

LDP / SAM

All of the following parties to the transaction, as applicable, must be checked against the HUD's Limited Denial of Participation list and the System for Award Management list.

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

Manufactured Homes

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

- Per DU

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

Eligible Properties

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

Ineligible Properties

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

Additional Requirements

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

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

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

- Opinion of value must be based on the characteristics of the subject property including site area.
- Property must be compatible and conform to the manufactured homes in the neighborhood.

- **Comparable sales**
  - Two comparable sales of similar manufactured homes are required and must address the marketability and comparability of a manufactured home (example: multi-wide to multi-wide homes)
    - A third comparable sale can be either a site-built home or a different type of factory-built housing.

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

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

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

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

Additional Requirements

- Cash-out Transactions: ≤ 20 year term.
- Property must be at least 12 feet wide
- Minimum of 600 square ft. of living space, and
- Attached to a permanent foundation in accordance with the manufactured homes industry standards.
- Must be legally classified as real property under applicable state law.
- Permanently connected to a septic tank or sewage system and other utilities according with local and state requirements.
- Properties not situated on a publicly dedicated and maintained street:
  - Must be situated on a street that is community owned and maintained or
  - Privately owned and maintained.
- Must not have been previously installed or occupied at any other site or location, except from the Manufacturer's or the dealer's lot as a new unit.
- Running Gear, towing hitch must be removed (must assume the characteristics of site-built housing).
- Existing properties that need repairs or are in the renovation process are not eligible for purchase until the necessary work has been completed.

  - Exceptions may be considered for items that do not affect the ability to get an occupancy certification.
- Additions and/or modifications are allowed
  - File must evidence approved inspections of modifications certified by the state when required.
  - Inspections not required by the state must be done by a licensed professional engineer.
- File must evidence certification that the addition or structural changes were completed in accordance with the HUD Manufactured Home Construction Safety Standards.
- Borrower must own the land in fee simple.
- Must be built in compliance with the Federal Manufactured Home Construction and Safety Standards established June 15, 1976, as amended and in force at the time the home is manufactured; and
- Must be evidenced by the presence of both a HUD Data Plate and the HUD Certification Label (HUD seal or tag).

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

Down Payment

Borrower must provide 5% of their own funds unless:

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

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

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

Determining the Value of the Land

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

Product

Fixed Rate: 10, 15, 20, and 30 year terms

Transactions Type

- **Purchase Transactions**

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

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

  - The sales price and land
  - The current appraisal value and land, or

- If property was built in the 12 months preceding the loan application date, the lowest price at which the property was sold during that 12 month period, plus the lower of

  - The current appraisal value of the land, or
  - The lowest sale prices at which the land was within that 12 month period.

- **Limited Cash-Out Refinance Transactions**

Proceeds may be used to:

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

- Maximum LTV must be based on the lower of the current appraised value and land; or
- If property is owned by the borrower for < than 12 months on the loan application date, and
- If the home and land are secured by separate liens, the lowest price at which the home was previously sold during that 12-month period plus:
  - The lower of the current appraised value of the land, or
  - The lowest sales price at which the land was sold during that 12-month period.
- If the property and land are secured by a single lien, the lowest price at which the home and land were previously sold during that 12-month period.

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

- **MH Advantage**

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

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

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

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

  - Bricks
  - Concrete, or
  - Cement

Comparable Sales

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

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

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

Down Payment

Borrower must provide 5% of their own funds unless:

- The LTV/CLTV is ≤ 80%, or
- A 1-unit residence is being purchased, and meets the requirements to:
  - Use gift funds

- Donated grant funds, or
- Funds from employer to pay for some or all minimum borrower contributions.

- The property meets the MH Advantage requirements and the loan meets the requirements for LTV ratios of 95.01-97%.
  - In this case, the borrower must contribute a minimum down payment of 3%, from his or her own funds unless the loan meets the gift, grant, or funds from an employer policy referenced above.

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

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

Mortgage Insurance

Follow standard Fannie Mae Guidelines for manufactured homes.

Product

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

Site Requirements

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

Transaction Type

- Purchase
- Limited Cash-Out

Ineligible Transactions

- Loans secured by one-frame modular construction.

Mortgage Insurance

- Loans with >80% LTV, mortgage insurance is required and are subject to MI guidelines.
- Eligible MI products:
  - Borrower paid mortgage insurance (BPMI). Monthly or single premium are eligible. The single premium may be financed. *See* "Chapter 4: Mortgage Insurance" on page 36 for detailed requirements.
  - Lender paid mortgage insurance (LPMI). Single premium only.
  - Split Premium.
- Eligible MI options:

- Non-refundable
- Refundable
- Level/constant renewal type (as applicable)

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

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

Required MI Coverage			
Loan Term	LTV		
	80.01 - 85%	85.01 - 90%	90.01 - 97%
Fixed Rate: ≤ 20 years	6%	12%	25%
Fixed Rate and ARM*: >20 years	12%	25%	25%

*ARM maximum LTV 95%; ** > 95%. *See* "95.01% — 97% LTV" on page 150 for restrictions.

Mortgage/Rental History

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

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

- The credit report must reflect the most recent 12 months activity.
- Mortgage must be current for the month closing.
- Copies of rent checks are required to document rental payment history per DU results in lieu of rent checks, at the underwriter’s discretion, the following may be acceptable:
  - A direct verification of rent (VOR) provided by a professional management company, or
  - Copies of money orders

Non-Arm's Length or Identity of Interest Transactions

- A non-ARM’s length transaction is a purchase transaction where there is a relationship or business affiliation between the buyer and seller of the property.
- Non-ARM’s length transactions are eligible for resale properties.
- When a non-ARM’s length transaction occurs on a property that is new construction, the property must be a primary residence only. Non-ARM’s length transactions are ineligible if the property is a second home or investment.
- An identity of interest transaction involves parties who are not related and do not have close personal ties, however, they have a strong interest in the transaction (i.e., broker acting for buyer and seller, the broker is both realtor and mortgage broker, the realtor is selling own property, etc.). Additional

review will be required to ensure validity of the transaction, value, etc. which may include additional documentation and/or a desk review or second appraisal.

Occupancy

Primary residence only.

Ownership of Other Property

Occupancy Borrower(s)

- No limitations on ownership of other properties

Non-Occupancy Borrower(s)

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

Power of Attorney

A Power of Attorney (POA) is allowed on a case-by-case basis on purchase and rate/term refinance transactions subject to all of the following:

- For extenuating circumstances, active military personnel or individuals with a documented medical condition that prevents them from attending the closing or performing borrower requirements.
- Must be specific to the transaction.
- Must include the borrower name, property address and loan amount.
- POA must be fully executed and notarized.
- Borrower must sign the application and disclosures.
- POA must be recorded along with the mortgage (certified copy required).
- POA is eligible on purchase and rate/term refinance transactions only; cash-out is ineligible.
- If there are two or more borrowers on the loan, at least one borrower must be present for the closing and sign for the absent borrower (as their attorney-in-fact).

Prepayment Penalty

Not permitted.

Products

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

ARM: Not permitted on 3-4 unit properties

- ARM: 5/1 (2/2/5 caps only), 7/1 and 10/1 (5/2/5 caps)
- LIBOR index, Margin/Floor 2.25%

Qualifying:
5/1 qualified at the greater of the fully indexed rate or the Note rate plus 2%
7/1 and 10/1 qualified at the greater of the fully indexed rate or the Note rate

Program Parameters

Must meet APR/QM rules. *See* Chapter 2 - Compliance.

Properties — Eligible

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

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

Properties - Eligible - Condo/PUDs and Project Standards

- 2-4 units principal residence
- PUDs (attached/detached)
  - Attached PUDs require a signed Condo/PUD Warranty form.
  - A Questionnaire is not required.
  - Detached PUDs **do not** require a Warranty form, a Questionnaire, or a project review.
- Condominiums (attached/detached, live-work) that are Fannie Mae warrantable.

Litigation

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

See Fannie Mae Selling Guide for complete requirements.

Eligible Project Types

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

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

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

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

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

Properties — Ineligible

- Agricultural-type properties
- Farms

- Orchards
- Ranches
- Bed and Breakfast
- Boarding houses
- Builder bailout properties
- Commercial property
- Condo Hotels or Timeshares
- Commercial Space and mixed use allocation
- Industrial zoned property
- Incoming producing properties (e.g., adult care facilities, bed & breakfast, etc.)
- Live-Work Projects that do not meet Fannie's live-work requirements
- Log Homes
- Kiddie Condos
- Multi-family dwellings > 4 units
- New or newly converted condominium projects in Florida without a PERS approval
- Non-warrantable condominiums
- Properties located on Tribal Lands Properties not suitable for year-round occupancy, regardless of location
- Properties with an Assignment of Contract
- Properties located in the Hawaiian Islands in lava zones one (1) or two (2)
- Unique properties (geodesic domes, earth barn homes, log homes, etc.)
- Vacant land is ineligible for refinance transactions
- Properties with problem drywall (aka Chinese drywall). Evidence of complete remediation must be provided if property previously contained Chinese drywall.
- Properties without road access not approved by Planet's Credit Risk Officer.
- Single-Entity ownership project

Property Flips

Property flips are subject to:

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

Purchase Agreement Amended/Renegotiated

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

appraisal, and
    - The only change to the purchase agreement was the sales price.
- If the purchase agreement was renegotiated after the completion of the appraisal, the LTV would be based on the **lower** of the original purchase price or the appraised value, unless:
    - The re-negotiation was only for seller paid closing costs and/or pre-paids where the seller paid closing costs/pre-paids are common and customary for the area and are supported by the comparables, or
    - The purchase contract was amended for a new construction property due to Improvements made that impact the tangible value of the property. An updated appraisal report must be obtained to validate the value of the improvements.
- Assignment of the purchase contract is not allowed.

Refinance Transactions

- LCOR only
- Properties that were listed for sale in the previous 12 months must be taken off the market prior to the application date and borrowers must provide written confirmation of their intent to occupy the property.
- The transaction is being used to pay off an existing first mortgage loan (including an existing HELOC in the first-lien position) by obtaining a new first mortgage loan secured by the same property; or for single-closing construction-to-permanent loans to pay for construction costs to build the home, which may include paying off an existing lot lien.
- Only subordinate liens used to purchase the property may be paid off and included in the new mortgage.

NOTE: For certain transactions on properties with a PACE loan, Fannie Mae will waive the prohibition against using the proceeds of a limited cash-out refinance to pay off a loan not used to purchase the property if the loan being paid off is a PACE loan. *See* Property Assessed Clean Energy Loans in the Fannie Mae Selling Guide for additional information.

- The subject property must not be currently listed for sale. It must be taken off the market on or before the application date of the new mortgage loan, and the borrowers must confirm their intent to occupy the subject property (for principal residence transactions).

Reserves

- Per DU

Acceptable Sources of Reserves

- Checking/savings accounts
- Investments in stocks, bonds, mutual funds, certificates of deposit, money market funds, and trust accounts. For borrowers using this above stock options and mutual funds for assets:

  - When used for down payment or closing costs, evidence of the borrower's actual receipt of funds realized from the sale or liquidation must be documented in all cases.
  - When used for reserves, no more than 70% of the value of the asset must be considered, and liquidation is not required.
- Vested amount in retirement accounts
- Cash value of a vested life insurance policy

Unacceptable Sources of Reserves

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

Seller Contribution

See "Interested Party Contributions" on page 172 for Seller contribution limits.

Subordinate Financing

Per DU only.

- HCLTV cannot exceed standard LTV ratios if subordinate lien is a HELOC.
- Community Seconds Loan programs are acceptable and may exceed stated CLTV/HCLTV. *See* "Community Seconds" on page 157 for complete details.
- Subordinate financing from the property seller not permitted.

NOTE: Terms of Subordinate financing must follow standard Fannie Mae guidelines.

Temporary Buydown

Not available.

Transaction — Eligible

- MCC (Mortgage Credit Certificates) with Planet Credit Risk Officer approval
- Purchase. The assignment of a purchase contract is not allowed.
- Limited cash-out refinance (rate/term)

Transaction — Ineligible

- Any transaction without a DU "Approval/Eligible" Finding
- Manual underwrites
- Interest-only
- Fannie Mae My Community, Community Solutions, and Community Home Choice
- Fannie Mae Homestyle
- Non-traditional credit (*see* "Credit Report/Scores" on page 159 for exceptions)
- Non-Arm's length transaction that involves new construction and the loan is secured by a second home or investment property
- Refinance transactions where the subject property is listed for sale at time of disbursement of the new loan
- Restructured mortgages that do not meet Fannie Mae guidelines
- 1031 Exchange
- Cash out
- Community Land Trusts
- Investment
- Land Contracts subject to Fannie Mae guidelines
- Lease option to purchase
- Loans with tutorship lien
- New York CEMAs allowed on refinance transactions. CEMA is not eligible on purchase transactions. Planet Home Lending does not accept Lost Note Affidavits. Use Fannie Mae Forms 3172. Sellers must include the recorded original CEMA, including Exhibits A-D and all mortgage assignments.
- Properties in the "Right of Redemption Period" as applicable state law allows
- Texas Section 50(a)(6) loans (aka Texas cash-out)
- Transactions where the property securing the loan is subject to a private transfer fee covenant created on or after February 8, 2011, and fee collect does not directly benefit the property.
- Transactions using Mortgage Credit Certificates (MCC) may be considered with approval from the Planet Credit Risk Officer.

Fannie Mae HomeStyle Renovation Program Grid

Transaction Type[4]	Units	LTV	CLTV	Loan Amount[1]	Credit Score
Owner-Occupied Primary Residence Fixed Rate					
Purchase	1	97%[2,3]	97%[2,3]	*See* Loan Limits below	Per DU
		95%	95%		
	2	85%	85%		
	3-4	75%	75%		
Limited Cash-Out	1	97%	97%		
		95%	95%		
	2	85%	85%		
	3-4	75%	75%		
Second Homes Fixed Rate					
Transaction Type	**Units**	**LTV**	**CLTV**	**Loan Amount**	**Credit Score**
Purchase Limited Cash-Out	1	90%	90%	*See* Loan Limits below	Per DU
Investment (Non-Owner Occupied) Fixed Rate					
Transaction Type	**Units**	**LTV**	**CLTV**	**Loan Amount[1]**	**Credit Score**
Purchase	1	85%	85%	*See* Loan Limits below	Per DU
Limited Cash-Out	1	75%	75%		
Manufactured Homes					
Purchase Limited Cash-Out	1	95%	95%	*See* Loan Limits below	Per DU
2nd Home	1	90%	90%		

Footnotes:

1. Minimum Loan Amount $40,000.00.
2. High Balance & Manufactured Homes permitted to a maximum of 95% LTV/CLTV/HCLTV.
3. LTV/CLTV > 95% - 30-year fixed rate only; For non-HomeReady purchase transactions, at least one borrower must be a first-time home buyer; For a limited cash-out refinance, FNMA must be the owner of the existing mortgage. Up to 105% CLTV allowed when using a Community Seconds that meets

Fannie Mae Guidelines except on Manufactured Homes.

4. The more restrictive requirements apply when combined with HomeReady.

Fannie Mae Maximum Cost Conforming Loan Limits			
Contiguous States, District of Columbia, and Puerto Rico			Alaska, Hawaii
Unit	General	High Cost Area	General
1	$510,400	$765,600	$765,600
2	$653,550	$980,325	$980,325
3	$789,950	$1,184,925	$1,184,925
4	$981,700	$1,472,550	$1,472,550

Overview

- Borrower may purchase a property or refinance an existing home and include funds in the loan amount to cover the costs of:
  - Repairs
  - Remodeling
  - Renovations, or
  - Energy improvements to the property.

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

General Parameters

- No minimum dollar amount required for renovations.
- Any type of renovation or repair is eligible if the improvements are permanently affixed to the real property (either dwelling or land) with the exception of certain appliances installed with kitchen and utility room remodels
  - The purchase of appliances as part of the overall remodeling project is permitted.
  - The use of HomeStyle Renovation to purchase appliances as part of an overall remodeling project that includes substantial changes or upgrades is permitted.
- Completion of the final work on newly built homes are permitted when the home is 90% completed.
  - The remaining improvements must be related to completing non-structural items the original builder was unable to finish. Such work may include installation of buyer-selected items such as:
    - Flooring
    - Cabinets
    - Kitchen appliances

- Fixtures, and
- Trim

- Construction of various outdoor buildings and structures are permitted and according to local zoning regulations.
  - Examples of acceptable structures include, but are not limited to:
    - Accessory units
    - Garages
    - Recreation rooms, and
    - Swimming pools.

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

- The renovation and contingency funds must be placed in an interest-bearing custodial account.
- Unused funds must be applied as a curtailment to the unpaid mortgage balance.

Fannie Mae HomeStyle Renovation Program Guidelines

4506-T

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

NOTE: In the event of past identity theft, Planet will accept transcripts that the borrower obtained from the IRS along with a certification that the returns are true and correct.

95.01% — 97%

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

Appraisals

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

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

AUS

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

Available Markets

- **Delegated Sellers**

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

- **Non-Delegated Sellers**

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

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

Borrowers — Eligible

- A natural person
- U.S. Citizens
- Permanent resident aliens:
  - Permanent resident alien borrowers must hold an unexpired "Green Card" issued by the U.S. Citizenship and Immigration Services (USCIS). A copy of both the front and back of the card is required.
- Revocable Inter-Vivos Trust that meets Fannie Mae guidelines
- Non-permanent resident aliens:
  - Non-permanent resident aliens are temporary residents who are eligible to live/work in the United States for a specific period of time. Acceptable documentation of their work authorization is:
    - An unexpired Employment Authorization Document (EAD) by the USCIS, or
    - An unexpired visa. Eligible types are E-1, G series, H series, or TN.
  - If the authorization for temporary residency will expire within one year of closing and a prior history of residency status renewals exists, continuation may be assumed. If there are no prior renewals, the likelihood the authorization will be renewed must be determined based on information received from the USCIS.
- All borrowers are required to have a social security number.

Borrowers — Ineligible

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

Borrower Types

Borrower: A borrower is any applicant (e.g., individually or jointly) whose credit is used for qualifying purposes to determine ability to meet Fannie Mae's underwriting and eligibility standards.

Co-Borrower: Credit applicants who do not have ownership interest in the subject property as indicated on the title, sign the mortgage deed of trust note, have joint liability for the note with the borrower, and do not have an interest in the property sales transaction (property seller, the builder or the real estate broker).

Non-Occupant Co-Borrower: An individual, who applies with the applicant, may or may not take title to the property and is liable for the debt but does not live in the property.

- DU determines the risk factor without the non-occupant co-borrower's income.
- Non-occupant co-borrower's assets may be used to meet the 5% borrower contribution requirement (as applicable). The total liquid assets for both the occupying and non- occupying borrower must be entered in DU to ensure an accurate DU calculation of total available assets.

Co-Signer: An individual who has no ownership interest in the property but is liable for the debt. Assets are always used for qualification. Income and debt are only considered when the co-signer occupies the subject property.

Non-Borrowing/Non-Purchasing Spouse: Generally, have no ownership interest in the property and are not liable for the debt. In community property/marital rights states, the non-borrowing spouse does have an interest in the property and is required to execute the security instrument and all applicable documents as determined by state law.

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

Certificate of Completion

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

Chain of Title

A 12-month chain of title is required for all loans. Title must include all transfers in the previous 12-month period, including copies of all recorded deed(s). If more than one transfer in previous 12 months **or** property has significant increase in value since prior transfer, an appraisal addendum addressing all transfers is required.

Community Seconds

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

Contractor Requirements

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

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

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

Contractor Validation

Planet offers contractor validation services. Validation documents may be submitted to Planet for review and prior approval prior to closing. If seller does not utilize Planet Services, the file must evidence the Seller has reviewed and confirmed the contractor meets the qualifications as stated in the Contractor Requirements section of this Seller Guide. A sample checklist and documentation are available on the Core Seller Portal at www.phlcorrespondent.com under **Forms & Resources**.

Credit History

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

Credit Report/Scores

- Credit score per DU.
- All borrowers are required to have a credit score (*see* "Credit Exceptions/Non-Traditional Credit" on page 199).
- Planet will accept a credit report, in the Seller's name, from any Fannie Mae acceptable credit vendor.

- A tri-merged credit report is required for all borrowers.
- The representative credit score is determined as follows:
  - If there are three (3) valid scores, the middle score is used. If two of the three scores are a duplicate, the duplicate score is used.
  - If there are two (2) valid scores, the lower of the two is used.
  - If there is one (1) valid score, that score is used.

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

- The borrower(s) must address **all** credit inquiries indicated on the credit report within the previous 120 days and indicate the reason for and result of the inquiry (i.e., was new credit obtained or not).
- Sellers are required to document that the borrower did not incur any new debt from the time the credit used to make the credit decision was pulled to the time of loan closing. Any of the following is acceptable documentation:
  - A "soft pull" credit report, or
  - An affidavit, signed by the borrower(s) (sample form is posted on the CORE Seller Portal at www.phlcorrespondent.com under **Forms and Resources**), or
  - A letter, written and signed by the borrower(s) stating no new credit was obtained.
  - The credit report must be ≤ 4 months from the Note date.

Frozen Credit

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

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

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

Credit Report — Fraud Alert

When a fraud alert, active duty alert, or freeze is included with a credit report, additional steps are required to verify the borrower's identity and documentation must be provided. Documentation should include, but is not limited to:

- A letter of explanation from the borrower, and
- A copy of the identity theft report, and
- An additional form of identity verification, and
- If the credit alert contains a phone number for a verbal verification prior to credit being issued, documentation must be provided that the borrower was contacted.

Credit Exceptions/Non-Traditional Credit

- DU "Approve/Eligible" results
- 1-unit, primary residence
- All borrowers will occupy the property
- Purchase or LCOR transactions only
- Reserves may be required as determined by DU
- When no borrower has a credit score, a non-traditional credit history must be documented for each borrower.

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

- All property types are permitted, with the exception of manufactured housing
- DTI must be less than 40%
- The maximum LTV, CLTV, and HCLTV ratios are 90%
- Fixed Rate mortgage

When one or more borrower(s) has a credit score and additional borrower(s) do not, all of the above requirements apply in addition to the following:

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

See Fannie Mae Selling Guide for complete details.

Escrow

Costs and Escrow Accounts

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

Renovation costs may include:

- Architectural/Engineer Fees – as necessary per scope of work
- Permits – as determined by scope of work
- Title Updates – 1 per each inspection
- Draw Inspections – as determined by Consultant or Construction Manager
- Contingency Reserve, minimum of 10%

- Final Inspection (1004D)
- Review of Renovation Plans or Consultant Work Write Up – Designated Consultant Fee
- Construction Management Fee
- Mortgage Payment Reserve

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

Contingency Reserve

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

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

- It may be released only if required, necessary, and unforeseen repairs or deficiencies are discovered during the renovation.
- Unused funds, unless they were paid in cash by the borrower, must be used to reduce the outstanding balance of the renovation loan after all the renovation work has been completed and the certification of completion has been obtained.

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

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

Renovation Escrow Account

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

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

Account must meet the requirements of Renovation Mortgage Loans.	Funds must be released from this account only when any given renovation work has been completed, and then only in accordance with the agreed-upon schedule and after receipt of a specific request.
Funds must be used to complete the repair and renovation work and, if applicable, make any mortgage payments that come due during the renovation period. Note: Funds held for mortgage payments must be used for that purpose only and are not used for renovations or any other reason.	Funds must be disbursed using the following processes: • A check issued jointly to the borrower and the contractor; or • A wire transfer to the contractor after the written consent is from the borrower is to release the funds to the contractor. ▪ The written consent must be received prior to each disbursement, and specify the borrower's: ◆ Name ◆ Property address ◆ Amount of funds to be disbursed ◆ Contractor to which the funds are to be disbursed ◆ Date of the consent
Repairs and renovations musts be completed in a timely manner and in accordance with the plans, specifications, and contractor estimated bids.	Upon completion of renovations, all funds remaining in this account, including any mortgage payment reserves, may be used to either: • reduce the unpaid principal balance of the loan (unless they represent funds deposited separately by the borrower), or • to make additional improvements or repairs to the property.

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

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

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

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

Inspections and Draw Disbursements

Draw inspections, the rehabilitation escrow account, and approving the associated draws from the account must be managed by Planet.

- Permits must be requested prior to first draw
- Plans, specifications and cost estimates for the renovation project must be prepared an FHA 203(k) Consultant or a Construction Management Vendor. Planet offers a pre-closing review if Seller does not have relationship with the Construction Management Vendor. The review will consist of the Contractor Validation documents, appraisal and the construction bid to determine if the bid is sufficient to cover all repairs.

LTV Ratios

Purchase

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

Refinance

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

Limited Cash-Out Refinance Transactions

The borrower may not receive any other funds from the transaction including those that are generally allowed for a limited cash out refinance transaction. No cash back to the borrower at closing. Loan amount for loans originated as refinance may include:

- Amount required to satisfy existing first lien mortgage.
- Amount required to satisfy the outstanding subordinate liens used to acquire the property.
- Closing cost
- Prepaid fees and points

- Total renovation cost including allowable renovation-related cost for the home improvements up to the maximum permitted LTV and CLTV ratios.
  - Any access funds existing after renovations are completed may be applied to the loan balance as a curtailment or
  - Reimbursed to the borrower for the cost of actual supplies or additional renovations. File must evidence documented receipts.
  - Value of sweat equity may not be reimbursed.

Maximum Renovation Cost

Purchase Transaction

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

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

Refinance Transaction

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

Manufactured Homes

Renovation cost must not exceed the lesser of

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

Mortgage Insurance

Required based on the applicable LTV calculation.

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

Refundable and non-refundable options eligible.

Occupancy

- Owner-occupied
- Second home
- Investment (non-owner occupied)

Plans and Specifications

The plans and specifications must be prepared by a registered, licensed, or certified general contractor, renovation FHA 203(k) consultant, or architect and:

- Fully describe all work to be done, and
- Provide an indication of when various jobs or stages of completion will be scheduled (including both the start and completion dates).
- File must document the plans quantity, quality and cost of work has been evaluated and to determine available financing.
- Plans and specification must be used by the appraiser to develop appraiser opinion of the "as completed" value of the subject property.

Project Plan Review

All loans require a Project Plan review by a HUD 203(k) Consultant, or a Fannie Mae approved Construction Management vendor. File must contain evidence of the Project Plan review.

If Seller does not have a relationship with a construction management company and a 203(k) consultant is not feasible, Planet offers the Project Plan review completed by a Construction Management vendor. To request review by Planet, please provide the required documents listed on the HomeStyle Plan review submission found on the Core Seller Portal at www.phlcorrespondent.com under **Forms & Resources**.

Products

Fixed Rate: 15 20, 25 and 30 year

Properties — Eligible

- 1-4-unit Single-family residences
- 1 unit second home
- 1-unit investment properties
- Condo
    - Work limited to the interior of the unit, including the installation of fire wall in the attic.
    - The proposed renovation work must be permissible under the bylaws of the HOA.
    - File must evidence written HOA approval for renovation.
- PUD
- Manufactured Home
    - Structural changes not permitted.
    - Allowed improvements include but are not limited to:
        - Kitchen
        - Bathrooms

- Install of energy efficiency heating and cooling systems
- Changes to address mobility and aging in place requirements
- Installation of new windows, doors, siding, or roofing provided these changes do not alter the structure of the unit.

Property and Flood Insurance

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

Renovation Contract

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

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

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

- Be duly licensed (if required by applicable law).
- Obtain all required insurance coverages.
- Completion of work must comply with the contract and all applicable government regulations.
- Obtain the necessary building permits (including a certificate of occupancy, upon completion of renovations, if required by local law).
- Provide for appropriate remedies for resolving disputes (including an agreement to indemnify the borrower for all property losses or damages caused by the contractor's employees or subcontractors).

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

Renovation Cost (Fees and Charges)

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

- Interim draw inspection fees (as determined Construction Management vendor or 203(k) Consultant).
- Costs and fees for the title update (at minimum 2 or $125).
- Architectural and engineering fees (as needed).

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

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

Renovation Loan Agreement

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

- The terms and conditions of the loan prior to the completion of the improvements.
- Events that constitute a borrower default and indicates the remedies available if the borrower defaults under the terms of either the renovation contract or other loan documents.
- Requires the contractor to have any license required by government regulation.
- To obtain an all-risk insurance policy (with a physical loss form endorsement and a mortgagee's loss payable clause) equal to 100% of the full replacement cost of the:
  - Improvements
  - Public liability insurance
  - Workmen's compensation insurance (as required by applicable state law)
  - Automobile liability insurance
- Require that either the borrower or the contractor obtain all work permits required by government agency and comply with all applicable laws or government regulations.

Title and Insurance Updates

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

This will ensure:

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

Transaction Type

- HomeReady (*see* Fannie Mae HomeReady Program Guidelines)
- Limited Cash-Out Refinance transactions
- Purchase

Transaction — Ineligible

- Any transaction without a DU “Approval/Eligible” Finding
- Community Land Trusts
- Fannie Mae My Community, Community Solutions, and Community Home Choice
- Fannie Mae Homestyle
- Interest-only
- Lease option to purchase
- Loans with tutorship lien
- Non-Arm’s length transaction that involves new construction and the loan is secured by a second home or investment property.
- Properties in the “Right of Redemption Period” as applicable state law allows.
- Refinance transactions where the subject property is listed for sale at time of disbursement of the new loan.
- Restructured mortgages that do not meet Fannie Mae guidelines.
- Transactions using Mortgage Credit Certificates(MCC) may be considered with approval from the Planet Credit Risk Officer.
- Transactions where the property securing the loan is subject to a private transfer fee covenant created on or after February 8, 2011, and fee collect does not directly benefit the property.

Homestyle Renovation Forms

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

Freddie Mac Conforming and Super Conforming Program Grid

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

Texas 50(a)(6)[3]				
Transaction Type	**Units**	**LTV/TLTV**	**Loan Amount**	**Credit Score**
Cash-Out	1	80%	*See* Loan Limits below	Per LPA
Texas 50(f)[4]				
Transaction Type	**Units**	**LTV/TLTV**	**Loan Amount**	**Credit Score**
No Cash-Out	1	80%	*See* Loan Limits below	Per LPA
Manufactured Homes[5]				
Transaction Type	**Units**	**LTV/TLTV**	**Loan Amount**	**Credit Score**
Purchase and No Cash-Out	1	≤95%	*See* Loan Limits below	Per LPA
Cash-Out	1	65%		

Footnotes:

1. Loans >80% LTV require mortgage insurance and are subject to MI guidelines. The more restrictive minimum credit score requirement and guidelines apply. LTV/CLTV restrictions may apply for properties located in adverse markets. *See* "Mortgage Insurance" on page 238 for additional information.
2. Second home/investment transactions the borrower is limited to a maximum of 10 financed properties including the subject. *See* "Financed Properties" on page 226 for additional information.
3. Fee restrictions apply. Some third-party fees are allowed but **not** included in the 2% fee cap. *See* **Loan Fees** in "Texas 50(a)(6)" on page 247 for complete listings.
4. Conventional, FHA or VA Rate/Term Refinance allowed (Restrictions apply).
5. Second Home Allowed; *See* "Manufactured Homes" on page 235 for complete details.

Maximum Conforming & Super Conforming Loan Limits			
Units	**Contiguous States, District of Columbia**		**Alaska, Hawaii**
	General	High Cost	General
1	$510,400	$765,600	$765,600

2	$653,550	$980,325	$980,325
3	$789,950	$1,184,925	$1,184,925
4	$981,700	$1,472,550	$1,472,550

Freddie Mac Conforming and Super Conforming Program Guidelines

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

4506-T

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

Age of Documents

- All credit, employment, income and asset documentation must be dated within 2 months as of the Note date.
- Preliminary title policies must be dated within 120 days of the Note date.
- Appraisal documents must have an effective date within 2 months as of the Note date.
- A verbal verification of employment (VVOE) is required within 10 business days prior to the Note date for salaried borrowers and within the 60 calendar days prior to the Note date for self-employed borrowers.
- A military Leave and Earnings Statement dated within 30 days prior to the Note date is acceptable for active duty military in lieu of a VVOE.

Appraisals

- Appraisals must be Uniform Appraisal Data (UAD) compliant and meet Freddie Mac's Appraiser Independence Requirements (AIR).
- A Freddie Mac Submission Summary Report (SSR) is required on all appraisals.
- If an applicable law, regulation or Planet policy requires more than one (1) appraisal be obtained, the single most accurate appraisal must be used for underwriting and submission to the Uniform Collateral Data Portal (UCDP).
- A full appraisal must provide legible interior and exterior photos.

- The exterior photos must contain photos of the front, back and street scene of the subject property as well as the front of all comparable sales.
- The interior photos, at minimum, must include:
  - Kitchen (free-standing stove/range or refrigerator not required)
  - Main living area
  - All bathrooms
  - Any physical deterioration and recent updates that materially impact the market value or marketability of the subject property (i.e., remodel, renovation, restoration)

- Comparable sales

Must consist of a minimum of 3 comparable sales and should generally be used from sales closed within the last 12 months. Older sales may be used with justification for use evidenced in the file.

- For properties in established subdivisions, PUDs or established condo projects, the comparable sale must come from within the subject subdivision or project. Properties in new subdivisions, PUDs, or recently converted new or new condo projects the comparable sales must meet the following requirements:
  - One comparable sale must be from within the subdivision or project when available.
    - Can be a sale by the builder or developer (only one comparable sale allowed).
    - If there are no closed sales from within the subject subdivision or project, contract sales may be used. This must be in addition to the three (3) closed sales obtained outside the subject subdivision or project.
    - If a contract or closed sale is not available; outside comparable may be used with justification for use evidenced in the file.
  - One comparable sale must be from outside the subject subdivision or project, and
  - The third comparable sale may be from inside or outside the subdivision or project.

Resales from inside the subdivision or project are preferable as they provide an accurate market value.

- 1 unit property with Accessory unit — **legal or legal nonconforming** zoning compliance:
  - At least one (1) comparable with one accessory unit required. Accessory unit must comply with zoning and land use requirements.
  - If a comparable sale with an accessory unit is not available in the subject neighborhood, the appraiser can use a comparable sale in the subject neighborhood without an accessory unit as long as the appraiser can justify and support such use in the appraisal report.
- 1 unit property with Accessory unit — **illegal** zoning compliance:
  - At least two (2) comparable with one accessory unit required. Accessory unit must be non-compliant with zoning and land use requirements.

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

- The property must have legal, appropriate ingress and egress. The streets that allow access to the subject property must be maintained in a manner that generally meets community standards. The comparable sales should include street maintenance similar to the subject property. When differences exist between the ownership or maintenance of the subject property street and the comparable sale's streets, adjustments must be applied as applicable and an explanation is required and the appraisal must address the effect any differences might have on the subject property's value and marketability.
- Appraisal must identify and address properties located within a declining market.
- Properties with an unpermitted addition are eligible subject to the following:
  - The appraiser comments in the appraisal that the addition was completed with "workmanlike quality"
  - The addition does not result in a change in the number of units comprising the property (e.g. a one unit converted to two unit)
  - If the appraiser gives the unpermitted addition value, the appraiser must demonstrate market acceptance by the use of comparable sales with similar additions and address the following in the appraisal:
    - Unpermitted additions are typical for the market area and a typical buyer would consider the unpermitted additional square footage to be part of the overall square footage of the property, and
    - The appraiser has no reason to believe the addition would not pass inspection for a permit(s).
- Modular/Prefabricated homes: The appraiser must address the marketability of the property.
- Planet requires properties to be, at minimum, in average condition. Additionally, the following applies:
  - A conventional heat source with the ability to maintain a temperature of 50° in areas of the property where there is plumbing.
  - Any broken glass that is a health hazard must be removed and the opening closed.
- Property must have a Condition Rating of C1-C4 or Q1-Q5 Quality Rating to be eligible. Properties with a Condition Rating of C5/C6 or Quality Rating of Q6 are not acceptable collateral.
- A transferred appraisal is acceptable when the following is provided:
  - A copy of the Freddie Mac Submission Summary Report (SSR) with a Document File Status of "Successful" and a PDF version of the appraisal report,
  - An appraisal transfer letter, and
  - Confirmation that the appraisal is AIR compliant.
- A new appraisal will be required when the appraisal effective date is more than 120 days but not less than 12 months before the Note date. The effective date of an appraisal must not exceed 120 days

before the note date.

- Appraisal waivers received based on the ACE, including mortgages secured by Condominium units, will be accepted per Freddie Mac guidelines. The appraisal must be offered on the final submission to LPA to be eligible.
- Properties located in a FEMA Disaster Declaration area will be subject to additional appraisal review. *See* "Chapter 8: Loan Purchasing" on page 531 for detailed requirements.

Assets

Documentation per LPA.

- All funds used to close the transaction must be disclosed on the 1003 and input into LPA.
- The borrower must provide evidence that the earnest money deposit came from an acceptable source and that they have sufficient assets to cover the down payment, closing costs, prepaids and reserve (if applicable) requirements. Evidence required:
  - Two months most recent bank or financial statements, all pages. If a copy of the canceled deposit check is used to document the source of funds, the bank statements must cover the period up to and including the date the earnest money check cleared the bank.
  - VOD is acceptable as primary source of verification.
  - Sellers who are also the depository for the borrower’s account may provide a printout or other alternative verification of the borrower’s bank account assets produced directly from the bank or credit union’s system in lieu of bank statement(s).
- Refinance transactions require verification of funds to close.
- Business funds of a self-employed borrower may be used for down payment, closing costs and/or reserve requirements subject to the following:
  - The borrower must be listed as an owner on the account. If the borrower’s name is not listed on the business account statement, documentation that the borrower is an authorized signer on the account is required. This applies to all business accounts, including sole proprietorships, when business account funds are being utilized for down payment, closing costs and/or reserves. Examples of acceptable documentation:
    - Letter from the bank confirming borrower is an authorized signer, or
    - Online documentation that confirms borrower is an authorized signer.
- A cash flow analysis, based on 3-months' business bank statements, dated within 60 days of the closing date, is required to determine the withdrawal of business funds will not have a negative impact on the business. The cash flow analysis must indicate the following:
  - The average running balance in the account for the previous 3 months stayed the same or was better, **and**
  - The amount of funds used for the transaction must not deplete the account i.e., the balance remaining in the account should not be less than half of what was in the account prior to the withdrawal.

- Cash on hand, unsecured borrowed funds or unverified funds are ineligible sources for assets.
- Payout from a life insurance policy is acceptable for down payment or closing costs. A copy of the check or payout statement issued by the insurance company is required. If the cash value is being used for reserves, documentation of the cash value is required however the policy does not need to be liquidated.
- Proceeds from the sale of a currently owned property are eligible for down payment and closing costs. The final Settlement/CD for the existing property must be provided before or at closing to show sufficient net cash proceeds to close the purchase. The final Settlement/CD is **not** required to be fully executed.
- Large deposits are considered to be a single deposit where any **unsourced** portion of the deposit exceeds 50% of the combined gross monthly income of the borrower(s). If the deposit includes both sourced and unsourced funds, only the unsourced portion is used to calculate whether the deposit meets the 50% definition. Direct deposits, such as IRS or state income tax refunds, transfer of funds between verified accounts, that are easily identified on the account statement do not require documentation. Large unsourced deposits must be explained and verified except on refinance transactions where no funds are required for closing.
- Verification of assets from foreign sources:
  - Funds that a borrower (either U.S. citizen or non-U.S. citizen) has deposited into a U.S. depository institution are acceptable provided **all** of the following requirements are met:
    - Documentation of the transfer of funds from the borrower's country of origin is provided, and
    - It can be established that the funds belonged to the borrower before the date of transfer, and
    - The source of all funds used for closing can be verified following the same requirements for U.S. citizens. Generally, two years of tax returns are required to document foreign income.
- **Assets as a Basis for Repayment Obligation**

  Assets used for repayment of monthly obligations may be used to qualify the borrower regardless of the underwriting path, when the below requirements have been met.

  - Property is a 1-2 unit primary resident or second home.
  - Purchase or no cash-out transaction only.
  - Maximum 80% LTV/CLTV/HCLTV.
- **Calculating the Debt Payment-to-Income Ratio**

  When determining the amount used to establish the debt payment-to-income ratio, divide the net eligible assets by 240 months, regardless of the loan term.

  - Net eligible assets are calculated by subtracting the following assets from the total eligible assets:
    - Any funds paid by the borrower to complete the transaction (i.e. down payment &

closing costs),
- Gift funds, and borrowed funds, and
- Any portion of assets pledged as collateral for a loan or otherwise encumbered.

- **Eligible Qualifying Assets**

Retirement assets not used as a source borrower(s) income.

- Funds must be available for withdrawal as of the note date and in its entirety, less any portion pledged as collateral for a loan, or otherwise encumbered without penalty or early distribution tax.
- Borrower(s) must be fully vested.
- File must evidence most recent retirement asset statement.

Lump-sum distribution funds not deposited to an eligible retirement asset.

- Funds must be derived from a retirement account recognized by the IRS and must be deposited to a depository or non-retirement securities account.
- A Borrower must have been the recipient of the lump-sum distribution funds.
- Parties not obligated on the mortgage must not have any ownership interest in the account.
- The proceeds from the lump-sum distribution must be immediately accessible in their entirety.
- Proceeds from distribution must not be or had been subject to penalty or early tax distribution.
- File must evidence:
  - Employer distribution letter(s) and/or checks stubs evidencing proof of receipt and distribution fund type,
  - Funds are derived from eligible retirement assets and must not have been or be subject to a penalty or early distribution tax.

Depository accounts and securities

- All Borrower(s) who owned assets solely or jointly must be party to the mortgage and/or on the title.
- At least one borrower who is an account holder must be at least 62 years old.
- Funds must be available for withdrawal as of the note date and in its entirety, less any portion pledged as collateral for a loan, or otherwise encumbered without penalty or early distribution tax.
- Account must be held in a U.S. or State regulated financial institution and verified in U.S. dollars.
- File must evidence:
  - One-month recent account statement or VOD for Streamlined Accept a Streamlined Accept AUS feedback response.
  - Two-month recent account statement or VOD for a Standard Documentation AUS feedback response or a VOD.

    - For securities only, if the Borrower does not receive a stock/security account statement, provide evidence the security is owned by the borrower, and verify value using stock prices from a financial publication or website.
    - Source of Deposits: Large deposits funds for any deposit exceeding 10% of borrower(s) total eligible assets in depository accounts and securities be sourced and not include gifts, borrowed funds, or reduced the eligible assets used to qualify the borrower by the amount of the deposit. When the source of funds can be clearly identified from the deposit information on the account statement (e.g., direct payroll deposits) or other documented income or asset source in the Mortgage file, no additional documentation is required.

Assets from the Sale of the Borrower's business

- Borrower must be the sole owner of proceeds from the sale. Proceeds must be accessible immediately in its entirety.
- Parties not obligated on the Mortgage may not have an ownership interest in the account that holds the proceeds from the sale of the Borrower's business.
- File must evidence:
    - Most recent 3 months depository or securities statements.
    - Copy of the executed closing documents, including the contract of sale. Documents must evidence sales price and net proceeds.
    - Most recent year business tax returns prior to sale.
    - Verification that funds are deposited in a non-retirement account and were derived from the sale of the business.

Assumptions

Planet follows agency guidelines.

AUS

LPA "Eligible/Accept" results required. Manual underwriting is ineligible.

Available Markets

The U.S. territories of Guam and the Virgin Islands are ineligible regardless of delegation.

Borrowers — Eligible

- A natural person
- U.S. Citizens
- Permanent resident aliens:

    - Permanent resident alien borrowers must hold an unexpired "Green Card" issued by the U.S. Citizenship and Immigration Services (USCIS). A copy of both the front and back of the card is required.
- Non-permanent resident aliens:
    - Non-permanent resident aliens are temporary residents who are eligible to live/work in the United States for a specific period of time. Acceptable documentation of their work authorization is:
        - An unexpired Employment Authorization Document (EAD) by the USCIS, or
        - An unexpired visa. Eligible types are E-1, G series, H series, L-1A, L-1B or TN.
    - If the authorization for temporary residency will expire within one year of closing and a prior history of residency status renewals exists, continuation may be assumed. If there are no prior renewals, the likelihood the authorization will be renewed must be determined based on information received from the USCIS.
- Revocable Inter Vivos Trust that meets Freddie Mac guidelines. Trusts are eligible on:
    - 1 unit owner-occupied or second home only.
    - A Power of Attorney is ineligible with an inter vivos trust.
- All borrowers are required to have a social security number.
- A borrower may be considered an occupying borrower if the property is occupied as a primary residence by an individual(s) who:
    - Is the borrower's parent(s), or
    - Has a disability, and
    - The borrower is the individual legal guardian.

Borrowers — Ineligible

- Foreign Nationals
- Borrowers with diplomatic immunity
- Borrowers without a social security number or a number that cannot be validated with the SSA
- Borrowers with non-traditional credit
- Borrowers that receive Government/Public Assistance Income (Section 8 income)

Borrower Types

Co-Borrower: An individual, who applies jointly with the applicant, takes title to the property and is liable for the debt. The co-borrower signs all documents. Co-borrower's income, assets and debt used for loan qualification.

Non-Occupant Co-Borrower: An individual, who applies with the applicant, takes title to the property and is liable for the debt but does not live in the property. The non-occupant co-borrower's income may be used to calculate the DTI ratio.

Co-Signer: An individual who has no ownership interest in the property but is liable for the debt. Assets are always used for qualification. Income and debt are only considered when the co-signer occupies the subject property.

Non-Borrowing/Non-Purchasing Spouse: Generally have no ownership interest in the property and are not liable for the debt. In community property/marital rights states, the non-borrowing spouse does have an interest in the property and is required to execute the security instrument and all applicable documents as determined by state law.

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

Down Payment and Qualifying Ratio Requirements

When a co-signer is on the loan, the occupying borrower must make a minimum 5% of the down payment from their own funds unless:

- The LTV/TLTV ratio is ≤ 80%, and
- The occupying borrower is purchasing a 1-unit principal residence and meets the requirements of gifts to pay for some or all of the borrower's minimum contribution.

Chain of Title

A 12-month chain of title is required for all loans (excluding new construction). Title must include all transfers in the previous 12-month period, including copies of all recorded deed(s). If more than one transfer in previous 12 months **or** property has significant increase in value since prior transfer, an appraisal addendum addressing all transfers is required.

Construction-to-Perm

The conversion of construction-to-permanent financing involves the granting of a long-term mortgage to a borrower for the purpose of replacing interim construction financing that the borrower has obtained to fund the construction of a new residence.

- Construction-to-permanent financing can be structured as a transaction with one or two separate closings, and both single closing and two closing transactions are eligible for purchase.
- All construction work, including any work that could entitle a party to file a mechanics' lien or materialmen's lien, must be completed and paid for, and all mechanics' liens and any other liens and claims that could become liens relating to the construction must be satisfied before the loan is closed with Planet. Planet will retain the appraiser's certificate of completion and a photograph of the completed property in the loan file. When a construction-to-perm mortgage loan provides funds for

acquisition or refinancing of an unimproved lot and the construction of a residence on the loan, Planet will retain a certificate of occupancy or an equivalent from the applicable government authority.
- Units in a condo project are not eligible for construction-to-permanent financing.

Single-Closing Transactions

- Single-closing transactions may be closed as either a purchase or limited cash-out refinance.
- Transactions structured as a purchase: The borrower is not the owner of record of the lot prior to the loan application. Purchase LTV/TLTV limits apply.
- Transactions structured as a rate/term refinance: The borrower is the owner of record of the lot prior to applying for the interim construction financing. No cash-out (rate/term) LTV/TLTV limits apply.
- Must use additional due diligence to ensure the most recent information is obtained to help ensure any disruption to borrower's employment (or self-employment and or income) does not negatively impact the borrower's ability to repay the loan.

Two-Closing Transactions

- Two-closing construction-to-permanent transactions use two separate loan closings with two separate sets of legal documents. A modification may not be used to update the original Note — a new Note must be completed and signed by the borrowers. The first closing is to obtain the interim construction financing (and may include the purchase of the lot) and the second closing is to obtain the permanent financing upon completion of the improvements.
- The borrower is underwritten based on the terms of the permanent mortgage.
- Transactions are subject to the no cash-out and cash-out refinance maximum LTV/TLTV/HTLTV ratios, as applicable.
- Cash-out refinance transactions require the borrower to have held legal title to the lot for at least 6 months prior to the closing of the permanent mortgage.
- All other standard cash-out refinance eligibility and underwriting requirements apply.

See Freddie Mac Selling Guide, Chapter 4602.4 - Construction Conversion and Renovation Mortgages for complete guidelines.

Contingent Liability

Contingent liabilities may be excluded from the monthly debt ratio when the requirements below are met.

Installments (not including mortgages)/Revolving/Monthly lease payments:

- File must indicate a party other than the borrower has been making timely payments for the most recent 12 months.
- The party making the payments is not an Interested party to the subject property or mortgage transaction.

Mortgages

- File must indicate a party other than the borrower has been making timely payments for the most recent 12 months.
- Party making the payments is obligated on the Note
- The party making the payments is not an Interested party to the subject property or mortgage transaction.

Self-Employed Borrower

When a self-employed borrower is obligated on a debt that has been paid by the borrower's business for 12 months or longer, the monthly payment for the debt may be excluded from the monthly debt payment-to-income ratio if the following requirements are met:

- The debt has been paid timely by the borrower's business for no less than the most recent 12 months, and
- Business expenses associated with the debt (interest, lease payments, taxes, insurance has been reported and support that the debt has been paid by the business

If documentation of payment from the business funds cannot be provided, or there is history of delinquency on the account the debt must be considered as part of the borrower's individual recurring debt obligation.

Court Ordered Assignment of Debt

Debt that has been assigned by order of the court is not required to be included in the borrower's DTI calculations; however, the payment history for the debt prior to its assignment should be reviewed. A copy of the court order is required.

Credit History

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

Credit — Installment/Revolving Accounts

All debts must be run through LPA to ensure accurate LPA Feedback Certificate.

- **Installment Debt**
  - Installment debt is considered as a recurring monthly debt obligation and must be included in the borrower's long-term debt when there are more than 10-months' payments remaining.
  - Installment debt with ≤ 10 months remaining will be considered as a recurring monthly debt obligation if it significantly affects the borrower's ability to meet their credit obligations.

NOTE: Car lease payments, regardless of the number of payments remaining, must be included in the borrower's monthly debt.

- **Revolving Debt**

  Revolving debt is considered part of the borrower's recurring monthly debt. Revolving debt includes credit cards and personal lines of credit (equity lines, secured by real estate, are included in the housing expense). Revolving debt is subject to the following:

  - If the monthly payment is not included on the credit report, the underwriter will use 5% of the outstanding balance to determine the monthly payment.
  - If the revolving account is to be paid off at or prior to closing, a monthly payment is not required to be included in the debt ratio. The account does not need to be closed as a condition of excluding the payment from the borrower's debt ratio.
  - If the revolving account is to be paid off prior to closing, documentation that the debt was paid in full and source of funds must be provided and verified
  - If the revolving account is to be paid off at closing, the payoff must be shown on the CD.
- **Open 30-Day Charge Account**
  - Open 30-day charge accounts require sufficient assets to pay off the debt to be excluded from the debt ratio.
- **Student Loans**
  - The monthly payment amount reported on the credit report, or
  - 0.5% of the outstanding balance reported on the credit report.
  - Student loans in deferment or forbearance are not required to be included in the DTI payments if:
    - The file evidence that the borrower is eligible or approved for the student loan Forgiveness, Cancellation, Discharge or Employment-contingent repayment program.
    - Evidence of eligibility or approval must come from the student loan program or the employer, as applicable.
- **Alimony/Child Support/Separate Maintenance Payments**

  Alimony, child support or separate maintenance payments that are required to be paid due to a divorce decree, separation agreement or another legal document must be Included in the borrower's monthly debt obligations if they will continue for > 10 months. Voluntary payments are **not** required to be considered in the DTI calculation.

- Monthly Housing Expense and DTI

  Flood insurance and special assessments with more than 10 monthly payments remaining must be included in the monthly housing expense-to-income ratio for the subject property and in the monthly DTI ratio for any other property owned, as these items can have a significant impact on the Borrower's ability to meet his or her monthly obligations.

Credit Report/Scores

Per LPA

- At least one borrower on the loan must have a usable credit score.
- When not all the borrowers have a usable credit score, all of the following applies:
  - The transaction must be a purchase or no cash-out refinance mortgage
  - The property securing the loan must be a 1-4 unit primary residence
  - The borrower(s) with the usable credit score must contribute more than 50% of the total monthly income
  - The borrower(s) without a credit score are not self-employed

NOTE: Any debt not reported on the credit report requires documentation that it has been paid satisfactorily for the most recent 12 months.

- A tri-merged credit report is required for all borrowers.
- The representative credit score is determined as follows:
  - If there are three (3) valid scores, the middle score is used. If two of the three scores are a duplicate, the duplicate score is used.
  - If there are two (2) valid scores, the lower of the two is used
  - If there is one (1) valid score, that score is used
  - Borrowers with frozen credit may have no more than one national credit repository's information frozen

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

- When the credit reports reflect inquiries made within the previous 90 days, the loan file must evidence verification if new debt was granted, and the debt must be used to qualify the borrower.
- The credit report must be dated within 120 days of the Note date.

Authorized user accounts are allowed per LPA with the below documentation:

- Document another borrower on the mortgage owns the trade line in question, or
- Document the trade line is owned by the borrower's spouse, or
- Document the borrower has been making the payments on the account for the last 12 months, or
- Document the authorized user account has an insignificant impact on the borrower's overall credit history.

See Freddie Mac Selling Guide for complete details on Credit Reports and Scores.

Deed/Resale Restrictions

Properties with age-related restrictions (55+ communities) are eligible subject to Freddie Mac requirements. All other properties subject to deed/resale restrictions are ineligible.

Derogatory Credit

Per LPA Feedback Certificate except as noted below:

Derogatory Event	Waiting Period Requirements*	
Bankruptcy - Chapter 7 or 11	2 years from discharge date or dismissal date	
Bankruptcy - Chapter 13 or 12	2 years from the discharge or dismissal date	
Foreclosure	7 years from the completion dates as reported on the credit	**Exceptions:** Events within the previous 36 months must be: • Primary residence purchase transactions with a maximum 90% LTV/TLTV/HTLTV • A rate/term refinance transaction
Deed-in-Lieu of Foreclosure	7 years from execution or completion date	**Exceptions:** Events within the previous 24 months must be: • Primary residence purchase transactions with a maximum 90% LTV/TLTV/HTLTV • A rate/term refinance transaction
Short Sale	Ineligible (due to manual underwriting requirement)	

*Measured from the applicable event end date to application date

Judgments and Tax Liens

Must be paid prior to close.

Delinquent Child Support

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

Down Payment Assistance

Per Freddie Mac Selling Guide.

DTI

Per LPA with an "Eligible/Accept" Feedback Certificate.

Employment

- A 2-year employment history is required for both wage earner and self-employed borrowers.
- A current paystub with YTD income and most recent W-2s are required for wage earners.
- A military Leave and Earnings Statement dated within 30 days prior to the Note date is acceptable for active duty military in lieu of a verbal verification of employment (VVOE).
- A VVOE is required within 10-**business** days **prior** to the Note date for salaried borrowers and within the 120 calendar days **prior** to the Note date for self-employed borrowers.
- Self-employed borrowers require verification of the business by a third-party source (e.g., CPA, Federal Tax ID Certificate, and Business License). Self-employed borrowers are individuals who have 25% or greater ownership interest in a business.
- For borrowers who re-entered the workforce and have less than a 2-year employment and income history, income may be used for qualifying if documentation is provided indicating the borrower has been at their current employment for a minimum of 6 months and there is documented prior employment history.
- For borrowers who are newly employed with less than a 2-year employment history, income may be used for qualifying if it can be documented the borrower was attending school or a vocational/training program immediately prior to employment.
- For loans with application dates on or after 4/15/20 – 5/17/20 the existence of the borrower's business must be verified within 120 calendars prior to the Note date. The business must be open and operational. This must be confirmed within 10 business prior to the Note date or prior to delivery to Planet.

Escrow Holdback

- **Newly constructed properties — weather related**
  - Funds held for completion of grading of yard/driveway, pouring concrete for driveway/sidewalks
  - Seller must provide proof of completion and release of funds post-purchase
- **Newly constructed properties with city held bond — weather related**
  - Eligible for purchase with temporary Certificate of Occupancy when a city bond is held for completion of roads and/or driveways
- **New construction — non-weather related**
  - Funds held for completion of landscaping
  - Seller must provide proof of completion and release of funds post-purchase.

NOTE: Existing properties with new renovations allowed on a case-by-case basis.

Escrow/Impound Account

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

Escrowed Flood Insurance Premiums

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

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

Condominium Flood Insurance

- The condominium owners' association must maintain building coverage for the lower of:
  - (1) 80% of the building's replacement cost, or
  - (2) $250,000 multiplied by the number of residential units in the building.
- If the association's coverage meets the above requirements but the unit allocation is less than 1-4 units coverage requirement, the borrower must maintain supplemental coverage for at least equal to the difference between:
  - The condo association's building coverage allocated to the unit, and
  - The amount required for a 1-4 unit property.

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

Exclusionary List

Seller is responsible for checking all parties on the transaction against Freddie Mac's Exclusionary List.

Financed Properties

Each borrower individually and all borrowers collectively must not own and/or be obligated on (e.g., notes, land contracts and/or any other debt or obligation) more than 10 1-4 unit financed properties, including the subject property and the Borrower's Primary Residence. The LPA must:

- Have an Accept/Eligible result
- A FICO of 720 when the number of 1-4 unit financed properties is > six (6)

Examples of financed properties that do not have to be counted in the limitation include:

- Commercial real estate
- Multifamily (five or more units) real estate
- Timeshares
- Undeveloped land
- Manufactured homes not titled as real property (Chattel Lien), the property is situated on the land that is titled as real property

- Properties titled in the name of a trust where the borrower is a trustee, provided that the borrower, in his or her individual capacity, is not on title and/or not obligated on the property.

Gift Funds

Gift funds from an acceptable donor may be used for all or part of the down payment, closing costs, or reserve requirements as long as the borrower meets the minimum contribution requirements below.

- Borrowers are required to make a 5% minimum down payment from borrower's own funds when the LTV/TLTV/HTLTV is > 80%
- Gift funds are not allowed on investment transactions.
- Gift funds may be provided by any of the following:
  - A relative, defined as the borrower’s spouse, child, or other dependent, or by another individual who is related to the borrower by blood marriage, adoption or legal guardianship, or
  - A fiancé or fiancée, or domestic partner.
- The gift must be evidenced by a gift letter, signed by the donor and it must:
  - Specify the dollar amount
  - Be signed by the donor and the borrower
  - Indicate the address of the subject property
  - Indicate the donor(s) name, address, phone number, and relationship to the borrower
  - Include a statement by the donor that no repayment of the gift funds is expected
  - If the gift funds are not verified in the borrower's account, provide evidence of transfer from the donor to the borrower.
- The transfer of the gift funds must be documented. Acceptable documentation includes:
  - Copy of the donor’s canceled check and the borrower’s deposit slip
  - Copy of the donor’s withdrawal slip and the borrower’s deposit slip
  - Copy of the donor’s check to the closing agent, or
  - Settlement statement showing receipt of the donor’s check.
  - If funds not transferred prior to settlement, documentation the donor gave the closing agent the gift funds in the form of a certified/cashier’s check or other official check or copy of wire transfer.

Gift of Equity

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

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

Higher Priced and High Cost Loans

- Higher priced mortgage loans (HPML) are eligible subject to the following:
  - Establishment of an escrow account for taxes and insurance on primary residence transactions, and
  - Loan must meet all applicable and/or federal compliance requirements, and
  - Loan must be fixed rate
- High cost loans are **ineligible**.

Income

Income documentation is determined by LPA unless detailed below.

Wage Earner Borrowers

At minimum, a current paystub with YTD earnings and the most recent W-2 is required.

Income Commencing After the Note Date

Income commencing after the note may be considered a stable source of qualifying income provided either all Option 1 or Option 2 requirements met as outlined below.

- **Option 1**

  Employment and income must meet the following requirements:

  - Income must be from new primary employment or a future salary increase with the current primary employer
  - Income is non-fluctuating and salaried (e.g., hourly earnings are not permitted)
  - The employer must not be a family member or an interested party to the real estate or mortgage transaction
  - The start date of the new employment or future salary increase:
    - Must be no later than 90 days after the Note Date
    - May be before or after the delivery Date
  - Permitted on 1- unit primary properties
  - Purchase and no cash-out refinance transactions only

  Verification of Additional Funds

In addition to funds required to be paid by the Borrower and Borrower reserves, Sellers must verify additional funds in the Borrower's depository and/or securities account(s) that equal or exceed the amount of the monthly housing expense and other monthly liabilities due between the Note Date and the start date of the new employment/future salary increase, plus one additional month. A partial month is counted as one month for the purpose of this calculation.

The amount of the required additional funds may be reduced by the amount of verified gross income that any Borrower on the Mortgage is expected to earn during the period described above, whether or not this income is used to qualify for the Mortgage or is expected to continue after the start date of the new employment/future salary increase.

Documentation

A Copy of the employment offer letter, employment contract or other evidence of the future salary increase from the current employer that:

Income commencing after the note may be considered a stable source of qualifying income provided all Freddie Mac requirements met. See Freddie Mac Income section 5303.1 for complete requirements.

- Is fully executed and accepted by the borrower
- Is non-contingent or provide documentation, such as a letter or e-mails from the employer verifying all contingencies have been cleared, and
- Includes the terms of employment, including employment start date and annual income based on non-fluctuating earnings

For a future salary increase provided by the current employer, the above documentation must indicate that the increase is fully approved and is explicitly granted to the borrower.

A 10-day pre-closing verification (PCV) is required verifying the terms of the employment offer letter, contract or future salary increase have not changed (refer to Section 5302.2(d)).

A leave and Earnings Statement (LES) is acceptable and must be dated no more than 120 days prior to the Note Date.

- **Option 2**

Employment and income must meet the following requirements:

- Income must be from new primary employment
- Non-fluctuating and salaried (e.g., hourly earnings are not permitted), and
- The employer must not be a family member or an interested party to the real estate or Mortgage transaction
- As of the delivery date, the income must be no less than that used to qualify the borrower
- The start date of the new employment or future salary increase:
  - No limit on the number of days after the Note Date, however it must be before the delivery Date

- Permitted on 1-4 unit:
  - Primary residence
  - Second homes, and
  - Investment properties
- Purchase, cash-out, no cash-out transactions

Verification of Additional funds

In addition to funds required to be paid by the Borrower and Borrower reserves, Sellers must verify additional funds in the Borrower's depository and/or securities account(s) that equal or exceed the amount of the monthly housing expense and other monthly liabilities due between the Note Date and the start date of the new employment/future salary increase, plus one additional month. A partial month is counted as one month for the purpose of this calculation.

The amount of the required additional funds may be reduced by the amount of verified gross income that any Borrower on the Mortgage is expected to earn during the period described above, whether or not this income is used to qualify for the Mortgage or is expected to continue after the start date of the new employment/future salary increase.

Documentation

A Copy of the employment offer letter or employment contract that:

- Is fully executed and accepted by the borrower, and
- Includes the terms of employment, including but not limited to, employment start date, and
- Annual income based on non-fluctuating earnings

Self-Employed Borrowers

- An income analysis must be completed for self-employed borrowers
- If LPA allows for 1 year of tax returns, the following is required:
  - The borrower must have 2 full years of self-employment, and
  - The tax return the borrower is qualified on must be the most current tax year. If the borrower has filed an extension for the most current tax year, reduced documentation is ineligible.

If the borrower does not qualify for 1 year of tax returns or LPA requires 2 years, the following applies:

- Copy of the most recent 2 years signed federal individual and business tax returns with all schedules.
- If LPA requires business returns, business tax transcripts will be required. The requirement for business tax returns may be waived if:
  - The borrower is using personal funds for down payment and closing costs
  - The borrower has been self-employed in the same business for a – minimum of 5 years
  - The borrower’s individual tax returns show an increase in self-employment income over the past 2-years.

- When self-employment income is disclosed in the file but not used to qualify the borrower, no additional documentation or evaluations are required for borrower who have a:
  - A primary source of income other than self-employment used to qualify, and
  - Is self-employed and the income is a secondary source of income.

Temporary Leave

Temporary leave is generally short in duration and is used for circumstances such as family and medical reasons, maternity, short-term disability, etc. The income from a borrower who is on temporary leave is eligible for qualification subject to the following:

- Borrower's employment and income meet standard eligibility requirements
- Borrower must provide written confirmation of the intent to return to work and indicate the return date
- Documentation must be provided verifying the borrower's pre-leave income (i.e., regular base pay, commission, bonus income, etc., as applicable)
- Documentation generated by the employer confirming the borrower's eligibility to return to work after the leave (e.g., employer-approved leave request, Family Medical Leave Family, etc.). Documentation may be provided by the employer or a third-party vendor.
- Borrower must demonstrate their ability to repay the mortgage and all other monthly obligations.

Calculation of the income is as follows:

- Borrower **returning to work** prior to or on the first mortgage payment due date: The borrower's pre-leave gross monthly income is used for qualifying
- Borrower **is not returning to work** by the first mortgage payment due date:
  - Borrower's temporary leave income that will be received for the duration of the leave, or
  - In the event the temporary leave income is reduced or interrupted, the income reduced or interrupted income may be combined with the borrower's available liquid assets to qualify.

NOTE: Assets required for down payment, closing/financing costs, prepaids/escrows and reserves are ineligible to use for qualification. The total qualifying income cannot exceed the borrower's pre-leave gross monthly income amount.

In addition to the documentation noted above, the following documentation is also required for borrower's returning to work after the first mortgage payment is due:

- Documentation evidencing the amount, duration and consistency of all temporary leave income sources used to qualify the borrower (e.g. short-term disability, insurance, sick leave benefits, temporarily reduced income from the employer, etc.) that is being received by the borrower during the leave, and
- Documentation that substantiates and verifies any liquid assets used to supplement the reduced income due to the leave, and

- A written statement from the underwriter explaining the analysis used to determine the qualifying income.

Other Sources of Income

- Other sources of income are eligible for qualifying the borrower. LPA determines the documentation, verification and continuation requirements for other sources of income.
- 2-year consecutive history of receipt, with 3 years likely continuance, on the following types of income when used for qualifying:
  - Automobile allowance
  - Bonus
  - Commission
  - Dividend and interest documented by signed individual federal tax returns
  - Foster care
  - Overtime
  - Tip income
  - Income from a second/additional job and seasonal employment requires 2-year consecutive history **and** must be likely to continue for a minimum of 3 years.
- The following sources of income require one or more evidence of source, benefit type, payment amount, payment frequency and documented receipt per Freddie Mac Selling Guide:
  - Retirement Income (Social Security, Pension, Annuity)
  - Survivor and dependent benefit income
  - Long-term disability and, if there is a pre-determined expiration, it must continue for a minimum of 3 years.
- Rental income is eligible subject to Freddie Mac Selling Guide.
- Borrowers with offers of or employment contracts where work has not begun are eligible subject to Freddie Mac guidelines and the following:
  - Eligible for 1 unit primary residence transaction only, and
  - Employment offer must be non-contingent and the offer letter, which includes salary information, must be included in the loan file, and
  - Borrower's written acceptance of the employment offer must be included in the loan file, and
  - Borrower's previous employment and income history must be documented, and
  - Borrower's employment must begin within 90 days of the Note date, and
  - Borrower must have a minimum of 3 months PITIA reserves in addition to any other reserve requirements, and
- A letter, signed by the borrower(s) is required certifying that a paystub or other acceptable documentation to validate the borrower has started employment, will be provided as soon as received by the borrower.

See Freddie Mac Selling Guide for complete income requirements.

Inspections

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

Interested Party Contributions

Interested Party Contributions (IPC) pay for costs that are normally charged to the buyer of the property (borrower) and are provided by a party that has a financial interest in, or can influence the terms and sale/transfer of the subject property such as:

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

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

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

IPCs are limited as follows:

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

- IPCs cannot be used to make the borrower's down payment, reserve requirements or to meet the minimum borrower contribution requirement.
- Sales concessions items such as furniture, automobiles, decorator allowances, cash, etc. and financing

concessions that exceed the limits above **must be** deducted from the sales price when calculating the LTV/HTLTV ratios.

- Financing concessions are subject to the IPC limits noted above. Financing concessions include:
  - Financial contributions from an interested party that benefits the borrower in the financing transaction
  - Payments or credits related to acquiring the property, and
  - Payments or credits for financing term, including prepaids.
  - Origination fee
  - Discount points
  - Commitment fee
  - Appraisal cost
  - Transfer taxes
  - Attorney's fees
  - Title insurance premiums

  They may also include:

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

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

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

Investment Property Requirements

Per LPA investment properties must meet the following requirements:

- Must be a fixed-rate mortgage
- Must not be an A-minus mortgage
- Borrower does not have an ownership interest in, is not an employee of, or affiliated with or related to the builder, developer or property seller of newly constructed homes that are purchase transactions
- Borrower must not own and be obligated on more than six 1-4 unit financed properties, including the subject property and borrower's primary residence (*see* Servicing Guide for examples of financed properties that do not have to be counted).

- Monthly housing expenses related to the borrower's current primary residence may be used in calculating the borrower's monthly housing expense-to-income ratio
- Reserves requirement must be met
- Aggregated negative rental income from all rental properties must be treated as an obligation and considered in calculating monthly debt payment-to-income ratio
- Gifts/grants are not allowed
- If rental income is not used for qualifying, the monthly payment amount (as described in section 5401.2) for the Mortgaged premises plus operating expenses must be used in calculating the monthly debt payment-to-income ratio.
- An Operating Income Statement (Form 998) is required when considering the rental income from the subject property and the borrower has owned the property less than one year and/or the rental income is not supported on Schedule E. The OIS must be completed up to the Monthly Operating Income reconciliation section.

  NOTE: The OIS is not required if rental income is not used for qualification.

- Copies of current, signed lease agreements are required.

See Section 4201.16 of the Freddie Mac Selling Guide for complete details.

LDP/SAM

LDP / SAM

All of the following parties to the transaction, as applicable, must be checked against the HUD's Limited Denial of Participation list and the System for Award Management list.

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

Manufactured Homes

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

- Per LPA
- Fixed rate only 15, 20, and 30 year term (Cash-Outs≤ 20 year term)

- *See* Chapter 5703.4 in the Freddie Mac Selling Guide for guidance determining the LTV/CLTV/HCLTV for new and existing manufactured housing.

Appraisals

- The Appraiser must:
  - Have adequate experience and previously completed real property appraisals for Manufactured Homes.
  - Must understand the unique features that affect the quality of a manufactured home and factory construction techniques.
  - Understand the manufactures' and federal, state, and local requirements for installation.
  - Have access to the appropriate data sources to establish an opinion of value.
  - At minimum perform a complete visual inspection of the interior and exterior areas of the subject property.
  - Inspect the neighborhood.
  - Inspect each comparable sale from at least the subject property street.
  - Non-realty items must be excluded from value conclusion.
  - Manufactured Appraisal Report (form 70B) required and must be completed in its entirety.

Comparable sales

- At least 2 comparable manufactured home sales of similar configuration are required.
  - Site built housing and different types of factory-built housing may be used for a third comparable sale, if explanation for use provided.
- The specific number of comparable sales, the listings and price ranges must be included in the appraisal analysis.

- Loan file must include:
  - A complete copy of the sales contract for the home and land or separate contract for each, if applicable.

NOTE: If the land is owned 12 months or more, a copy of the executed land contract is not required.

  - A copy of manufactures invoice and purchase agreement when:
    - The manufactured home is new and is a purchase transaction; or
    - The mortgage is a conversion mortgage and is either a purchase or a no cash-out refinance transaction.
  - The Seller must provide a copy of the Certificate of installation or comparable state-specific forms and any additional applicable information along with the completion report or appraisal update on homes installed after October 20, 2008.
  - Evidence the manufactured home is properly titled and the lien has been properly created and perfected.

Eligible Properties

- 1 unit multi-wide dwelling
- Cash-Out 1 unit properties only
- Primary Residences
- Second Homes
- HUD REOs
- PUDs
- Texas 50(a)(6) transactions allowed

Ineligible Properties

- Singlewide
- 2-4 units
- Condos
- Leaseholds
- Other types of factory built housing not subject to the National Manufactured Construction and Safety Standards act.
- Seller owned modified or converted properties
- A seasoned mortgaged property
- Investment property
- Previously occupied property relocated from its originally installed permanent foundation
- Land contract
- Contract for deed
- Properties located in a 100 year flood zone

Additional Requirement

- Home must be at least 12 feet wide with a minimum of 600 square feet of living area.
- Legally classified as real property.
- Anchoring system must be incompliance with HUD codes.
    - Anchoring system of properties installed prior to October 2008 must comply with the manufactures design or designed by a licensed (registered professional engineer).
- Home must have been constructed on or after June 15, 1976 and on a permanent chassis in compliance with the Federal Manufactured Home Construction and Safety Standards (MHCSS).
- Both the HUD Certification Label and HUD Data Plate must be present and legible.
    - The HUD Data Plate section of the Manufactured Home Appraisal Report (Form 70B) must be completed with the information from both sources.
    - In the event the HUD Certification or Data Plate are not available, Planet will accept the following:
        - A verification letter from the Institute for Building Technology and Safety (BTS)

        - A copy of the Data Plate or substitute performance verification certificate from the IBTS, or
        - A copy of the Data Plate from the In-Plate Primary Inspection Agency (IPIA) or the manufacturer.
- Wheel, axles and towing hitch must be removed.
- Foundation must be designed in accordance with the manufactures instructions or a design by a licensed and registered professional engineer. Must meet all local, state, or federal codes, as applicable.
- The land must be owned by the borrower in fee simple.
    - May be located on an individual lot, subdivision, or Planned Unit Development.
- Utility hook-ups (electrical, gas, water, sewage, etc.) for manufactured homes are subject to HUDs standard guidelines regarding utilities.
- Temporary Buydowns not allowed.
- Mortgage Insurance required per Freddie Mac's standard guidelines in section 4701.1.
    - Borrower paid mortgage insurance premiums allowed.
- Mortgages secured by Manufactured Homes using proceeds to pay the outstanding balance of a land contract or contract for deed are eligible.

See Freddie Mac Selling Guide for complete requirements.

Mortgage Insurance

- Loans with >80% LTV require mortgage insurance and are subject to MI guidelines.
- Eligible MI products:
    - Borrower Paid Mortgage Insurance (BPMI). Monthly, single or split premium are eligible. *See* "Chapter 4: Mortgage Insurance" on page 36 for detailed requirements.
    - Lender Paid Mortgage Insurance (LPMI). Single premium only.
- Eligible MI options:
    - Non-refundable
    - Refundable
    - Level/constant renewal type (as applicable)

Planet will accept mortgage insurance issued by MI companies that are Freddie Mac approved.

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

Required MI Coverage			
Loan Terms	**LTV**		
	80.01 - 85%	85.01 - 90%	90.01 - 95%

Required MI Coverage			
≤ 20 year fixed rate	6%	12%	25%
Fixed Rate, term > 20 year and ARMs*	12%	25%	30%

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

Mortgage/Rental History

Per LPA

- If delinquencies are allowed, a satisfactory explanation is required and is subject to underwriter review
- Current mortgage must be current for the month closing
- To verify the monthly payment amount, third-party documentation is required if the credit report does not provide the monthly housing payment.
- Evidence of verification of mortgage payment history and/or rental payment history for the 12-month period prior to mortgage application must be included in the file.

Non-Arms' Length or Identity of Interest Transactions

- A non-ARM's length transaction is a purchase transaction where there is a relationship or business affiliation between the buyer and seller of the property
- Non-ARM's length transactions are eligible for resale properties on all occupancy types
- When a non-ARMs length transaction occurs on a property that is new construction, the property must be a primary residence only. Non-ARM's length transactions on new construction properties are ineligible if the property is a second home or investment.
- An identity of interest transaction involves parties who are not related and do not have close personal ties. However, they have a strong interest in the transaction. Identities of interest transactions are eligible on owner-occupied transactions; however, an additional review will be required to ensure validity of the transaction, value, etc. Additional documentation and/or a desk review or second appraisal may be required at underwriter discretion.

Occupancy

- Owner-occupied
- Second home
- Investment (non-owner occupied)

Power of Attorney

A Power of Attorney (POA) is allowed on a case-by-case basis on purchase and rate/term refinance transactions in a hardship or emergency situation or if an applicable law requires the use of a POA subject to all of the following:

- The person acting as the attorney-in-fact should be a family member or have a personal or fiduciary relationship with the borrower. The attorney-in-fact cannot be employed by or affiliated with any party to the transaction.
- Must be specific to the transaction.
- Must include the borrower name, property address and loan amount.
- POA must be fully executed and notarized.
- POA must be recorded along with the mortgage.

Prepayment Penalty

Not permitted.

Products

Fixed Rate: 10, 15, 20, and 30 year terms

Properties — Eligible

- 1 unit, Single family residences (attached/detached)
- 2-4 units
- Condo conversions per Freddie Mac Selling Guide.
- Condominiums, low and high-rise (attached/detached) Freddie Mac warrantable or Fannie Mae warrantable with PERS approval or CPM acceptance.
- Leaseholds meeting Freddie Mac guidelines (Freddie Mac Ground Lease Analysis (Form 461 required) eligible on a case-by-case basis subject to Planet's review and approval. The lease term must extend a minimum of 5 years from the mortgage maturity date.
- Manufactured Homes/Modular/prefabricated properties 1-unit only. Factory built but **not** built on a permanent chassis; built on a site similar to stick-built homes; permanently affixed to the foundation; must conform to local building codes. Property is legally classified as real property and assumes characteristics of stick-built such as permanent connections to water, electrical and waste disposal systems.
- PUDs(attached/detached)
- Rural properties
- Agricultural properties (allowed for Texas 50(a)(6) and Texas 50(f) transactions only).

Properties — Eligible Condominiums

- For established projects, the Project review must be completed within 180 days prior to the Note date. Warranty must be provided by Seller.
- For new condo projects, the project review must be completed within one (1) year prior to the Note date.

See Section 5701.2 Condominium project review and general condominium eligibility requirements in the Freddie Mac Selling Guide for complete details.

- Projects with Fannie Mae PERS approval or projects with a project acceptance certification through CPM are eligible if documentation of the PERS or CPM acceptance is provided.
- Freddie Mac Streamlined Review eligible for established projects subject to Freddie Mac guidelines. When a Streamlined Review is performed, the following LTV restrictions (**all states except Florida**) apply:
  - Owner occupied maximum LTV 90%
  - Second home maximum LTV 75%
  - Investment properties maximum LTV 75%

  Florida Specific:

  - New condo projects require PERS approval
  - Established Project Review is eligible for established projects
  - Streamlined Review for established condo project eligible as follows:
    - Maximum 75% > LTV/TLTV/HTLTV for owner-occupied
    - Maximum 70% > > LTV/TLTV/HTLTV for second home
    - Maximum 70% > LTV/TLTV/HTLTV for investment properties
- Projects where the HOA (or developer if not turned over to the HOA) is a party to litigation, arbitration, mediation or other dispute are only eligible in the following circumstances:
  - The litigation amount is known, the insurance company has committed to providing defense, and the litigation amount is covered by the insurance policy, or
  - The litigation/arbitration involves non-monetary neighbor disputes regarding the rights of enjoyment, or
  - The HOA is the plaintiff in the litigation, but it can be determined that the matter is minor in nature with insignificant impact to the financial status of the condo project.

Comparable sales for attached condominiums require the appraiser to provide a minimum of two comparable sales from outside the subject project and outside the influence of the developer, builder or property seller. *See* "Appraisals" on page 211 for additional comparable sales requirements.

Properties — Ineligible

- Agricultural-type properties, farms, orchards, ranches
- Builder bailout properties
- Condo Hotels (projects managed or operated as hotel/motel, hotel/motel conversions)
- Condominium conversions with characteristics of a Hotel/Motel
- Commercial property
- Cooperative projects
- Incoming producing properties (e.g. adult care facilities, bed & breakfast, etc.)
- Industrial zoned property
- Land Trust
- Mobile homes. Manufactured housing is defined as any dwelling built on a permanent chassis. **Manufactured homes are ineligible even if the towing hitch, wheels, and axles have been removed.**
- New condominium projects in Florida without a PERS approval
- Non-warrantable condominiums
- Properties located in the Hawaiian Islands in lava zones one (1) or two (2)
- Properties not suitable for year-round occupancy, regardless of location
- Properties with an Assignment of Contract
- Properties with problem drywall (aka Chinese drywall). Evidence of complete remediation must be provided if property previously contained Chinese drywall.
- Properties zoned for agricultural use (Texas 50 (a)(6) and Texas 50(f) loans are eligible)
- Property currently in litigation (except as noted above in the Properties Eligible-Condominiums) topic
- Unimproved/vacant land
- Unique properties (geodesic domes, earth berm homes, log homes, etc.)
- Rural property
- Timeshares
- Transient Housing

Property with an Accessory Unit

- 1-unit property with an accessory unit that **conforms to zoning** and land use requirements. The accessory unit must:
  - Have a kitchen and bathroom
  - One comparable sale; must be a 1 unit property with an accessory unit
    - The accessory unit must also comply with the land use requirements
- 1-unit property with an accessory unit that **does not** conform to zoning and land use requirements.
  - Site section of the appraisal report must indicate the accessory unit does not comply with zoning and land use requirements

- At two comparable sale with each having only 1 accessory unit must be included in the appraisal report
- Seller must confirm existence of the accessory unit will not jeopardize future hazard insurance claims

Property Flips

Property flips are subject to:

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

Purchase Agreements Amended/Renegotiated

- Not eligible if the sales price was increased **after** the original appraisal was completed if:
  - The appraised value is higher than the originally contracted sales price that was provided to the appraiser, and
  - The new purchase agreement and/or addendum to the purchase agreement is dated after the appraisal, and
  - The only change to the purchase agreement was the sales price.
- If the purchase agreement was renegotiated after the completion of the appraisal, the LTV would be based on the **lower** of the original purchase price or the appraised value, unless:
  - The re-negotiation was only for seller paid closing costs and/or pre-paids where the seller paid closing costs/pre-paids are common and customary for the area and are supported by the comparables, or
  - The purchase contract was amended for a new construction property due to Improvements made that impact the tangible value of the property. An updated appraisal report must be obtained to validate the value of the improvements.
- Assignment of the purchase contract is not allowed.

Refinance Transactions

Per LPA if:

- At least one borrower is a borrower on the existing mortgage, and
- Borrower held title to and resided in subject property for the most recent 12 months. Mortgage file must indicate:
  - Timely mortgage payments for the most recent 12 months; or
  - New borrower must be related to the borrower on the existing mortgage, or
  - Property is inherited by or awarded to a borrower on the refinanced mortgage.
- **No cash out refinance transactions** are eligible subject to the following:

    - Proceeds can be used to pay off a first mortgage, pay off or pay down a second mortgage used in its entirety to the purchase of the subject property, and related closing costs and prepaid items.
    - Cash to the borrower cannot exceed the greater of 1% of the loan amount or $2,000.00. *See* Section 4301.4 of the Freddie Mac Selling Guide for complete details.
- **Cash-out refinance transactions** require 6 months' seasoning measured from settlement date to the Note date of the new cash-out refinance transaction.
- If none of the borrowers have been on title for at least 6 months, the following requirements apply:
    - At least one Borrower on the refinance Mortgage inherited or legally awarded the subject property, or, meet all of the following conditions:
        - The executed CD from the original purchase transactions reflects that no financing secured by the subject property was used to purchase the property, and
        - The preliminary title report for the refinance transaction must reflect the borrower as the owner of the subject property and indicate there are no existing liens on the property, and
        - The source of the funds used to purchase the subject property must be fully documented, and
        - If funds were borrowed to purchase the subject property, those funds must be repaid and reflected on the CD for the refinance transaction, and
        - The amount of the cash-out transaction cannot exceed the sum of the original purchase price, plus related closing costs, financing costs, and prepaids/escrows as documented on the CD for the purchase transaction (subject to the maximum LTV/TLTV ratios for a cash-out transaction based on the current appraised value), and
        - There must have been no affiliation or relationship between the buyer and seller of the purchase transaction (non-arm's length purchase ineligible), and
        - An "Accept" Feedback Certificate from LPA is required and the transaction must meet all other cash-out eligibility requirements.
- Properties must not be currently listed for sale.
- Cash-out transactions where the property was listed for sale in the 6 months prior to the application date:
    - Borrower(s) must provide written confirmation of their intent to occupy the property as for primary residence transactions.
    - The transaction is limited to the less of 70% LTV/TLTV or the maximum LTV for product/occupancy/property type.

Financing Real Estate Taxes – the following applies when real estate taxes are financed:

- No Cash-Out Refinance: A loan is **ineligible** as no cash-out refinance and must be considered a cash-out transaction when:
  - Borrower finances the payment of real estate taxes for the subject property in the loan amount but does not establish an escrow account, or
  - Borrower finances the payment of real estate taxes that are more than 60 days delinquent for the subject property in the loan amount.
- **Cash-Out Refinance:**
  - A loan with financed real estate taxes that are more than 60 days delinquent is eligible as long as an escrow account is established. If an escrow account is **not** established, the loan is **ineligible**.

Reserves

Per LPA Feedback. All reserves entered into LPA must be verified.

- Reserves are based on the full monthly payment amount for the property including principal and interest, hazard insurance, taxes, and, as applicable, mortgage insurance premium, leasehold payment, HOA dues, and payment on any secondary financing.
- Primary residence 1-unit; reserves not required
- Primary residence 2-4 units: 6 months for the subject property.
- Second home properties require two months reserves for the subject property and two months reserves for each additional second home and/or 1-4 unit investment property that is financed and the borrower has an ownership interest or is obligated on.
- Investment properties require 6 months of PITIA (and any of the above as applicable) for the subject property and two months reserves for each additional second home and/or 1-4 unit investment property that is financed and the borrower has an ownership interest or is obligated on.

Reserve requirements when converting a principal residence are subject to Freddie Mac Selling Guide.

Acceptable Sources of Reserves

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

Seller Contribution

See "Interested Party Contributions" on page 233 for Seller contribution limits.

Secondary Financing or Affordable Seconds

First Lien mortgages with secondary financing under the terms of the purchase documents are acceptable.

New Secondary Financing requirements:

- The term of the junior lien must not be less than five years after note date of the first lien mortgage unless the junior is fully amortizing or is a HELOC.
- The scheduled payments must be sufficient to meet interest and may not accrue.
- Amount of monthly payment may be excluded from the monthly housing expense-to-income and debt payment-to-income ratios if:
  - EAH benefit and the payment of principal and interest or interest only begins on or after the 61st monthly payment under the first lien, or
  - If repayment of the principal is due only upon sale or default.
- CD evidencing the fee and costs paid by the borrower at closing; HELOC agreement must be included in the mortgage file.

Affordable Seconds requirements under section 4204.1(a) apply in addition to the following:

- Must be provided by an agency under an established, ongoing secondary financing or finance assistance program; however, the mortgage may not be sourced by the seller or interested party.
- The First Lien mortgage must be a fixed rate mortgage, purchase transaction or a “no cash-out” refinance, and secured by a 1-4 unit primary residence,
- The term must not require a balloon payment due before the maturity or payment in full of the First Lien.
- The interest rate must not be more than 2% higher than the interest of First Lien mortgage and interest accruals added to the principal may not increase the total TLTV ratio beyond the maximum TLTV allowed for the First Lien mortgage at any time during the term of the First Lien.
- Affordable Seconds cannot be a HELOC.

Existing Secondary Financing requirements:

- Evidence of the subordination must be included in the mortgage file and payments must be sufficient to meet interest due.

If financing is Employer Assisted Homeownership (EAH):

  - Unsecured loans — funds may be used for down payment and closing cost only. Refer to the Freddie Mac Selling guide for additional guidance.

  - Secured loans — regular monthly payments must be included in the monthly housing expense-to-income ratio.

An Employer Assisted Homeownership (EAH) Benefit may be used as a source of funds to qualify the Borrower for the Mortgage transaction if the terms of the EAH Benefit comply with the following:

- The EAH Benefit is provided to an employee from the employer pursuant to an established, ongoing and documented employer benefit program, provided (i) the employer is not an interested party (as described in Section 5501.5) and (ii) the funds were not obtained from an interested party either directly or through a third party.
- The Mortgage is secured by a 1- to 4-unit Primary Residence.

See Section 4204.1 – 4204.2 of the Freddie Mac Selling Guide for complete details.

Temporary Buydown

Not available.

Texas 50(a)(6)

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

A Texas Section 50(a)(6) loan is a loan originated in accordance with and secured by a lien permitted under the provisions of Article XVI, Section 50(a)(6), of the Texas Constitution, which allow a borrower to take equity out of a homestead property under certain conditions. The transaction must meet all the eligibility criteria specified in the Texas Constitution.

Please note the following Planet requirements:

- Borrower Types
  - Unmarried co-borrowers are permitted, must take title to the property and is legally liable for the debt.
  - Non-borrowing spouse is permitted.
- Borrower Eligibility
  - Owner-occupied properties only.
  - No power of attorney permitted.
  - Inter-vivos revocable transactions must meet the qualifying trust requirements under Texas law for purposes of owning residential property that qualifies for the homestead exemption.
- Collateral Eligibility
  - Property must be borrower's Urban Homestead (Rural Homesteads are not allowed).
  - Eligible properties are limited to a single unit, principal residence consisting of: an attached or

detached dwelling, a unit in a Planned Unit Development (PUD), or a unit in a Condominium Project.

- Manufactured housing is ineligible.
- Property must be residential in nature and zoning; not a farm or ranch.
- Property site must not exceed 10 acres (actual size of property; larger parcels may not be valued considering only 10 acres).
- Full appraisal with both interior and exterior inspection is required.
- Survey or other acceptable evidence that the homestead property and any adjacent land are separate parcels and the homestead property is a separately platted and subdivided lot for which full ingress and egress is available
- Max 80.00% LTV/CLTV.

- Transaction Details
  - A full appraisal is required
  - An existing Texas Section 50(a)(6) first or second mortgage on the homestead must have a minimum of 365 days seasoning prior to the new loan closing date.
  - An existing Texas Section 50(a)(6) second mortgage may not be re-subordinated to a new Texas Section 50(a)(6) first mortgage. Only one Texas Section 50(a)(6) lien is allowed at a time.
  - New mortgage may not be assumable.
  - Fixed rate only.
  - LPA Eligible/Accept required.
  - FICO per LPA.
  - Temporary interest rate Buydowns are ineligible.
  - Planet requires the Seller to provide a copy of the Attorney Representation letter as evidence that the closing documents were prepared or reviewed by a Texas licensed attorney prior to closing. Planet will only purchase Texas 50(a)(6) loans where the closing documents were reviewed and/or prepared by one of the following attorneys:
    - Baird Law, PLLC
    - Black, Mann & Graham
    - Dorsett Johnson & Swift, LLP
    - Carolyne K. Davis, P.C.
    - Gregg & Valby
    - Matt Haddock, PLLC
    - Kubik Law Firm, PLLC
    - MRG — Mortgage Resource Group
    - McGlynchey, Stafford
    - Pierson & Patterson
    - Polunsky Beitel Green, Attorneys at Law

- Rich Karlseng, LLC
- Robertson Anschutz Vetters
- Sandler Law Group

NOTE: There are no exceptions to the Attorney list at this time.

The Texas Attorney Response Letter must be in the loan file as evidence of the approving attorney and to confirm the attorney's conditions have been met.

- Loan Fees
  - Loan fees paid by the borrower may not exceed 2% of the loan amount. There is a 2% fee Cap for all closing cost, fees and charges except the following:
    - Discount Points (if bona fide and documented)
    - Flood Insurance
    - Hazard Insurance
    - HOA Maintenance Fees/Dues
    - Late Charges
    - Prepaid Per Diem Interest
    - Property Tax
    - Appraisal fees paid to a third-party appraiser (AMC is not excluded)
    - Survey Fees
    - Title Premiums, or
    - Title Examination charges if less than the title premium
    - Title Endorsements
- Title Insurance
  - Policy must be written on Texas Land Title Association forms (standard or short form), supplemented by an Equity Loan Mortgage Endorsement (Form T-42) and a Supplemental Coverage Equity Loan Mortgage Endorsement (Form T-42.1), is required.

  The title insurance policy cannot include language that:

    - Excludes coverage for a title defect that arises because financed origination expenses are held not to be "reasonable costs necessary to refinance", or
    - Defines the "reasonable costs necessary to refinance" requirement as a "consumer credit protection" law since the standard title policy excludes coverage when lien validity is questioned due to a failure to comply with consumer credit protection laws.
    - The endorsements may have no exceptions or deletions.

- Closing must take place in the office of an attorney. Closing at the borrower's residence is prohibited.

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

    NOTE: The affidavit must be recorded together with the Security Instrument and any applicable riders.
  - Condominium Rider
    - Texas Home Equity Condominium Rider — Fannie Mae/Freddie Mac UNIFORM INSTRUMENT Form 3140.44 01/01
      - If the property is a Condominium Unit.
  - Planned Unit Development (PUD) Rider
    - Texas Home Equity Planned Unit Development Rider — Fannie Mae/Freddie Mac UNIFORM INSTRUMENT Form 3150.44 01/01
      - If the property is in a PUD.
  - Notice Concerning Extensions of Credit Defined by Section 50(a)(6), Article XVI, Texas Constitution (12-day notice). Must be revised version dated 11-17
    - Per Texas Law, all borrowers must receive a copy of the signed 12-day notice, and
    - Loan cannot close until the 13th day of application submission date.
  - Texas Home Equity Receipt of Copies
  - Texas Home Equity Election Not to Rescind

- Document must be signed 3-business days after rescission date has expired

- Acknowledgment as to Fair Market Value of Homestead Property

  - This document must accompany the appraisal

- Texas Home Equity Loan/HELOC Closing Instructions Addendum
- File must evidence a copy of closing instructions and acknowledgment receipt.
- Texas Home Equity Certificate from Originating Lender Regarding Compliance with Section 50(a)(6) Article XVI of the Texas Constitution.
- Owner's Affidavit Acknowledging Lender's Compliance with Constitutional Requirements to Provide Owner Early Final Itemized Disclosure of Actual Fees and Charges
- Owner's Affidavit of Compliance

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

Texas 50(f) Rate/Term Refinance

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

- 365 days seasoning at closing is evidenced in the file
- Borrower receives no-cash-out at closing
- No additional advances allowed with the exception of refinancing the existing lien and actual closing costs and reserves.
- CLTV does not exceed 80%
- Borrower must sign the Notice of Refinance of Texas Home Equity within 3 business days of loan application (12-day notice).
- Texas Home Equity Refinance Affidavit executed at closing
- A full appraisal is required

NOTE: *See* "Refinance Transactions" on page 243 for conventional refinance requirements.

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

Transaction — Eligible

- Purchase
- Cash-Out Refinance
- Freddie Mac HomeOne (see "Freddie Mac HomeOne Program Guidelines" on page 254)
- Freddie Mac Home Possible (see "Freddie Mac Home Possible Program Guidelines" on page 273)
- Freddie-Owned No Cash-Out
- No Cash-Out Refinance

Transaction — Ineligible

- Any transaction without a LPA "Accept" Feedback Certificate
- Community Land Trusts
- Freddie Mac Open Access
- High-Cost Loans
- Illinois Land Trust
- Interest-Only
- Loans with tutorship lien
- Manual underwrites
- Non-Arm's length transaction that involves new construction and the loan is secured by a second home or investment property
- Non-Traditional Credit
- Properties in the "Right of Redemption Period" as applicable state law allows
- Refinance transactions where the subject property was listed for sale at the time of loan disbursement
- Restructured mortgages that do not meet Freddie Mac guidelines
- Transactions using Mortgage Credit Certificates (MCC) may be considered with approval from the Planet Credit Risk Officer
- Transactions where the property securing the loan is subject to a private transfer fee covenant created on or after February 8, 2011, and fee collect does not directly benefit the property.

Freddie Mac Guidelines and Resources

- Freddie Mac guidelines may be accessed at Freddie Mac under **Access the Guide**.
- Additional resources are available by selecting "The Learning Center" from the menu on the left side of the page.
- The Loan Product Advisor Documentation Matrix provides information for documenting an LPA loan.

Freddie Mac HomeOne Program Grid

FIXED RATE Owner-Occupied Primary Residence				
Transaction Type	**Units**	**LTV/TLTV/HTLTV[1,2,3]**	**Loan Amount**	**Credit Score**
Purchase and No Cash-Out	1	97%/105%/97%	*See* Loan Limits below	Per LPA
	2-4	N/A		

Footnotes:

1. Up to 105% TLTV allowed provided subordinate lien is an Affordable Second. Subordinate financing that is not an Affordable Second is limited to 97% TLTV.
2. Standard 35% Mortgage Insurance coverage is required when LTV exceeds 95%.
3. LTV/TLTV > 95% subject to additional requirements, including refinance must pay off a Freddie Mac owned loan. *See* "Transaction — Eligible" on page 270 and refer to the Freddie Mac Selling Guide for complete details.

Maximum Conforming Loan Limits		
Units	**Contiguous States, District of Columbia**	**Alaska, Hawaii**
	General	High Balance
1	$510,400	$765,600
2	$653,550	$980,325
3	$789,950	$1,184,925
4	$981,700	$1,472,550

Freddie Mac HomeOne Program Guidelines

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

4506-T

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

Age of Documents

- All credit, employment, income and asset documentation must be dated within 2 months as of the Note date.
- Preliminary title policies must be dated within 120 days of the Note date.
- Appraisal documents must have an effective date within 2 months as of the Note date.
- A verbal verification of employment (VVOE) is required within 10 business days prior to the Note date for salaried borrowers and within the 60 calendar days prior to the Note date for self-employed borrowers.
- A military Leave and Earnings Statement dated within 30 days prior to the Note date is acceptable for active duty military in lieu of a VVOE.

Appraisals

- *See* Planet's standard Freddie Mac Program Guidelines.

Assets

Documentation per LPA.

- All funds used to close the transaction must be disclosed on the 1003 and input into LPA.
- The borrower must provide evidence that the earnest money deposit came from an acceptable source and that they have sufficient assets to cover the down payment, closing costs, prepaids and reserve (if applicable) requirements. Evidence required:
  - Two months most recent bank or financial statements, all pages. If a copy of the canceled deposit check is used to document the source of funds, the bank statements must cover the

period up to and including the date the earnest money check cleared the bank.
  - VOD is acceptable as primary source of verification.
  - Sellers who are also the depository for the borrower's account may provide a printout or other alternative verification of the borrower's bank account assets produced directly from the bank or credit union's system in lieu of bank statement(s).
- Refinance transactions require verification of funds to close.
- Business funds of a self-employed borrower may be used for down payment, closing costs and/or reserve requirements subject to the following:
  - The borrower must be listed as an owner on the account. If the borrower's name is not listed on the business account statement, documentation that the borrower is an authorized signer on the account is required. This applies to all business accounts, including sole proprietorships, when business account funds are being utilized for down payment, closing costs and/or reserves. Examples of acceptable documentation:
    - Letter from the bank confirming borrower is an authorized signer, or
    - Online documentation that confirms borrower is an authorized signer.
- A cash flow analysis, based on 3-months' business bank statements, dated within 60 days of the closing date, is required to determine the withdrawal of business funds will not have a negative impact on the business. The cash flow analysis must indicate the following:
  - The average running balance in the account for the previous 3 months stayed the same or was better, **and**
  - The amount of funds used for the transaction must not deplete the account i.e., the balance remaining in the account should not be less than half of what was in the account prior to the withdrawal.
- Cash on hand, unsecured borrowed funds or unverified funds are ineligible sources for assets.
- Payout from a life insurance policy is acceptable for down payment or closing costs. A copy of the check or payout statement issued by the insurance company is required. If the cash value is being used for reserves, documentation of the cash value is required however the policy does not need to be liquidated.
- Proceeds from the sale of a currently owned property are eligible for down payment and closing costs. The final Settlement/CD for the existing property must be provided before or at closing to show sufficient net cash proceeds to close the purchase. The final Settlement/CD is **not** required to be fully executed.
- Large deposits are considered to be a single deposit where any **unsourced** portion of the deposit exceeds 50% of the combined gross monthly income of the borrower(s). If the deposit includes both sourced and unsourced funds, only the unsourced portion is used to calculate whether the deposit meets the 50% definition. Direct deposits, such as IRS or state income tax refunds, transfer of funds between verified accounts, that are easily identified on the account statement do not require documentation. Large unsourced deposits must be explained and verified except on refinance transactions where no funds are required for closing.
- Verification of assets from foreign sources:

- Funds that a borrower (either U.S. citizen or non-U.S. citizen) has deposited into a U.S. depository institution are acceptable provided **all** of the following requirements are met:
    - Documentation of the transfer of funds from the borrower's country of origin is provided, and
    - It can be established that the funds belonged to the borrower before the date of transfer, and
    - The source of all funds used for closing can be verified following the same requirements for U.S. citizens. Generally, two years of tax returns are required to document foreign income.

- **Eligible Qualifying Assets**

Retirement assets not used as a source borrower(s) income.

- Funds must be available for withdrawal as of the note date and in its entirety, less any portion pledged as collateral for a loan, or otherwise encumbered without penalty or early distribution tax.
- Borrower(s) must be fully vested.
- File must evidence most recent retirement asset statement.

Lump-sum distribution funds not deposited to an eligible retirement asset.

- Funds must be derived from a retirement account recognized by the IRS and must be deposited to a depository or non-retirement securities account.
- A Borrower must have been the recipient of the lump-sum distribution funds.
- Parties not obligated on the mortgage must not have any ownership interest in the account.
- The proceeds from the lump-sum distribution must be immediately accessible in their entirety.
- Proceeds from distribution must not be or had been subject to penalty or early tax distribution.
- File must evidence:
    - Employer distribution letter(s) and/or checks stubs evidencing proof of receipt and distribution fund type,
    - Funds are derived from eligible retirement assets and must not have been or be subject to a penalty or early distribution tax.

Depository accounts and securities

- All Borrower(s) who owned assets solely or jointly must be party to the mortgage and/or on the title.
- Funds must be available for withdrawal as of the note date and in its entirety, less any portion pledged as collateral for a loan, or otherwise encumbered without penalty or early distribution tax.
- Account must be held in a U.S. or State regulated financial institution and verified in U.S.

dollars.

- File must evidence:
  - One-month recent account statement or VOD for Streamlined Accept AUS feedback response.
  - Two-month recent account statement or VOD for a Standard Documentation AUS feedback response or a VOD.
  - For securities only, if the Borrower does not receive a stock/security account statement, provide evidence the security is owned by the borrower, and verify value using stock prices from a financial publication or website.
  - Source of Deposits: Large deposits funds for any deposit exceeding 10% of borrower(s) total eligible assets in depository accounts and securities be sourced and not include gifts, borrowed funds, or reduced the eligible assets used to qualify the borrower by the amount of the deposit. When the source of funds can be clearly identified from the deposit information on the account statement (e.g., direct payroll deposits) or other documented income or asset source in the Mortgage file, no additional documentation is required.

Assumptions

Planet follows agency guidelines.

AUS

LPA "Eligible/Accept" results required. Manual underwriting is ineligible.

Available Markets

The U.S. territories of Guam and the Virgin Islands are ineligible regardless of delegation.

Borrowers — Eligible

- A natural person
- U.S. Citizens
- Permanent resident aliens:
  - Permanent resident alien borrowers must hold an unexpired “Green Card” issued by the U.S. Citizenship and Immigration Services (USCIS). A copy of both the front and back of the card is required.
- Non-permanent resident aliens:
  - Non-permanent resident aliens are temporary residents who are eligible to live/work in the United States for a specific period of time. Acceptable documentation of their work authorization is:

- An unexpired Employment Authorization Document (EAD) by the USCIS, or
- An unexpired visa. Eligible types are E-1, G series, H series, L-1A, L-1B or TN.

- If the authorization for temporary residency will expire within one year of closing and a prior history of residency status renewals exists, continuation may be assumed. If there are no prior renewals, the likelihood the authorization will be renewed must be determined based on information received from the USCIS.

- Revocable Inter Vivos Trust that meets Freddie Mac guidelines. Trusts are eligible on:
  - 1 unit owner-occupied or second home only.
  - A Power of Attorney is ineligible with an inter vivos trust.
- All borrowers are required to have a social security number.

Borrowers — Ineligible

- Foreign Nationals
- Borrowers with diplomatic immunity
- Borrowers without a social security number or a number that cannot be validated with the SSA
- Borrowers with non-traditional credit
- Borrowers that receive Government/Public Assistance Income (Section 8 income)
- Non-occupant co-borrowers and co-signers

Borrower Types

Co-Borrower: An individual, who applies jointly with the applicant, takes title to the property and is liable for the debt. The co-borrower signs all documents. Co-borrower's income, assets and debt used for loan qualification.

Non-Borrowing/Non-Purchasing Spouse: Generally have no ownership interest in the property and are not liable for the debt. In community property/marital rights states, the non-borrowing spouse does have an interest in the property and is required to execute the security instrument and all applicable documents as determined by state law.

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

Chain of Title

A 12-month chain of title is required for all loans (excluding new construction). Title must include all transfers in the previous 12-month period, including copies of all recorded deed(s). If more than one transfer in previous 12 months **or** property has significant increase in value since prior transfer, an appraisal addendum addressing all transfers is required.

Contingent Liability

Per Freddie Mac Selling Guidelines.

Credit History

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

Credit — Installment/Revolving Accounts

All debts must be run through LPA to ensure accurate LPA Feedback Certificate.

See Planet's Freddie Mac program guidelines for additional details.

Credit Report/Scores

Per LPA

- At least one borrower on the loan must have a usable credit score as determined by LPA.

NOTE: Any debt not reported on the credit report requires documentation that it has been paid satisfactorily for the most recent 12 months.

- A tri-merged credit report is required for all borrowers.
- The representative credit score is determined as follows:
  - If there are three (3) valid scores, the middle score is used. If two of the three scores are a duplicate, the duplicate score is used.
  - If there are two (2) valid scores, the lower of the two is used
  - If there is one (1) valid score, that score is used
  - Borrowers with frozen credit may have no more than one national credit repository's information frozen.

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

- When the credit reports reflect inquiries made within the previous 90 days, the loan file must evidence verification if new debt was granted, and the debt must be used to qualify the borrower.
- The credit report must be dated within 120 days of the Note date.

See Freddie Mac Selling Guide for complete details on Credit Reports and Scores.

Deed/Resale Restrictions

Properties with age-related restrictions (55+ communities) are eligible subject to Freddie Mac requirements. All other properties subject to deed/resale restrictions are ineligible.

Derogatory Credit

Per LPA Feedback Certificate except as noted below:

Derogatory Event	Waiting Period Requirements*	
Bankruptcy - Chapter 7 or 11	2 years from discharge date or dismissal date	
Bankruptcy - Chapter 13 or 12	2 years from the discharge or dismissal date	
Foreclosure	7 years from the completion dates as reported on the credit	**Exceptions:** Events within the previous 36 months must be: • Primary residence purchase transactions with a maximum 90% LTV/TLTV/HTLTV • A rate/term refinance transaction
Deed-in-Lieu of Foreclosure	7 years from execution or completion date	**Exceptions:** Events within the previous 24 months must be: • Primary residence purchase transactions with a maximum 90% LTV/TLTV/HTLTV • A rate/term refinance transaction
Short Sale	Ineligible (due to manual underwriting requirement)	

*Measured from the applicable event end date to application date

Judgments and Tax Liens

Must be paid prior to close.

Delinquent Child Support

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

DTI

Per LPA with an "Eligible/Accept" Feedback Certificate.

Employment

- A 2-year employment history is required for both wage earner and self-employed borrowers.
- A current paystub with YTD income and most recent W-2s are required for wage earners.
- A military Leave and Earnings Statement dated within 30 days prior to the Note date is acceptable for

active duty military in lieu of a verbal verification of employment (VVOE).

- A VVOE is required within 10-**business** days **prior** to the Note date for salaried borrowers and within the 120 calendar days **prior** to the Note date for self-employed borrowers.
- Self-employed borrowers require verification of the business by a third-party source (e.g., CPA, Federal Tax ID Certificate, and Business License). Self-employed borrowers are individuals who have 25% or greater ownership interest in a business.
- For borrowers who re-entered the workforce and have less than a 2-year employment and income history, income may be used for qualifying if documentation is provided indicating the borrower has been at their current employment for a minimum of 6 months and there is documented prior employment history.
- For borrowers who are newly employed with less than a 2-year employment history, income may be used for qualifying if it can be documented the borrower was attending school or a vocational/training program immediately prior to employment.
- For loans with application dates on or after 4/15/20 – 5/17/20 the existence of the borrower's business must be verified within 120 calendars prior to the Note date. The business must be open and operational. This must be confirmed within 10 business prior to the Note date or prior to delivery to Planet.

Escrow Holdback

- **Newly constructed properties — weather related**
  - Funds held for completion of grading of yard/driveway, pouring concrete for driveway/sidewalks
  - Seller must provide proof of completion and release of funds post-purchase
- **Newly constructed properties with city held bond — weather related**
  - Eligible for purchase with temporary Certificate of Occupancy when a city bond is held for completion of roads and/or driveways
- **New construction — non-weather related**
  - Funds held for completion of landscaping
  - Seller must provide proof of completion and release of funds post-purchase.

NOTE: Existing properties with new renovations allowed on a case-by-case basis.

Escrow/Impound Account

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

Escrowed Flood Insurance Premiums

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

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

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

Exclusionary List

Seller is responsible for checking all parties on the transaction against Freddie Mac's Exclusionary List.

Financed Properties

Unlimited.

Gift Funds

Gift funds from an acceptable donor may be used for all or part of the down payment, closing costs, or reserve requirements as long as the below requirements are met.

- Gift funds may be provided by any of the following:
  - A relative, defined as the borrower's spouse, child, or other dependent, or by another individual who is related to the borrower by blood marriage, adoption or legal guardianship, or
  - A fiancé or fiancée, or domestic partner.
- The gift must be evidenced by a gift letter, signed by the donor and it must:
  - Specify the dollar amount
  - Be signed by the donor and the borrower
  - Indicate the address of the subject property
  - Indicate the donor(s) name, address, phone number, and relationship to the borrower
  - Include a statement by the donor that no repayment of the gift funds is expected
  - If the gift funds are not verified in the borrower's account, provide evidence of transfer from the donor to the borrower.
- The transfer of the gift funds must be documented. Acceptable documentation includes:
  - Copy of the donor's canceled check and the borrower's deposit slip
  - Copy of the donor's withdrawal slip and the borrower's deposit slip
  - Copy of the donor's check to the closing agent, or
  - Settlement statement showing receipt of the donor's check.
  - If funds not transferred prior to settlement, documentation the donor gave the closing agent the gift funds in the form of a certified/cashier's check or other official check or copy of wire transfer.

See Freddie Mac Selling Guide for additional requirements.

Homeownership (CreditSmart Homebuyer U) and Landlord Education

When all borrowers are First-Time Homebuyers, at least one borrower must participate in a Homeownership Education program.

Higher Priced and High Cost Loans

- Higher priced mortgage loans (HPML) are eligible subject to the following:
  - Establishment of an escrow account for taxes and insurance on primary residence transactions, and
  - Loan must meet all applicable and/or federal compliance requirements, and
  - Loan must be fixed rate
- High cost loans are **ineligible**.

Income

No income restrictions.

Rental income is permitted only for a borrower with a disability when the rental income is received from a live-in-aide.

See Freddie Mac Selling Guide for complete income requirements.

Inspections

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

Interested Party Contributions

Interested Party Contributions (IPC) pay for costs that are normally charged to the buyer of the property (borrower) and are provided by a party that has a financial interest in, or can influence the terms and sale/transfer of the subject property such as:

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

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

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

IPCs are limited as follows:

Occupancy Type	LTV/TLTV	Minimum Allowable Contribution*
Primary Residence	> 95%	3%

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

  They may also include:

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

- HOA dues (≤ 12 months). The HOA dues must be collected at closing, transferred directly to the HOA and documented on the CD.

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

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

LDP/SAM

LDP / SAM

All of the following parties to the transaction, as applicable, must be checked against the HUD's Limited Denial of Participation list and the System for Award Management list.

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

Mortgages — Ineligible

- Any mortgage not secured by a single-family primary residence
- A-minus
- Seasoned
- Permanent Buydown
- Modified
- FHA and VA
- Super Conforming
- Freddie Mac Relief Refinance
- Freddie Mac Home Possible

Mortgage Insurance

- Loans with >80% LTV require mortgage insurance and are subject to MI guidelines.
- Eligible MI products:
  - Borrower Paid Mortgage Insurance (BPMI). Monthly, single or split premium are eligible. *See* "Chapter 4: Mortgage Insurance" on page 36 for detailed requirements.
  - Lender Paid Mortgage Insurance (LPMI). Single premium only.

- Eligible MI options:
  - Non-refundable
  - Refundable
  - Level/constant renewal type (as applicable)

Planet will accept mortgage insurance issued by MI companies that are Freddie Mac approved.

Mortgage/Rental History

Per LPA

- If delinquencies are allowed, a satisfactory explanation is required and is subject to underwriter review
- Current mortgage must be current for the month closing
- To verify the monthly payment amount, third-party documentation is required if the credit report does not provide the monthly housing payment.
- Evidence of verification of mortgage payment history and/or rental payment history for the 12-month period prior to mortgage application must be included in the file.

Non-Arms' Length or Identity of Interest Transactions

- A non-ARM's length transaction is a purchase transaction where there is a relationship or business affiliation between the buyer and seller of the property
- Non-ARM's length transactions are eligible for resale properties on all occupancy types
- When a non-ARMs length transaction occurs on a property that is new construction, the property must be a primary residence only. Non-ARM's length transactions on new construction properties are ineligible if the property is a second home or investment.
- An identity of interest transaction involves parties who are not related and do not have close personal ties. However, they have a strong interest in the transaction. Identities of interest transactions are eligible on owner-occupied transactions; however, an additional review will be required to ensure validity of the transaction, value, etc. Additional documentation and/or a desk review or second appraisal may be required at underwriter discretion.

Occupancy

- Owner-occupied
- All borrowers must occupy the subject property

Power of Attorney

A Power of Attorney (POA) is allowed on a case-by-case basis on purchase and rate/term refinance transactions in a hardship or emergency situation or if an applicable law requires the use of a POA subject to all of the following:

- The person acting as the attorney-in-fact should be a family member or have a personal or fiduciary relationship with the borrower. The attorney-in-fact cannot be employed by or affiliated with any

party to the transaction.
- Must be specific to the transaction.
- Must include the borrower name, property address and loan amount.
- POA must be fully executed and notarized.
- POA must be recorded along with the mortgage.

Prepayment Penalty

Not permitted.

Products

Fixed Rate: 15, 20, and 30 year term

Properties — Eligible

- 1 unit primary residence
- Condo
- PUDs
- Townhouses

Properties — Ineligible

- 2-4 units
- Agricultural-type properties, farms, orchards, ranches
- Builder bailout properties
- Condo Hotels (projects managed or operated as hotel/motel, hotel/motel conversions)
- Condominium conversions with characteristics of a Hotel/Motel
- Commercial property
- Cooperative projects
- Incoming producing properties (e.g., adult care facilities, bed & breakfast, etc.)
- Industrial zoned property
- Land Trust
- Mobile homes
- Manufactured homes
- New condominium projects in Florida without a PERS approval
- Non-warrantable condominiums
- Properties located in the Hawaiian Islands in lava zones one (1) or two (2)
- Properties not suitable for year-round occupancy, regardless of location
- Properties with an Assignment of Contract
- Properties with problem drywall (aka Chinese drywall). Evidence of complete remediation must be provided if property previously contained Chinese drywall.

- Properties zoned for agricultural use (Texas 50 (a)(6) and Texas 50(f) loans are eligible)
- Property currently in litigation (except as noted above in the Properties Eligible-Condominiums) topic
- Unimproved/vacant land
- Unique properties (geodesic domes, earth berm homes, log homes, etc.)
- Rural property
- Timeshares
- Transient Housing

Purchase Agreements Amended/Renegotiated

- Not eligible if the sales price was increased **after** the original appraisal was completed if:
  - The appraised value is higher than the originally contracted sales price that was provided to the appraiser, and
  - The new purchase agreement and/or addendum to the purchase agreement is dated after the appraisal, and
  - The only change to the purchase agreement was the sales price.
- If the purchase agreement was renegotiated after the completion of the appraisal, the LTV would be based on the **lower** of the original purchase price or the appraised value, unless:
  - The re-negotiation was only for seller paid closing costs and/or pre-paids where the seller paid closing costs/pre-paids are common and customary for the area and are supported by the comparables, or
  - The purchase contract was amended for a new construction property due to Improvements made that impact the tangible value of the property. An updated appraisal report must be obtained to validate the value of the improvements.
- Assignment of the purchase contract is not allowed.

Purchase Transactions

- Per LPA
- At least one borrower must be a First-Time Homebuyer

Refinance Transactions

Per LPA

Reserves

Per LPA Feedback. All reserves entered into LPA must be verified. Reserve requirements when converting a principal residence are subject to the Freddie Mac Selling Guide.

Seller Contribution

See "Interested Party Contributions" on page 263 for Seller contribution limits.

Secondary Financing or Affordable Seconds

First Lien mortgages with secondary financing under the terms of the purchase documents are acceptable.

New Secondary Financing requirements:

- The term of the junior lien must not be less than five years after note date of the first lien mortgage unless the junior is fully amortizing or is a HELOC.
- The scheduled payments must be sufficient to meet interest and may not accrue.
- Amount of monthly payment may be excluded from the monthly housing expense-to-income and debt payment-to-income ratios if:
  - EAH benefit and the payment of principal and interest or interest only begins on or after the 61st monthly payment under the first lien, or
  - If repayment of the principal is due only upon sale or default.
- CD evidencing the fee and costs paid by the borrower at closing; HELOC agreement must be included in the mortgage file.

Affordable Seconds requirements under section 4204.1(a) apply in addition to the following:

- Must be provided by an agency under an established, ongoing secondary financing or finance assistance program; however, the mortgage may not be sourced by the seller or interested party.
- The First Lien mortgage must be a fixed rate mortgage, purchase transaction or a “no cash-out” refinance, and secured by a 1-4 unit primary residence,
- The term must not require a balloon payment due before the maturity or payment in full of the First Lien.
- The interest rate must not be more than 2% higher than the interest of First Lien mortgage and interest accruals added to the principal may not increase the total TLTV ratio beyond the maximum TLTV allowed for the First Lien mortgage at any time during the term of the First Lien.
- Affordable Seconds cannot be a HELOC.

Existing Secondary Financing requirements:

- Evidence of the subordination must be included in the mortgage file and payments must be sufficient to meet interest due.

If financing is Employer Assisted Homeownership (EAH):

- Unsecured loans — funds may be used for down payment and closing cost only. Refer to the Freddie Mac Selling guide for additional guidance.
- Secured loans — regular monthly payments must be included in the monthly housing expense-to-income ratio.

An Employer Assisted Homeownership (EAH) Benefit may be used as a source of funds to qualify the Borrower for the Mortgage transaction if the terms of the EAH Benefit comply with the following:

- The EAH Benefit is provided to an employee from the employer pursuant to an established, ongoing and documented employer benefit program, provided (i) the employer is not an interested party (as described in Section 5501.5) and (ii) the funds were not obtained from an interested party either directly or through a third party.
- The Mortgage is secured by a 1- to 4-unit Primary Residence.

See Section 4204.1 – 4204.2 of the Freddie Mac Selling Guide for complete details.

Temporary Buydown

Permitted.

Transaction — Eligible

- Purchase
- No Cash-out
  - LTV or HTLTV ratios > 95% must be owned in whole or in part or scrutinized by Freddie Mac.
  - TLTV ratios > 95% with secondary financing that is not an Affordable Second must be owned in whole or in part or scrutinized by Freddie Mac.
  - TLTV ratios > 95% with secondary financing that is an Affordable Second does not have to be owned or scrutinized by Freddie Mac.

Transaction — Ineligible

- Any transaction without an LPA "Accept" Feedback Certificate
- Community Land Trusts
- Freddie Mac Open Access
- High-Cost Loans
- Illinois Land Trust
- Interest-Only
- Loans with tutorship lien
- Manual underwrites
- Non-Traditional Credit
- Properties in the "Right of Redemption Period" as applicable state law allows
- Refinance transactions where the subject property was listed for sale at the time of loan disbursement
- Restructured mortgages that do not meet Freddie Mac guidelines
- Transactions using Mortgage Credit Certificates (MCC) may be considered with approval from the Planet Credit Risk Officer

- Transactions where the property securing the loan is subject to a private transfer fee covenant created on or after February 8, 2011, and fee collect does not directly benefit the property.

Freddie Mac Guidelines and Resources

- Freddie Mac guidelines may be accessed at Freddie Mac under **Access the Guide**.
- Additional resources are available by selecting "The Learning Center" from the menu on the left side of the page.
- The Loan Product Advisor Documentation Matrix provides information for documenting an LPA loan.

Freddie Mac Home Possible Program Grid

FIXED RATE Owner-Occupied Primary Residence				
Transaction Type	**Units**	**LTV/TLTV/HTLTV[2,3]**	**Loan Amount**	**Credit Score**
Purchase and No Cash-Out	1[1]	97%/105%/97%	*See* Loan Limits below	Per LPA
	2-4	95%		

Footnotes:

1. Super conforming Mortgages secured by 1-unit properties must have LTV, TLTV and HTLTV ratios not exceeding 95%. A 105% TLTV ratio is permitted when secondary financing is an Affordable Second.
2. When the TLTV ratio exceeds 97%, the secondary financing subordinated to a Home Possible Mortgage must be an Affordable Second. The Affordable Second financing cannot be a Home Equity Line of Credit
3. Loans involving a non-occupant borrower or Manufactured Home have a maximum LTV/TLTV of 95%.

Maximum Conforming Loan Limits		
Units	**Contiguous States, District of Columbia, Alaska & Hawaii**	
	General	High Cost (not applicable in Alaska & Hawaii)
1	$510,400	$765,600
2	$663,550	$980,325
3	$789,950	$1,184,925
4	$981,700	$1,472,550

Freddie Mac Home Possible Program Guidelines

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

4506-T

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

Age of Documents

- All credit, employment, income and asset documentation must be dated within 2 months as of the Note date.
- Preliminary title policies must be dated within 120 days of the Note date.
- Appraisal documents must have an effective date within 2 months as of the Note date.
- A verbal verification of employment (VVOE) is required within 10 business days prior to the Note date for salaried borrowers and within the 60 calendar days prior to the Note date for self-employed borrowers.
- A military Leave and Earnings Statement dated within 30 days prior to the Note date is acceptable for active duty military in lieu of a VVOE.

Appraisals

- *See* Planet's standard Freddie Mac Program Guidelines.

Assets

Documentation per LPA.

- All funds used to close the transaction must be disclosed on the 1003 and input into LPA.
- The borrower must provide evidence that the earnest money deposit came from an acceptable source and that they have sufficient assets to cover the down payment, closing costs, prepaids and reserve (if applicable) requirements. Evidence required:
    - Two months most recent bank or financial statements, all pages. If a copy of the canceled deposit check is used to document the source of funds, the bank statements must cover the

period up to and including the date the earnest money check cleared the bank.
    - VOD is acceptable as primary source of verification.
    - Sellers who are also the depository for the borrower's account may provide a printout or other alternative verification of the borrower's bank account assets produced directly from the bank or credit union's system in lieu of bank statement(s).
- Refinance transactions require verification of funds to close.
- Business funds of a self-employed borrower may be used for down payment, closing costs and/or reserve requirements subject to the following:
    - The borrower must be listed as an owner on the account. If the borrower's name is not listed on the business account statement, documentation that the borrower is an authorized signer on the account is required. This applies to all business accounts, including sole proprietorships, when business account funds are being utilized for down payment, closing costs and/or reserves. Examples of acceptable documentation:
        - Letter from the bank confirming borrower is an authorized signer, or
        - Online documentation that confirms borrower is an authorized signer.
- A cash flow analysis, based on 3-months' business bank statements, dated within 60 days of the closing date, is required to determine the withdrawal of business funds will not have a negative impact on the business. The cash flow analysis must indicate the following:
    - The average running balance in the account for the previous 3 months stayed the same or was better, **and**
    - The amount of funds used for the transaction must not deplete the account i.e., the balance remaining in the account should not be less than half of what was in the account prior to the withdrawal.
- Cash on hand, unsecured borrowed funds or unverified funds are ineligible sources for assets.
- Payout from a life insurance policy is acceptable for down payment or closing costs. A copy of the check or payout statement issued by the insurance company is required. If the cash value is being used for reserves, documentation of the cash value is required however the policy does not need to be liquidated.
- Proceeds from the sale of a currently owned property are eligible for down payment and closing costs. The final Settlement/CD for the existing property must be provided before or at closing to show sufficient net cash proceeds to close the purchase. The final Settlement/CD is **not** required to be fully executed.
- Large deposits are considered to be a single deposit where any **unsourced** portion of the deposit exceeds 50% of the combined gross monthly income of the borrower(s). If the deposit includes both sourced and unsourced funds, only the unsourced portion is used to calculate whether the deposit meets the 50% definition. Direct deposits, such as IRS or state income tax refunds, transfer of funds between verified accounts, that are easily identified on the account statement do not require documentation. Large unsourced deposits must be explained and verified except on refinance transactions where no funds are required for closing.
- Verification of assets from foreign sources:

- Funds that a borrower (either U.S. citizen or non-U.S. citizen) has deposited into a U.S. depository institution are acceptable provided **all** of the following requirements are met:
  - Documentation of the transfer of funds from the borrower's country of origin is provided, and
  - It can be established that the funds belonged to the borrower before the date of transfer, and
  - The source of all funds used for closing can be verified following the same requirements for U.S. citizens. Generally, two years of tax returns are required to document foreign income.

- **Eligible Qualifying Assets**

Retirement assets not used as a source borrower(s) income.

- Funds must be available for withdrawal as of the note date and in its entirety, less any portion pledged as collateral for a loan, or otherwise encumbered without penalty or early distribution tax.
- Borrower(s) must be fully vested.
- File must evidence most recent retirement asset statement.

Lump-sum distribution funds not deposited to an eligible retirement asset.

- Funds must be derived from a retirement account recognized by the IRS and must be deposited to a depository or non-retirement securities account.
- A Borrower must have been the recipient of the lump-sum distribution funds.
- Parties not obligated on the mortgage must not have any ownership interest in the account.
- The proceeds from the lump-sum distribution must be immediately accessible in their entirety.
- Proceeds from distribution must not be or had been subject to penalty or early tax distribution.
- File must evidence:
  - Employer distribution letter(s) and/or checks stubs evidencing proof of receipt and distribution fund type,
  - Funds are derived from eligible retirement assets and must not have been or be subject to a penalty or early distribution tax.

Depository accounts and securities

- All Borrower(s) who owned assets solely or jointly must be party to the mortgage and/or on the title.
- Funds must be available for withdrawal as of the note date and in its entirety, less any portion pledged as collateral for a loan, or otherwise encumbered without penalty or early distribution tax.
- Account must be held in a U.S. or State regulated financial institution and verified in U.S.

dollars.

- File must evidence:
    - One-month recent account statement or VOD for Streamlined Accept AUS feedback response.
    - Two-month recent account statement or VOD for a Standard Documentation AUS feedback response or a VOD.
    - For securities only, if the Borrower does not receive a stock/security account statement, provide evidence the security is owned by the borrower, and verify value using stock prices from a financial publication or website.
    - Source of Deposits: Large deposits funds for any deposit exceeding 10% of borrower(s) total eligible assets in depository accounts and securities be sourced and not include gifts, borrowed funds, or reduced the eligible assets used to qualify the borrower by the amount of the deposit. When the source of funds can be clearly identified from the deposit information on the account statement (e.g., direct payroll deposits) or other documented income or asset source in the Mortgage file, no additional documentation is required.

Assumptions

Planet follows agency guidelines.

AUS

LPA "Eligible/Accept" results required. Manual underwriting is ineligible.

Available Markets

The U.S. territories of Guam and the Virgin Islands are ineligible regardless of delegation.

Borrowers — Eligible

- A natural person
- U.S. Citizens
- Permanent resident aliens:
    - Permanent resident alien borrowers must hold an unexpired “Green Card” issued by the U.S. Citizenship and Immigration Services (USCIS). A copy of both the front and back of the card is required.
- Non-permanent resident aliens:
    - Non-permanent resident aliens are temporary residents who are eligible to live/work in the United States for a specific period of time. Acceptable documentation of their work authorization is:

- An unexpired Employment Authorization Document (EAD) by the USCIS, or
- An unexpired visa. Eligible types are E-1, G series, H series, L-1A, L-1B or TN.

- If the authorization for temporary residency will expire within one year of closing and a prior history of residency status renewals exists, continuation may be assumed. If there are no prior renewals, the likelihood the authorization will be renewed must be determined based on information received from the USCIS.

- Revocable Inter Vivos Trust that meets Freddie Mac guidelines. Trusts are eligible on:
  - 1 unit owner-occupied or second home only.
  - A Power of Attorney is ineligible with an inter vivos trust.
- All borrowers are required to have a social security number.

Borrowers — Ineligible

- Foreign Nationals
- Borrowers with diplomatic immunity
- Borrowers without a social security number or a number that cannot be validated with the SSA
- Borrowers with non-traditional credit
- Borrowers that receive Government/Public Assistance Income (Section 8 income)

Borrower Types

Co-Borrower: An individual, who applies jointly with the applicant, takes title to the property and is liable for the debt. The co-borrower signs all documents. Co-borrower's income, assets and debt used for loan qualification.

Non-Occupant Co-Borrower: An individual, who applies with the applicant, takes title to the property and is liable for the debt but does not live in the property. The non-occupant co-borrower's income may be used to calculate the DTI ratio.

Co-Signer: An individual who has no ownership interest in the property but is liable for the debt. Assets are always used for qualification. Income and debt are only considered when the co-signer occupies the subject property.

Non-Borrowing/Non-Purchasing Spouse: Generally have no ownership interest in the property and are not liable for the debt. In community property/marital rights states, the non-borrowing spouse does have an interest in the property and is required to execute the security instrument and all applicable documents as determined by state law.

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

Chain of Title

A 12-month chain of title is required for all loans (excluding new construction). Title must include all transfers in the previous 12-month period, including copies of all recorded deed(s). If more than one transfer in previous 12 months **or** property has significant increase in value since prior transfer, an appraisal addendum addressing all transfers is required.

Contingent Liability

Per Freddie Mac Selling Guidelines.

Credit History

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

Credit — Installment/Revolving Accounts

All debts must be run through LPA to ensure accurate LPA Feedback Certificate.

See Planet's Freddie Mac program guidelines for additional details.

Credit Report/Scores

Per LPA

- At least one borrower on the loan must have a usable credit score.
- When not all the borrowers have a usable credit score, all of the following applies:
  - The transaction must be a purchase or no cash-out refinance mortgage
  - The property securing the loan must be a 1-4 unit primary residence

NOTE: Any debt not reported on the credit report requires documentation that it has been paid satisfactorily for the most recent 12 months.

- A tri-merged credit report is required for all borrowers.
- The representative credit score is determined as follows:
  - If there are three (3) valid scores, the middle score is used. If two of the three scores are a duplicate, the duplicate score is used.
  - If there are two (2) valid scores, the lower of the two is used.
  - If there is one (1) valid score, that score is used.
  - Borrowers with frozen credit may have no more than one national credit repository's information frozen.

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

- When the credit reports reflect inquiries made within the previous 90 days, the loan file must evidence verification if new debt was granted, and the debt must be used to qualify the borrower.
- The credit report must be dated within 120 days of the Note date.

See Freddie Mac Selling Guide for complete details on Credit Reports and Scores.

Deed/Resale Restrictions

Properties with age-related restrictions (55+ communities) are eligible subject to Freddie Mac requirements. All other properties subject to deed/resale restrictions are ineligible.

Derogatory Credit

Per LPA Feedback Certificate except as noted below:

Derogatory Event	Waiting Period Requirements*	
Bankruptcy - Chapter 7 or 11	2 years from discharge date or dismissal date	
Bankruptcy - Chapter 13 or 12	2 years from the discharge or dismissal date	
Foreclosure	7 years from the completion dates as reported on the credit	**Exceptions:** Events within the previous 36 months must be: • Primary residence purchase transactions with a maximum 90% LTV/TLTV/HTLTV • A rate/term refinance transaction
Deed-in-Lieu of Foreclosure	7 years from execution or completion date	**Exceptions:** Events within the previous 24 months must be: • Primary residence purchase transactions with a maximum 90% LTV/TLTV/HTLTV • A rate/term refinance transaction
Short Sale	Ineligible (due to manual underwriting requirement)	

*Measured from the applicable event end date to application date

Judgments and Tax Liens

Must be paid prior to close.

Delinquent Child Support

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

DTI

Per LPA with an "Eligible/Accept" Feedback Certificate.

Employment

- A 2-year employment history is required for both wage earner and self-employed borrowers.
- A current paystub with YTD income and most recent W-2s are required for wage earners.
- A military Leave and Earnings Statement dated within 30 days prior to the Note date is acceptable for active duty military in lieu of a verbal verification of employment (VVOE).
- A VVOE is required within 10-**business** days **prior** to the Note date for salaried borrowers and within the 120 calendar days **prior** to the Note date for self-employed borrowers.
- Self-employed borrowers require verification of the business by a third-party source (e.g., CPA, Federal Tax ID Certificate, and Business License). Self-employed borrowers are individuals who have 25% or greater ownership interest in a business.
- For borrowers who re-entered the workforce and have less than a 2-year employment and income history, income may be used for qualifying if documentation is provided indicating the borrower has been at their current employment for a minimum of 6 months and there is documented prior employment history.
- For borrowers who are newly employed with less than a 2-year employment history, income may be used for qualifying if it can be documented the borrower was attending school or a vocational/training program immediately prior to employment.
- For loans with application dates on or after 4/15/20 – 5/17/20 the existence of the borrower's business must be verified within 120 calendars prior to the Note date. The business must be open and operational. This must be confirmed within 10 business prior to the Note date or prior to delivery to Planet.

Escrow Holdback

- **Newly constructed properties — weather related**
  - Funds held for completion of grading of yard/driveway, pouring concrete for driveway/sidewalks
  - Seller must provide proof of completion and release of funds post-purchase
- **Newly constructed properties with city held bond — weather related**
  - Eligible for purchase with temporary Certificate of Occupancy when a city bond is held for completion of roads and/or driveways
- **New construction — non-weather related**
  - Funds held for completion of landscaping
  - Seller must provide proof of completion and release of funds post-purchase.

NOTE: Existing properties with new renovations allowed on a case-by-case basis.

Escrow/Impound Account

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

Escrowed Flood Insurance Premiums

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

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

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

Exclusionary List

Seller is responsible for checking all parties on the transaction against Freddie Mac's Exclusionary List.

Financed Properties

Unlimited.

Gift Funds

See Freddie Mac Selling Guide for complete details.

Homeownership (CreditSmart Homebuyer U) and Landlord Education

Home Ownership Education:

- At least one occupying borrower must participate in a homeownership education program before the Note Date, or the Effective Date of Permanent Financing for Construction Conversion and Renovation Mortgages, when all occupying borrowers are first time homebuyers.

Landlord Education (2-4 units):

- At least one qualifying borrower must participate in a landlord education program before the Note Date, or the Effective Date of Permanent Financing for Construction Conversion and Renovation mortgages. Education by an interested party to the transactions is not permitted.
- A copy of a certificate evidencing successful completion of the landlord education program must be retained in the Mortgage file.
- Landlord education is not required for refinance transactions, but is recommended for Borrowers who have not previously attended a program.

Higher Priced and High Cost Loans

- Higher priced mortgage loans (HPML) are eligible subject to the following:
  - Establishment of an escrow account for taxes and insurance on primary residence transactions, and
  - Loan must meet all applicable and/or federal compliance requirements, and
  - Loan must be fixed rate
- High cost loans are **eligible**.

Income

Income documentation is determined by LPA unless detailed below.

- Borrowers with qualifying income must not exceed 100% of the area median of the property location allowed.
- Properties located in designated high-cost areas, census tracts designated as disaster areas and minority census tracts are subject to the maximum 100% AMI requirement.

Rental Income

- Income from 1-unit properties may be considered stable provided it meets the standard Freddie Mac rental income requirements or the following:
  - The person providing the rental income and the Borrower have resided together for at least a year and will continue to do so in the new residence, and
  - File evidences appropriate residency documentation with the borrower (i.e., driver's license, bills, bank statements etc. showing that the address matches the borrowers).
  - Rental income from the person residing in the Mortgaged Premises:
    - Has been paid on time for the previous 12 months.
    - Can be verified by the Borrower with evidence showing receipt of regular payments of rental income to the Borrower for at least nine of the past 12 months (i.e., copies of canceled checks)
    - Must be averaged over 12 months for qualifying purposes when fewer than 12 months of payments are documented
    - Does not exceed 30% of total income used to qualify for the Mortgage
  - File must evidence written statements from the borrower confirming:
    - The source of the rental income, and
    - The renter has resided with the borrower for a past year and intends to reside with the borrower in the new property for the foreseeable future.
- Income from 2-4 unit Primary Residences may be considered stable provided it meets the Standard rental income requirements in the Freddie Mac Selling Guide.

See Freddie Mac Selling Guide for complete income requirements.

Income Limits

- Income must not exceed 100% of the area median income (AMI) for the property location.
- No income limit if property is located in a low-income census tract (income is at or below 80% of the AMI.
- Income determined by LPA

Inspections

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

Interested Party Contributions

Interested Party Contributions (IPC) pay for costs that are normally charged to the buyer of the property (borrower) and are provided by a party that has a financial interest in, or can influence the terms and sale/transfer of the subject property such as:

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

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

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

IPCs are limited as follows:

Occupancy Type	LTV/TLTV	Minimum Allowable Contribution*
Primary Residence	> 90%	3%
	>75% up to 90%	6%
	≤ 75%	9%

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

  They may also include:

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

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

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

LDP/SAM

LDP / SAM

All of the following parties to the transaction, as applicable, must be checked against the HUD's Limited Denial of Participation list and the System for Award Management list.

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

Minimum Borrower Contribution/Eligible Source of Funds

Purchase Transactions:

Minimum Contribution from Borrower Personal Funds			
Property Type	**LTV, TLTV, and HTLTV Ratios**		
	≤80%	**>80% ≤95%**	**>95%**
1 unit	N/A	N/A	N/A
Manufactured Homes	N/A	N/A	N/A
2-4 Units	N/A	3%	N/A

Borrower personal funds can be used as source of funds for:

- Down Payment
- Paying down principal balance of the mortgaged being refinanced on a no cash-out Transaction.
- Closing cost, and
- Reserves.

Cash on hand allowed when:

- File evidences the borrower is a cash-basis individual and that the cash on hand is not borrowed.
- File must also include the below documentation:
  - A monthly budget and Residential Analysis Form or alternative documentation.
  - Six (6) months cash receipts (rent or utility) or alternative documentation to verify recurring obligations, including payment of revolving and installment debt are usually paid in cash.
  - Credit report taken at the time of application with no more three (3) tradelines.

- Three (3) months statements from any open revolving accounts proving no cash advances are a source borrowers funds.
- An updated credit report obtained one week before closing which evidence no new accounts, substantial increase in existing accounts that exceed the amount of cash-out on hand provided by the borrower.

See section 4501.10 of the Freddie Mac Selling Guide additional allowable source of income.

Mortgages — Eligible

- Manufactured Homes with an original maturity date that does not exceed 30 years.
- Manufactured Homes with a maximum original maturity date that does not exceed the standard manufactured terms.
- Construction Conversion
- Fully amortized
- RHS Leveraged seconds with a maximum 95% LTV/TLTV/HTLTV.
- Renovation
- Super Conforming

Mortgages — Ineligible

- Affordable Merit Rate
- A-minus
- Seasoned
- Financed Permanent Buydown
- Seller-owned Modified/Converted
- Mortgages with capitalized balances
- FHA/VA
- Section 502 GRH
- Section 184 Native American
- Freddie Mac Relief Refinance - same servicer
- Relief Refinance - open access
- Enhanced Relief
- HomeOne

Mortgage Insurance

Required MI Coverage				
Transaction Type & Loan Terms	80.01% - 85%	85.01% - 90%	90.01% - 95%	95.01% - 97%
Fixed Rate ≤ 20 year	6%	12%	25%	25%
Fixed Rate > 20 year	12%	25%	25%	25%

NOTE: Custom MI not permitted.

Mortgage/Rental History

Per LPA

- If delinquencies are allowed, a satisfactory explanation is required and is subject to underwriter review
- Current mortgage must be current for the month closing
- To verify the monthly payment amount, third-party documentation is required if the credit report does not provide the monthly housing payment.
- Evidence of verification of mortgage payment history and/or rental payment history for the 12-month period prior to mortgage application must be included in the file.

Non-Arms' Length or Identity of Interest Transactions

- A non-ARM's length transaction is a purchase transaction where there is a relationship or business affiliation between the buyer and seller of the property
- Non-ARM's length transactions are eligible for resale properties on all occupancy types
- When a non-ARMs length transaction occurs on a property that is new construction, the property must be a primary residence only. Non-ARM's length transactions on new construction properties are ineligible if the property is a second home or investment.
- An identity of interest transaction involves parties who are not related and do not have close personal ties. However, they have a strong interest in the transaction. Identities of interest transactions are eligible on owner-occupied transactions; however, an additional review will be required to ensure validity of the transaction, value, etc. Additional documentation and/or a desk review or second appraisal may be required at underwriter discretion.

Occupancy

- At least one borrower must occupy the property.
- Non-occupying borrower are permitted provided the LTVTLTV/HTLTV does not exceed 95%, and the mortgager is secured by a 1 unit property. Fixed rate mortgages with Affordable Second mortgages are allowed up to a 105% TLTV ratio.

Power of Attorney

A Power of Attorney (POA) is allowed on a case-by-case basis on purchase and rate/term refinance transactions in a hardship or emergency situation or if an applicable law requires the use of a POA subject to all of the following:

- The person acting as the attorney-in-fact should be a family member or have a personal or fiduciary relationship with the borrower. The attorney-in-fact cannot be employed by or affiliated with any party to the transaction.
- Must be specific to the transaction.
- Must include the borrower name, property address and loan amount.

- POA must be fully executed and notarized.
- POA must be recorded along with the mortgage.

Prepayment Penalty

Not permitted.

Products

Fixed Rate: 15, 20, and 30 year term

Properties — Eligible

- 1-4 unit primary residence
- Properties located in designated high-cost areas
- Manufactured Homes (*see* Freddie Mac Seller Guide for restrictions)

Properties — Ineligible

- Second Homes
- Investment (non-owner occupied)
- Agricultural-type properties, farms, orchards, ranches
- Builder bailout properties
- Condo Hotels (projects managed or operated as hotel/motel, hotel/motel conversions)
- Condominium conversions with characteristics of a Hotel/Motel
- Commercial property
- Cooperative projects
- Incoming producing properties (e.g. adult care facilities, bed & breakfast, etc.)
- Industrial zoned property
- Land Trust
- Mobile homes
- New condominium projects in Florida without a PERS approval
- Non-warrantable condominiums
- Properties located in the Hawaiian Islands in lava zones one (1) or two (2)
- Properties not suitable for year-round occupancy, regardless of location
- Properties with an Assignment of Contract
- Properties with problem drywall (aka Chinese drywall). Evidence of complete remediation must be provided if property previously contained Chinese drywall.
- Properties zoned for agricultural use (Texas 50 (a)(6) and Texas 50(f) loans are eligible)
- Property currently in litigation (except as noted above in the Properties Eligible-Condominiums) topic
- Unimproved/vacant land
- Unique properties (geodesic domes, earth berm homes, log homes, etc.)

- Rural property
- Timeshares
- Transient Housing

Purchase Agreements Amended/Renegotiated

- Not eligible if the sales price was increased **after** the original appraisal was completed if:
  - The appraised value is higher than the originally contracted sales price that was provided to the appraiser, and
  - The new purchase agreement and/or addendum to the purchase agreement is dated after the appraisal, and
  - The only change to the purchase agreement was the sales price.
- If the purchase agreement was renegotiated after the completion of the appraisal, the LTV would be based on the **lower** of the original purchase price or the appraised value, unless:
  - The re-negotiation was only for seller paid closing costs and/or pre-paids where the seller paid closing costs/pre-paids are common and customary for the area and are supported by the comparables, or
  - The purchase contract was amended for a new construction property due to Improvements made that impact the tangible value of the property. An updated appraisal report must be obtained to validate the value of the improvements.
- Assignment of the purchase contract is not allowed.

Qualifying Ratios

Debt-to-Income ratios are determined by LPA.

Refinance Transactions

Per LPA

Reserves

Verification per LPA Feedback

Seller Contribution

See "Interested Party Contributions" on page 284 for Seller contribution limits.

Secondary Financing or Affordable Seconds

Permitting standard secondary financing, including HELOCs, for a mortgage with a TLTV/HTLTV ratio of less than or equal to 97%.

- When the TLTV ratio is greater than 97%, the secondary financing must be an Affordable Second.

First Lien mortgages with secondary financing under the terms of the purchase documents are acceptable.

New Secondary Financing requirements

- The term of the junior lien must not be less than five years after note date of the first lien mortgage unless the junior is fully amortizing or is a HELOC.
- If financing is Employer Assisted Homeownership (EAH), the terms of financing must permit the borrower to continue making payment in the event of separation from employer.
- The scheduled payments must be sufficient to meet interest and may not accrue.
- Amount of monthly payment may be excluded from the monthly housing expense-to-income and debt payment-to-income ratios if:
  - EAH benefit and the payment of principal and interest or interest only begins on or after the 61st monthly payment under the first lien, or
  - If repayment of the principal is due only upon sale or default.
- CD evidencing the fee and costs paid by the borrower at closing; HELOC agreement must be included in the mortgage file.

Affordable Seconds requirements under section 4204.1(a) apply in addition to the following:

- Must be provided by an agency under an established, ongoing secondary financing or finance assistance program; however, the mortgage may not be sourced by the seller or interested party.
- The First Lien mortgage must be a fixed rate mortgage, purchase transaction or a “no-cashout” refinance, and secured by a 1-4 unit primary residence,
- The term must not require a balloon payment due before the maturity or payment in full of the First Lien.
- If financing is Employer Assisted Homeownership (EAH), the terms of financing must permit the borrower to continue making payment in the event of separation from employer.
- The interest rate must not be more than 2% higher than the interest of First Lien mortgage and interest accruals added to the principal may not increase the total TLTV ratio beyond the maximum TLTV allowed for the First Lien mortgage at any time during the term of the First Lien.
- Affordable Seconds cannot be a HELOC.

Existing Secondary Financing requirements

- Evidence of the subordination must be included in the mortgage file and payments must be sufficient to meet interest due.

See Section 4204.1 – 4204.2 of the Freddie Mac Selling Guide for complete details.

Source of Funds

The following sources of funds are permitted:

Use	Permitted Sources of Funds
Minimum Borrower Contribution	Borrower personal funds
Down Payment	Borrower personal funds Other eligible sources of funds
Paying down the principal balance of the Mortgage being refinanced for a "no cash-out" refinance transaction	Borrower personal funds Other eligible sources of funds
Closing Costs	Borrower personal funds Other eligible sources of funds Flexible sources of funds
Reserves	Borrower personal funds Other eligible sources of funds

Borrower personal funds are detailed in the Freddie Mac Seller Guide. The Home Possible program also allows for use of cash on hand, subject to the below requirements:

- The Seller reasonably concludes, and can support, that the Borrower is a cash basis individual and that the cash on hand is not borrowed and could be saved by the Borrower.
- The Mortgage file contains the following documents supporting the Seller's conclusion:
  - A completed Freddie Mac Exhibit 23, Monthly Budget and Residual Analysis Form, or another document containing the same information, confirming that the total monthly residual income available for savings is a positive number.
  - Copies of six months' cash receipts (e.g., rent or utility receipts) or other alternative documentation (e.g., direct verifications or wire transfers) to verify that recurring obligations, including the payment of revolving and installment debt, are customarily paid in cash.
  - A credit report, obtained at the time of loan application. The credit report must not show more than three Tradelines.
  - Copies of three months' statements for any open revolving account that reveal cash advances are not the source of Borrower funds. Any cash advances must be explained and documented (i.e., a cash advance used in an emergency situation).

    - An updated credit report obtained approximately one week before closing that does not show any new accounts or a substantial increase to an existing account that approximates, or exceeds, the amount of cash on hand provided by the Borrower.
- The Mortgage file must have no indication that the Borrower typically uses checking, savings or similar accounts.
- Evidence that all funds used to qualify the Borrower for the Mortgage transaction are deposited in a financial institution or are held in an institutional escrow account prior to closing.

Other Eligible Sources of funds are detailed in the Freddie Mac Seller Guide. The Home Possible program also allows the following additional sources:

- A gift or grant from the Seller as the originating lender, provided that a contribution of at least 3% of value is made from Borrower personal funds and/or other eligible sources of funds as described in this section. The gift or grant must not be funded through the Mortgage transaction, including differential pricing in rate, discount points, or fees for individual loans or across the Home Possible offering.
- Proceeds from an unsecured loan are allowed for purchase transactions. Please refer to the Freddie Mac Seller Guide for requirements.
- Sweat equity is allowed under the following conditions:
    - Sweat equity is credit for labor performed on the subject property and/or materials furnished by the borrower. Such credit must be fully explained and documented. Any labor performed must be completed in a skillful and workmanlike manner to support the appraised value.
    - Certificate of completion is required (Form 442)
    - The full amount of the borrower's down payment may be in the form of sweat equity or a combination of sweat equity and borrower personal funds.
    - *See* Freddie Mac Seller Guide for details on eligible repairs and improvements and for determining the value of the sweat equity.
    - The maximum LTV/TLTV ratio is limited to the lesser of 97%/105% for a 1 unit property and 95%/95% for a 2-4 unit property, or the program maximum.
    - If sweat equity is used as an eligible source of funds, the Borrower must not receive cash back at closing. All excess funds must result in a reduction of the principal balance on the Mortgage.

NOTE: Sweat equity can also be used in combination with an Affordable Seconds. *See* Freddie Mac Selling Guide for complete details.

- Proceeds from an Affordable Second or other secondary financing that meets the requirements in the Freddie Mac Seller Guide. When the TLTV ratio exceeds 97%, the secondary financing subordinated to a Home Possible Mortgage must be an Affordable Second.
- Funds provided by an Agency that is affiliated with, under contract to, or financed (directly or indirectly) by the Seller as the originating lender, when:
    - The source of funds is an eligible source meeting all applicable Guide requirements.
    - A contribution of at least 3% of value is made from Borrower personal funds and/or other eligible sources of funds as described in this section; and

- The source of funds is not funded through the Mortgage transaction, including differential pricing in rate, discount points, or fees for individual loans or across the Home Possible offering.

Flexible sources of funds include the following:

- Financing concessions
- Lender credits
- Proceeds from an unsecured loan from the seller as originating lender meeting the following requirements:
  - Must not contain provisions that allow or could result in negative amortization
  - Must have a maturity date that:
    - Does not exceed the maturity date of the Mortgage
    - Is at least five years after the Note Date of the Mortgage, unless the unsecured loan is fully amortizing
  - Must have an interest rate that is no greater than the Note Rate on the Mortgage
  - Must not be a cash advance from a credit card or unsecured line of credit
  - Must have its source, terms and conditions documented
  - If the monthly payment of principal and interest or interest only begins on or after the 61st monthly payment under the First Lien Mortgage or if repayment of the loan is due only upon sale or default, the amount of the monthly payment may be excluded from the monthly debt payment-to-income ratio; otherwise, the required monthly payments must be included in calculating the monthly debt payment-to-income ratio.

Temporary Buydown

Permitted on mortgages secured by 1-2 unit properties excluding manufactured homes. If the mortgage with a temporary buydown is subject to secondary financing, including an Affordable Second that requires repayment to begin before the due date of the 61st monthly payment under the Mortgage, the secondary financing must have a fixed rate.

Transaction — Eligible

- Purchase
- Limited Cash-Out Refinance
- Eligible sources of funds used to qualify the borrower for the mortgage transaction
- Mortgage where the insurance coverage levels is those used for mortgages secured by a Manufactured home.
- Loans where the qualifying income does not exceed 100% of the area median of the property location allowed.
- Loans in designated high-cost area, census tracts designated as disaster area and minority census tracts.

- The loans are subject to the maximum 100% AMI requirement.

- Loans where the maturity date does exceed 30 years.
- Manufactured Home with a maximum original maturity that does not exceed the standard terms.

NOTE: *See* Manufactured Homes in the Freddie Mac Selling Guide for complete details.

Transaction — Ineligible

- Any transaction without an LPA "Accept" Feedback Certificate
- Community Land Trusts
- Freddie Mac Open Access
- High-Cost Loans
- Illinois Land Trust
- Interest-Only
- Loans with tutorship lien
- Manual underwrites
- Non-Traditional Credit
- Properties in the "Right of Redemption Period" as applicable state law allows
- Refinance transactions where the subject property was listed for sale at the time of loan disbursement
- Restructured mortgages that do not meet Freddie Mac guidelines
- Transactions using Mortgage Credit Certificates (MCC) may be considered with approval from the Planet Credit Risk Officer
- Transactions where the property securing the loan is subject to a private transfer fee covenant created on or after February 8, 2011, and fee collect does not directly benefit the property.

Freddie Mac Guidelines and Resources

- Freddie Mac guidelines may be accessed at Freddie Mac under **Access the Guide**.
- Additional resources are available by selecting "The Learning Center" from the menu on the left side of the page.
- The Loan Product Advisor Documentation Matrix provides information for documenting an LPA loan.

Government

FHA Conforming and High Balance Program Grid

FIXED RATE & ARM Primary Residence Full Documentation[10]					
Transaction Type	**Units**	**LTV**	**CLTV**	**Loan Amount[1,2]**	**Credit Score[9]**
Purchase[6]	1-4	96.50%	96.50%[3]	FHA Loan Limits	Per AUS
Cash-Out	1-4	80%[7]	80%[7]		
Simple Refinance	1-4	97.75%	97.75%[4]		
Rate/Term Refinance[7]	2-4	97.75%	97.75%		
Manufactured Homes [4]					
Purchase	1	96.55%	96.75%	FHA Loan Limits	Per AUS
Rate/Term Refinance	1	97.75%	97.95%		
Cash-Out	1	80%	80%		
Presidentially Declared Major Disaster Area (PDMDA)					
Purchase	1	100%	100%	FHA Loan Limits	Per AUS
Second Home[8]					
Simple Refinance	1	85%[6]	85%[6]	FHA Loan Limits	Per AUS

Footnotes:

1. Eligible conforming and high balance loan amounts can be found at: FHA Mortgage Limits.
2. Minimum loan amount $40,000.
3. There is no maximum Combined Loan-to-Value (CLTV) for secondary financing loans provided by Governmental Entities and HUD approved Non-Profits. *See* "Down Payment Assistance Program" on page 321 and "Subordinate Financing/Secondary Financing" on page 347 for additional details.
4. Simple Refinance transactions: Must be an existing FHA-insured owner-occupied primary residence.
5. Simple Refinance transaction: Must be an existing FHA-insured HUD-approved Secondary Residence; approval by a Jurisdictional Home Owner Center (HOC) required.
6. Maximum LTV/CLTV for purchase transactions with a FICO score between 500-579 is 90%.
7. Cash limited to 80% on case files dated on or before September 1, 2019.
8. Maximum LTV for a Rate/Term refinance is limited to 85%, if the borrower has occupied the property for 12 months prior to case number assignment.

9. Non-Delegated Transactions: Require a 620 FICO
10. Manual Underwrite: No more than 2 of the following Risk Factors allowed: < 620 FICO; Utilization of Gift Funds; DTI >45%; LTV within 5% of the program maximum.

See Planet's FHA Streamline Refinance matrix for Streamline guidelines.

Complete HUD guidelines can be found at HUD Handbook 4000.1.

Mortgage Insurance Premium Factors for Case Numbers Assigned on or after January 26, 2015				
Mortgage Term > 15 Years				
Loan Amount	**LTV**	**Annual MIP**	**Upfront MIP**	**Annual MIP Assessment Period**
≤$625,500	≤90%	0.80%	1.75	11 years
	>90% ≤95%	0.80%		Life of loan
	>95%	0.85%		Life of loan
>$625,500	≤90%	1.00%		11 years
	>90% ≤95%	1.00%		Life of loan
	>95%	1.05%		Life of loan
Mortgage Term < 15 Years				
Loan Amount	**LTV**	**Annual MIP**	**Upfront MIP**	**Annual MIP Assessment Period**
≤$625,500	≤90%	0.45%	1.75	11 years
	>90%	0.70%		Life of loan
>$625,500	≤78%	0.45%		11 years
	>78%	0.70%		11 years
	>90%	0.95%		Life of Loan

Hawaiian Home Lands (Section 247)				
	Loan Term in Years			
	≤18	**>18 and ≤22**	**>22 and ≤25**	**>25**

Hawaiian Home Lands (Section 247)				
MIP Financed	**2.400%**	**3.000%**	**3.600%**	**3.800%**
MIP Not Financed	**2.344%**	**2.913%**	**3.475%**	**3.661%**

FHA Conforming and High Balance Program Guidelines

4506-T

- Tax transcripts are required per AUS findings or can be obtained in lieu of W-2 or tax returns both personal and business.
- 4506-T must be signed by all borrowers at loan closing if transcripts were not obtained to qualify the borrower.

NOTE: Due to the hacking incidents, Planet will accept transcripts that the borrower obtained from the IRS along with a certification that the returns are true and correct.

Ability to Repay/HUD Qualified Mortgage

Planet requires all loans to be originated and closed in compliance with Agency and Planet guidelines. Planet will purchase owner-occupied and HUD-approved second home transactions as follows:

- Loans eligible under Temporary QM, and
- Loans that meet the Safe Harbor or Rebuttable Presumption provisions, and
- Pass the points and fees test, as applicable.

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

Affidavit of Identity

Planet may require an Affidavit of Identity if a borrower signature appears incomplete or illegible.

Age of Documents

All credit and asset documentation must be ≤ 120 days from the Note date. The appraisal is valid for 120 days from the effective date. This policy applies to both new and existing construction.

Appraisals

- Appraisals must be provided by a licensed FHA-approved appraiser
- Appraisal photos must be taken of the front and rear of the property, at opposite angles, to show all sides of the subject property.
- Additional photos are required for any improvements with contributory value that are not captured in the front and rear photos.
- The street scene photo must include a portion of the subject property.
    - If the subject property is proposed construction and the improvements have not been started, the photos must include the grade of the vacant lot.

  - Copies of photographs from MLS are acceptable only with an explanation of why original photos are not provided, i.e., gated communities where access may require trespass to photograph, etc.
- Comparable sales used for new construction properties are subject to the following:
  - If all three of the comparable sales used to support the value of the subject property were obtained from one of the above sources (public source eligible in Vermont and Maine only) no further action is required.
  - If the comparable sales are not all obtained from a MLS, MRIS, MRED, NTREIS, or public source (public source Vermont/Maine only). The appraiser must comment that the subject property development is being marketed in an "open" or "public" environment (i.e., newspaper advertisements, bill board signs, website, etc.). Additionally, the following applies:
    - One of the comparable sales must be outside the project the subject property is located
    - Two of the comparable sales must be from sources other than the subject property builder.

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

- The subject and all comparables must be appropriately identified. *See* HUD Handbook 4000.1 section IID.3.C Minimum Property Standards topic for property requirements.
- Comparable photos must include the front view of each comparable sale used. Use of MLS photos to exhibit comparable condition at the time of sale are acceptable, however, the appraiser must include their own photos to document compliance with the "Scope of Work" which requires the appraiser to inspect each comparable sale from the street.
- Appraisal must identify and address properties located within a declining market. When the property is located in a declining market, the appraiser is required to:
  - Provide, at minimum, two comparable sales that closed within 90 days of the subject property appraisal.
  - The comparables must be as similar to the subject property as possible.
  - The appraisal must include, at minimum, two active listings or pending sales.
- At minimum, Planet requires the following on all properties:
  - A conventional heat source with the ability to maintain a temperature of 50° in areas of the property where there is plumbing.
  - Any broken glass is a health hazard and must be removed and the opening closed.
- Appraisals are valid 120 days from the effective date. A 30 day extension of the appraisal is allowed subject to HUD guidelines.
- If the appraisal is > 120 days from the effective date an Appraisal Update is required. **The update must be completed prior to the expiration of the original appraisal report.** The appraisal validity period is 240 days. A 30 day extension is not allowed when an Appraisal Update has been utilized.

- The Appraisal Update must be completed by the original appraiser and must also include a Market Conditions Addendum to the Appraisal Report (Fannie Mae Form 1004MC). An Appraisal Update is not eligible if any of the following conditions apply:
    - Property has declined in value
    - Building improvements that contribute to the value of the property cannot be seen from the street
    - Exterior inspection of the property identifies deficiencies or other significant changes that did not exist at the time of the effective date of the original appraisal
    - Update was ordered by a lender not identified as the intended user of the original appraisal report, unless the appraiser includes the original report being updated as an attachment; the original appraisal cannot just be referenced (per Advisory Opinion 3 of USPAP).

- Properties located in a FEMA Disaster Declaration area will be subject to additional appraisal requirements. *See* "Chapter 8: Loan Purchasing" on page 531 for complete requirements.
- *See* "Manufactured Homes" on page 335 for additional requirements.
- HUD REO properties: HUD requires a new full appraisal if any of the following conditions exist:

<table>
<tr><th>Condition</th><th>Maximum FHA Loan Amount*</th></tr>
<tr><td>1. DE underwriter determines there are material deficiencies with the current appraisal.</td><td rowspan="4">Based on the value of the property as determined by the new appraisal.</td></tr>
<tr><td>2. The borrower is applying for a 203(k) loan and an “After Improved” appraisal is required.</td></tr>
<tr><td>3. The sales contract was not approved within 120 days of the HUD REO appraisal’s effective date.</td></tr>
<tr><td>4. The HUD ordered appraisal is no longer valid (i.e. older than 120 days and not eligible for 30 day extension)</td></tr>
<tr><td>5. The sales contract price is > the value of the HUD ordered appraisal and/or the “as-is” appraised value is not available.</td><td>Limited to the lesser of the:
• Sales contract price, or
• New appraised value, or
• Initial list price of the property

NOTE: The initial list price is available on the MLS and/or through the property listing agent.</td></tr>
</table>

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

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

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

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

- The buyer and seller are typically motivated
- Both parties are knowledgeable and are acting in their own best interest
- The property was on the open market for a reasonable time
- Payment is made in cash or a mortgage loan
- The price represents the normal consideration for the property being sold and is not affected by special/creative financing or sales concessions granted by anyone associated with the transactions.

Comparable sales for REO properties are subject to the following:

- HUD prefers that REO sales and pre-foreclosure sales are not used as comparable sales to establish the value for the REO property being appraised. If REO sales and pre-foreclosure sales are used, the appraiser must address their use in the appraisal report and identify the effect they have on the market and specifically the subject property.
- Properties where the transfer to a mortgagee or entity owning the mortgage loan by deed of trust through foreclosure sale or sheriff's sale may **never** be used as a comparable sale (e.g., a property that was foreclosed on by a bank or the property was seized for payment of delinquent debt, such as property taxes and the bank or sheriff's department still has ownership of the property).

Assets

- Loans with an "Approve/Eligible" or "Accept/Eligible" finding require, at minimum, one month's most recent bank statements (all pages). If a copy of the canceled deposit check is used to document the source of funds, the bank statements must cover the period up to and including the date the earnest money check cleared the bank.
- Sellers who are also the depository for the borrower's account may provide a printout or other alternative verification of the borrower's bank account assets produced directly from the bank or credit union's system in lieu of bank statement(s).
- Manually underwritten loans require 2 months bank statements.
- Borrower authorized Third Party Verification (TPV) is an acceptable option per HUD Handbook 4000.1.
- **Purchase transactions: Credit score of 500-579:** Two (2) months most recent bank statements required to document 10% of the borrower own funds down payment requirement. Bank statements

must be dated for the two months prior to the loan application date. All other asset documentation requirements must also be met.

- A Verification of Deposit (VOD) is acceptable as the primary source of verification.
- Verification and documentation of the deposit amount and source of funds is required, if the earnest money:
  - Exceeds 1% of the sales price, or
  - Appears to be excessive based on the borrower's history of accumulated savings.
  - Satisfactory documentation includes:
    - Copy of the canceled check and a copy of the bank statement showing the withdrawal
    - Certification from the deposit holder acknowledging receipt of the funds, or
    - Bank statements (all pages) for the most recent 2 months.
- Cash on hand and unsecured funds are ineligible sources for assets.
- Sweat Equity may be an acceptable source of borrowers funds as follows:
  - New construction purchase transactions only, and
  - Builder must indicate in the sales contract, or on an addendum to the sales contract, a list of services by the appraiser and a specific dollar amount must be assigned to the services (see examples below), and
  - All work must be agreed to and performed/completed by the borrower.

Examples:

Option 1

Buyer agrees to perform the following	**Total**
• Prepare and paint all interior walls • Paint exterior doors and porch railings(if applicable)	$4,500.00

Option 2

Buyer agrees to perform the following:	**Total**
• Install front and rear yard landscaping (sod, plants, flowers)	$1,200.00

AUS

All loans must be submitted through FHA Total Scorecard. Manual Underwriting is permitted. All loans must be QM / Safe Harbor eligible.

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

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

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

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

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

  - A short sale or short pay-off within the previous 12 months
  - Disputed, collection accounts and public records
    - A manual downgrade is not required on a disputed account if:
      - The account has a zero balance, or
      - Any late payments on the account are aged 24 months or more, or
      - The account is current and paid as agreed.
      - Non-traditional and insufficient credit histories; *see* **Evaluating Credit History for Manual Underwrite** for guidance
  - Non-occupant co-borrower or co-signer is added to a purchase or rate/term transaction and the occupant borrower does not have a credit score due to insufficient or non-traditional credit history. The credit score of the non-occupant co-borrower or co-signer cannot be used to satisfy FHA requirements so manual underwriting is required.
- Compensating factors are required on all loans downgraded to a manual underwrite.

- If the DTI exceeds 31%/43% *see* "Manual Underwrites and DTI Maximum" on page 330 for complete detailed requirements.

Evaluating Credit History for Manual Underwrite

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

Group I	Group II

• Housing payments (subject to additional verification if rental payments such as 12 months consecutive cancelled checks or verification from professional property management company)
• Utility bills including:
  ▪ Gas
  ▪ Electric
  ▪ Water
  ▪ Home telephone (land-line)
  ▪ Cable
	• Insurance premiums that are not payroll deducted (e.g. medical, auto life, renter’s insurance, etc.)
	• Payment to childcare provides
	• School tuition
	• Retail store credit cards (i.e., department, furniture/appliances or specialty stores)
	• Rent to own (furniture/appliances)
	• Payment of medical bills not covered by insurance
	• Internet or cell phone bills
	• 12-month history of savings evidenced by regular non-payroll deducted deposits which occurred at least quarterly with an increasing account balance with no non-sufficient funds' checks.
	• Car lease
	• Personal loan with documented written repayment terms. 12-month canceled checks required to document payment

Manual underwrite for 203(h) allowed — *see* "PDMDA Mortgages — 203(h)" on page 340.

Available Markets

- **Delegated Sellers**

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

- **Non-Delegated Sellers**

  Planet will purchase loans from non-delegated Sellers in all states on FHA products. **All** loans require Planet underwriting approval.

- The U.S. territories of Guam and the Virgin Islands are ineligible regardless of delegation.

Borrowers — Eligible

- U.S. Citizens
- Permanent resident aliens:
  - Permanent resident alien borrowers must hold an unexpired "Green Card" issued by the U.S. Citizenship and Immigration Services (USCIS). A copy of both the front and back of the card is required.
- Non-permanent resident aliens are eligible as follows:
  - Borrower has a valid Social Security number (cannot be used as evidence of eligible work status)
  - Borrower has an unexpired Employment Authorization Document (EAD) issued by the United States Citizenship and Immigration Services (USCIS) as evidence of eligible work status. If the authorization for temporary residency status expires within one year, continuation may be assumed when a prior history of renewals. If no continuation has been previously granted the underwriter must determine the likelihood based on evidence from USCIS.

NOTE: Borrowers residing in the United States under refugee or asylee status granted by the USCIS are automatically eligible to work in the U.S. therefore an EAD is not required

- Inter-vivos trusts that meet HUD guidelines
- All borrowers are required to have a social security number; a TIN is not acceptable.

Borrowers — Ineligible

- Foreign Nationals
- Borrowers with diplomatic immunity and International Monetary Fund (IMF) employees
- Borrowers without a social security number
- Borrowers currently delinquent on current
- Non-U.S. citizens with no lawful residency in the U.S

Borrower Types

Borrower and Co-Borrower: Owns the property and is liable for the debt. Signs all documents, including the application, Note and Mortgage/Deed of Trust and is on title. Income, assets and debt used in qualification.

Non-Occupant Co-Borrower: Owns the property and is liable for the debt but does not live in the property. Signs the application, Note, Mortgage/Deed of Trust and is on title. Income, assets and debt are used in qualification for purchase and rate/term only. Income is not considered on cash-out transactions for qualification.

Co-Signer: Has no ownership interest in the property but is liable for the debt. Signs the application and Note, but not the Mortgage/Deed of Trust (no ownership interest). Income assets and debt are used in qualification.

Co-Mortgagor: Has ownership interest in the property but is **not** liable for the debt. Signs all collateral documents (Mortgage/Deed of Trust, TIL & Right to Rescind, as applicable). Signature is to subordinate their interest in the property to the lien. Income, assets and debts are not used in qualification.

Non-Borrowing/Non Purchasing Spouse: Generally have no ownership interest in the property and are not liable for the debt. In community property/marital rights states the non-borrowing spouse does have an interest in the property and is required to execute the security instrument and all applicable documents as determined by state law.

NOTE: Community property states: Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin. *See* HUD Handbook 4000.1 for additional details on the non-purchasing spouse.

CAIVRS/LDP/SAM

CAIVRS

All borrowers must be checked against the Credit Alert Interactive Voice Response System (CAIVRS) to determine if they have delinquent federal debt or if they are on title to a property in default. Borrowers identified on this site are generally ineligible for FHA financing.

LDP / SAM

All of the following parties to the transaction must be checked against HUD's Limited Denial of Participation and the System for Award Management (SAM) exclusionary lists:

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

Case Numbers

- Case number requests must comply with HUD Mortgagee Letter 2011-10. To view the Mortgagee Letter in its entirety go to: HUD Mortgagee Letters.
- FHA requires that there is an active loan application for the borrower and property.

- Case numbers older than 6 months will be automatically canceled when there has been no activity. A Case Reinstatement Request must be submitted to reinstate the case number.

Chain of Title

A 12-month chain of title is required for all loans. Title must include all transfers in the previous 12-month period, including copies of all recorded deed(s). If more than one transfer in previous 12 months **or** property has significant increase in value since prior transfer, an appraisal addendum addressing all transfers is required.

Condominiums

Condominium projects approved under HUDs HRAP or DELRAP process are permitted. Properties must also meet the Site Condo requirements. *See* HUD Handbook 4000.1 for complete details. Project Approval is not required on the following transaction types:

- Real Estate Owned (REO) transactions
  - Single Unit Approval not required
  - If the Unit is in a Condominium Project that has an FHA Condo ID, file must evidence the FHA Condo ID when the FHA case number is requested.
- Streamline Refinances
  - Condo Project Approval or Single unit approval not required
  - If the Unit is in a Condominium Project that has an FHA Condo ID, file must evidence the FHA Condo ID when the FHA case number is requested.

The file must evidence the following for individual units located in a Project or legal phase:

- Confirmation of Project Approval status, and
- Confirmation that the project is on the FHA Condo Project approval list at the time of case number assignment
- The FHA Condo ID must be entered into the Federal Housing Administration Connection (FHAC) Case assignment screen.

Occupancy

- 35% of total number of units required and documented.
- No more that 15% of occupied units in arrears for no more than 60 days. Late fees or special assessments not included. Arrears documentation must be evident in the file.
- Multiple units allowed for single owner or related party.
  - ≥ 20 units allowed per owner.
  - Ownership concentration ≤ 10%.
  - Multiple units are not allowed when the Condo Project has less 20 units

New Construction

Permitted and must comply with FHA's Project Approval process.

NOTE: Refer to HUD Handbook 4000.1 for complete details.

Condominium Project Approval

- Single Unit Approval
  - Must not be on the FHA approved Condo Project list at time of case number assignment.
  - Total Scorecard of "Accept" or 90% LTV required.
  - File must evidence certificate of occupancy (COE)
    - issued at least 1 year ago, or
    - property has been occupied.
  - At least 5 units required.
  - Manufactured Homes not permitted
  - Project is not located in an Approved Condo Project
  - Project is not located in an unapproved phase of a Condo Project with an approved legal phaseEligible Properties
- Owner Occupancy must ≥50% of the total number of units.
- Insurance concentration must be > 10% of the total units in a Condo Project, otherwise the issuance of a new case number may be suspended.
- Recorded documents must be in compliance with all applicable state and local laws. recorded documents.
- Recorded CC&Rs must be evidenced in the file.

NOTE: Refer to HUD Handbook 4000.1 for complete details.

Construction-to-Perm (Permanent Finance)

This section is specific to Construction to Perm transactions. For any topic not covered in this section, refer to the topics within these guidelines.

Planet will allow construction-to-permanent mortgage transactions with a single mortgage closing, after the issuance of the Certificate of Completion. The below requirements must be met.

- File must evidence a licensed general contractor was used.
  - Borrowers' acting as a general contractor is not permitted.
- The property was purchased by the borrower at the closing of the construction loan, or
- The borrower must have owned the land ≤ 6 months at the date of the case number assignment.
- The project must be 100% complete.
- Delegated transactions only.

Calculating the Maximum Mortgage Amount

- The maximum is calculated based on the appropriate purchase LTV percentage of the lesser of the appraised value or documented acquisition cost which include:
  - The builder's price to build.
  - The borrower-paid extras over and above the contract specifications and/or out of pocket expenses are not included in the builder's price to build.
  - The cost of the land if already owned, or
  - With an acceptable gift documentation, the appraised value of the land may be used instead of the cost, and
  - Closing costs associated with any interim financing of the land.

Minimum Required Investment (MRI)

Permitted using any cash investment in the acquisition cost of the property to satisfy the MRI.

Mortgage Interest Rate

During the construction period, the interest rate may be variable. The Lender and the borrower must enter into an agreement that:

- Documents the range in which the interest rate may float during construction.
- Documents the point of interest rate lock-in.
- Specifies that the permanent mortgage will not exceed a specific maximum interest rate, and
- Permits the borrower to lock in at a lower rate, if available and they have not already locked in a rate.

The borrower must qualify for the mortgage at the maximum rate at which the permanent Mortgage may be set.

Ineligible Properties

Manufactured Housing not permitted for Construction-to-Perm transactions.

Documentation

Case file must evidence the following documentation:

- The cash investment is from an acceptable source of funds in accordance with the underwriting requirements as applicable.
- The cost and date of purchase of the land, if already owned, by obtaining the closing disclosure or similar legal document.
- Any borrower-paid extras over and above the contract specifications and any out-of- pocket expenses not included in the builder's price to build by obtaining evidence funds were derived from an acceptable source.
- An itemization of the extras and expenses and the cost of each item is required.

Required Documentation for Closing

In addition to standard FHA documents, the following documents must be used:

- A construction rider to the Note, and construction loan agreement.
  - These construction documents may be in any form acceptable to the lender, but they must provide that all special construction terms end when the construction loan converts to a permanent mortgage. After conversion, only the permanent mortgage terms (based on standard documents) continue to be effective, making the permanent mortgage eligible for FHA mortgage insurance.
- A disclosure issued to the borrower explaining that the mortgage is not eligible for FHA mortgage insurance until after a final inspection, or the issuance of a certificate of occupancy by the local governmental jurisdiction, whichever is later.
- Either, a fully executed contract agreement between the builder and the borrower, which includes the contractor's price to build or documentation of the actual costs of construction where the borrower is acting as the general contractor.
- Documentation of Land acquisition or land ownership.
- Evidence of payoff statement and actual payoff if mortgage proceeds are used to purchase or pay off debt on the land.

Required Documentation for Endorsement

- When the maximum LTV exceeds 90%, the mortgage must be in compliance with inspections or warranties for maximum financing and the required documentation. See New Construction Documentation Requirements.
- When the LTV ≤ 90%, the mortgagee must comply with the documentation requirements found in the New Construction Financing LTV Limit.
- File must evidence a title update after conversion to the permanent mortgage to show that the property is free and clear of all liens other than the Mortgage.
- File must evidence that the construction was fully drawn down, and that any remaining funds were used to pay down the principal balance on the permanent mortgage.

Escrow Account at Closing of the Construction Loan

- After funds are disbursed to cover the purchase of the land, the balance of the mortgage proceeds must be placed in an escrow account to be disbursed as construction progresses.
- File must evidence the borrower's written authorization for each draw prior to disbursing funds to the contractor.
- After completion of construction, the construction escrow account must be fully extinguished, and any remaining funds must be applied to the outstanding principal balance of the permanent Mortgage.

Endorsement

- The Mortgage must be endorsed within 60 days of the final inspection or issuance of the Certificate of Occupancy (CO) whichever is later.
- Delegated Sellers must pay an Upfront MIP and insure the loan.

NOTE: Amortization of the permanent mortgage must start no later the first of the month following the 60 days from the date of the final inspection or issuance of the (CO)

Building on Own Land

In addition to the Construction-To-Perm and New Construction topics, building on own land is also permitted subject to the following conditions.

- Borrower owns land greater than 6 months from case number date.
- If the land was given as a gift to the Borrower, the Mortgagee must verify that the donor was not a prohibited source.
- The Mortgagee must obtain standard gift documentation. See Gift Funds.
- Borrower may not receive cash back from the additional equity in the Property except to replenish their own cash expenditures for any borrower-paid extras over the contract specifications and any out of pocket expenses not included in the builder's price. Itemization of the extras and expenses costs must be evidenced in the loan file.
- Evidence for the purchase of the land required with a Closing Disclosure or similar legal document.

Contingent Liability

A contingent liability exists when an individual is responsible for payment of a debt if another party, jointly or severally obligated, defaults on the payment.

Co-Signed Debt

- When the borrower is legally obligated on a debt, the debt must be included in the borrower's DTI ratio, even if another party is making the payment. The payment may only be excluded when the person making the payment is also legally obligated on the debt.
- Personal debt, where the borrower is a co-signer, may be excluded from the DTI if:
    - Documentation is provided verifying another borrower is responsible for the debt, and
    - Copies of the canceled checks (front and back) are provided from the party paying the debt for the most recent 12 consecutive payments, and
    - The credit report indicates the account has no late payments.

Business Debt

- Payments attributed to the borrower's business must be included in the borrower's DTI calculation unless:
    - Documented evidencing that the debt is being paid by the borrower's business
    - The debt was considered in the cash flow analysis of the borrower's business, and the

borrower's tax return reflects the business expense related to the obligation, ≥ the amount of payments document as paid out of company funds.

NOTE: Only the interest expense related to the obligation shown on the borrower's tax return will be considered in the cash flow analysis.

- **Corporations (Includes Sub-S and most LLCs):** A corporation is a legal entity that can be obligated for debts. Officers of the corporation or members of an LLC are often required to personally sign as additional guarantors for debts owed by the Corporation or LLC.
  - Debts may be excluded from the DTI, if:
    - A minimum of 12 consecutive most recent canceled checks are provided by the corporation/LLC for payment on the debt, and
    - Documentation is provided showing the corporation/LLC is a borrower on the loan.
- **Sole Proprietorship or Partnership:** The business is not an entity that can borrow and any debt used by the business is personal obligations regardless of how the debt is paid. This type of debt must be included in the borrower's DTI. The debt may be added back to the business income so the debt is not counted twice.

Credit History

Total Scorecard Approve/Eligible or Accept/Eligible

- Tradeline requirements per Total Scorecard findings
- Authorized user tradelines require review by the underwriter to ensure the tradelines are an accurate reflection of the borrower's credit history.
- Borrowers with insufficient credit history are subject to the following DTI requirements:
  - DTI computed only on the borrowers who will be occupying the property and obligated on the loan
  - Two months cash reserves from the borrower's own funds are required. Cash gifts are not eligible to satisfy reserve requirements.

Credit Installment/Revolving Accounts

All debts are run through TOTAL to ensure accurate findings.

- **Installment Debt**
  - The Monthly payment shown on credit reports, loan agreement or payment agreement must be used to calculate borrower's liability.
  - If the actual monthly payment is not available utilize the terms of the debt or 5% of the outstanding balance to establish the monthly payment.
  - Included in the DTI if > 10 months remaining, or

- Included if ≤ 10 months remaining **AND** payment is > $100.00 and/or at underwriter's discretion
- Pay down of installment debt to < 10 months may be considered on an exception basis if the borrower has strong reserves, high credit score, no gifts or grants, and the debt ratio, with the debt(s) included is 43% or less.

- **Revolving Debt**
  - Revolving debt must be included if there is a balance indicated on the credit report. If the monthly payment is not included in the credit report the underwriter will calculate the payment using the greater of $10.00 or 5% of the outstanding balance. If the actual dollar amount is documented by the creditor or a current monthly statement, that mount may be used for qualifying.
  - Cash-out refinance transactions
    - If paid off prior to closing, documentation must be included in the loan file that the account was paid off and closed.
    - Payoff must be indicated on the CD
    - Closing agent must verify that the account(s) were closed prior to disbursement.

- **Student Loans and Other Deferred Obligations**

  Monthly payments must be included in the DTI ratios, see calculations below. Provide the following documentation:

  - Proof of the deferral from the creditor and terms of the liability
  - Evidence of the outstanding balance and actual monthly payment obligation.

Calculation of Monthly Obligation

Regardless of payment status, use the greater of:

- 1% of the outstanding balance on the loan; or
- The monthly payment reported on the credit report; or

The actual documented payment must be used, provided the payment will fully amortize the loan over its term.

Credit Report/Scores

Credit Reports

- A tri-merged credit report is required for all borrowers including non-borrowing spouse who resides in a community property state or if the subject property is located in a community property state. *See* HUD Handbook 4000.1 for additional details on the non-borrowing spouse.
- A truncated SSN is acceptable for FHA mortgage insurance purposes provided that the mortgage application captures the full nine-digit SSN.

The Mortgagee must review all credit report inquiries to ensure that all debts, including any new debt payments resulting from material inquiries listed on the credit report, are used to calculate the debt ratios. The Mortgagee must also determine that any recent debts were not incurred to obtain any part of the Borrower's required funds to close on the Property being purchased.

Material Inquiries refer to inquires which may potentially result in obligations incurred by the Borrower for other Mortgages, auto loans, leases, or other Installment Loans. Inquiries from department stores, credit bureaus, and insurance companies are not considered material inquiries

The borrower(s) must address **all** credit inquiries indicated on the credit report within the previous 120 days and indicate the reason for and result of the inquiry (i.e. was new credit obtained or not)

Credit Report – Fraud Alert

When a fraud alert, active duty alert or freeze is included with a credit report, additional steps are required to verify the borrower's identity and documentation must be provided. Documentation should include, but is not limited to:

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

If the credit alert contains a phone number for a verbal verification prior to credit being issued, documentation must be provided that the borrower was contacted.

Credit Score

- Non-delegated transactions require a 620 FICO.
- All borrowers must meet the minimum credit score requirement and as noted below where not all borrowers have a credit score
- The representative credit score is determined as follows:
    - If there are three (3) valid scores, the middle score is used. If two of the three scores are a duplicate, the duplicate score is used.
    - If there are two (2) valid scores, the lower of the two is used
    - If there is one (1) valid score, that score is used.
- When there are multiple borrowers on a loan, the lowest representative credit score of all borrowers is the decision credit score.

  Example:

    - Borrower 1: Credit scores are 640, 654, 660; representative score is 654
    - Borrower 2: Credit scores are 625, 637; representative score is 625

The loan decision score is 625 which is the lowest representative score of all borrowers.

Planet will allow loans **where not all borrowers have a credit score subject to the following:**

- Determine if a "primary borrower" exists. If a primary borrower exists (meets all of the requirements below) the loan may proceed without additional documentation. A primary borrower is defined as:
  - The individual who will be occupying the property, and
  - Has more than 50% of the qualifying income, and
  - Meets the minimum tradeline requirements (3 tradelines, each with 12-month history and 1 of the 3 must have been active within the past 24 months).

If a "primary borrower" cannot be established and no other borrowers meet all of the above criteria then non-traditional credit requirements apply as detailed in HUD Handbook 4000.1

Derogatory Credit

Disputed Derogatory Credit

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

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

- **Disputed accounts not required in cumulative total:**
  - Disputed medical accounts.
  - Disputed accounts that are the result of documented identity theft. If documentation cannot be provided (e.g., police report) to substantiate the claim, the amount must be included in the cumulative total.
  - Disputed derogatory credit account of a non-purchasing spouse in a community property state.
- **Disputed Accounts – Non-Derogatory**
  - Disputed account with a zero balance, or
  - Disputed account with late payments aged 24 months or greater, or
  - Disputed account that is current and paid as agreed.
- **Disputed Accounts ≥ $1,000 (cumulative for all borrowers)**
  - Loans with an "Approve/Eligible" Finding must be downgraded to a manual underwrite if the credit report indicates there are disputed accounts with a cumulative total (includes disputed accounts for **all** borrowers) ≥ $1,000.
- **Disputed Accounts < $1,000 (cumulative for all borrowers)**
  - A downgrade to a manual underwrite is not required if the cumulative total of all disputed accounts < $1,000.

- Non-derogatory accounts are not included in the cumulative total; however, the underwriter must address when considering the borrower's ability to repay the loan including the impact to the DTI.

Tax Liens

Tax liens must be paid or subordinate to Planet's 1st lien, with the following exceptions:

Tax liens may remain unpaid if:

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

Short Sale Eligible

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

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

Short Sale Ineligible

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

Exceptions

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

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

a new FHA insured mortgage for 3 years from the date that FHA paid the claim associated with the pre-foreclosure sale.

Short Payoff/Modified/Restructured Loans

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

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

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

Bankruptcy

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

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

- **Chapter 13**
  - Borrower has completed 1 year of the payout period, and
  - Borrower has made all required payment on time, and
  - Borrower has received written permission from the bankruptcy court to enter into a mortgage transaction.

  When a Total Scorecard “Accept” recommendation is received:

  - Document 2 years have elapsed since discharge date and no further documentation is required.
  - If not discharged for a minimum of 2 years, the loan must be downgraded to a “Refer” and a manual underwrite is required. Manual underwriting guidelines apply.
- **Chapter 7**

  When a Total Scorecard “Accept” recommendation is received:

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

Consumer Credit Counseling

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

Delinquent Child Support

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

Foreclosure/Deed-in-Lieu

- Borrowers are generally not eligible for new FHA financing if a foreclosure or deed-in-lieu has occurred in the previous 3 years.
- If < 3 years from the foreclosure settlement date to the application date, the borrower may be eligible. The loan must be downgraded to manual underwrite and subject to the following:
  - Borrower must have re-established credit
  - No late housing or installment payments after the foreclosure, and
  - A letter of explanation as to the reason for foreclosure.

NOTE: If the foreclosure was included in a Chapter 7 bankruptcy, the date of the foreclosure deed is used for determining the foreclosure date.

Collection/Charge-off/Judgments

- Loans that do not receive a TOTAL Scorecard of Approve/Eligible or Accept/Eligible finding, the borrower is required to provide a letter of explanation and supporting documentation for all collection, charge-off accounts and judgments. The letter must document that the collection and/or judgment was not due to the borrower's disregard of their financial obligation or their ability to manage debt.
- Loans that receive a TOTAL Scorecard of Approve/Eligible or Accept/Eligible finding, a letter of

explanation is not required for collection accounts, charge-off accounts, accounts with late payments, judgments or other derogatory information.

Collections/Charge-Offs

The underwriter must consider the borrower's ability to repay the mortgage when the cumulative balance for all borrowers of collection/charge-off account(s) is > $2,000 (including any collection accounts of a non-purchasing spouse in community property states unless excluded by state law) on both manual underwrites and loans with a TOTAL Scorecard finding.

All medical collection accounts and all charge-off accounts (medical and non-medical) **are excluded** from the collection/charge-off guidance. All non-medical collection accounts **must be included**.

- **Accounts Cumulative ≥ $2,000**

  One of the following is required:

  - Payment in full prior to or at closing. Source of funds for payoff must be documented, or If borrower currently in a payment plan (no minimum time required), the payoff must be included in the DTI, or
  - If a payment plan not established, calculate 5% of the outstanding balance and include in the DTI calculation.

- **Accounts Cumulative < $2,000**

  No action required. Accounts cannot be paid down to < $2,000.

Judgments

Judgments are required to be paid off **including** judgments against a non-purchasing spouse in community property states (unless excluded by state law) **and** medical judgments. The payment requirement may be waived if the borrower is currently in a payment plan with the creditor:

- A copy of the agreement is provided, and
- Borrower has made a minimum 3 months of the scheduled payments as agreed prior to credit approval. Supporting documentation is required.
- Payments must be included in the DTI calculation

NOTE: The borrower **cannot** prepay scheduled payments to satisfy the 3-month requirement.

Down Payment

The minimum down payment requirement is 3.5% from the borrower's own funds or from an acceptable gift/donor, grant or DPA program. *See* "Identity of Interest" on page 329 for additional requirements.

Down Payment Assistance Program

- Allowed subject to HUD guidelines.
  - Must meet all FHA DPA requirements, and
  - File must document evidence of proper transfer of funds.
  - DPA program administered by a charitable organization such as non-profits must be HUD approved.
  - Gifts from a charitable organization to pay off credit obligation not allowed.

NOTE: *See* HUD Handbook 4000.1 for complete Down Payment Assistance requirements.

- The debt-to income ratio includes the following:
  - Monthly housing expense, and
  - Additional recurring charges extending 10 months or more, such as
    - Installment accounts,
    - Child support or separate maintenance payments,
    - Revolving accounts, and
    - Alimony
- Monthly payments on revolving or open-end accounts, regardless of their balances, are counted in the DTI for qualifying purposes even if the account may be paid off within 10 months or less.
- Debts < 10 months remaining must be included in the DTI if the amount of the debt will affect the borrower's ability to pay the mortgage in the months immediately following loan closing particularly if the borrower has limited or no reserves.

See "Manual Underwrites and DTI Maximum" on page 330 for maximum DTI and acceptable compensating factors as required by HUD.

Employment

- A two-year employment history is required for both wage earners and self-employed borrowers.
- Borrower authorized Third-Party Verification (TPV) is an acceptable option per HUD Handbook 4000.1 guidelines.
- Re-verification is required within 10-calendar days prior to the date Note date.
- Sellers must independently obtain the phone number, and when possible, the address of the wage earner borrower's employer using directory assistance/internet/phone book, etc.

NOTE: A sample VVOE form is posted on the CORE Seller Portal at www.phlcorrespondent.com under **Forms and Resources**. Sellers are not required to use this exact form, however any form used, must provide the information contained on the Planet form.

Employed Borrowers

- A current paystub with YTD income of at least one month, and W-2s for prior 2 years or per TOTAL Scorecard
- A borrower who has returned to work after an extended absence (6 months or more) will be allowed to use their current income if:
  - The borrower has been employed in their current job for 6 months or longer, and
  - A 2-year work history, prior to the absence from employment, can be documented (e.g., copies of W-2s or paystubs from previous job required).

Employed by Family Business

In addition to normal employment verification, a borrower employed by a family owned business is required to provide evidence that they are not the owner of the business. Acceptable evidence includes:

- Copies of signed personal tax returns, or
- Signed copies of the corporate tax returns showing ownership percentage.

Employment and Income

Self-Employed Borrowers

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

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

- Annual earnings that are stable or increasing are acceptable, while businesses that show a significant decline in income over the analysis period are not acceptable, even if the current income and debt ratios meet FHA guidelines
  - Income declining more than 20% per year, require a downgrade to manual underwrite and justified use of income
  - Depreciation and/or depletion may be added back
- Tax transcripts are acceptable in lieu of a signed individual or business tax return
- Corporations, S-Corporation or partnership are required to provide signed copies of Federal Business income tax returns for the last 2 years with all applicable tax schedules

- Year-to-date Profit & Loss (P&L) statement and balance sheet are required if more than a calendar quarter has elapsed since date of most recent calendar or fiscal-year end tax return was filed by the borrower
- If the income used to qualify the borrower exceeds the two-year average of tax returns, an audited P&L or signed quarterly tax returns obtained from the IRS are required
- Borrowers who do not use a CPA or Tax Service Professional may supply an unaudited P&L or quarterly tax returns obtained from the IRS
  - An example of a situation of when an unaudited P&L would be acceptable is a borrower who owns a small business where the borrower self-prepares their tax returns or they engage a CPA/Tax preparer on an annual basis
  - Regardless of who prepares the unaudited P&L, it cannot be used in the income calculation.
- If TOTAL Scorecard returns an Approve/Eligible or Accept/Eligible recommendation follow TOTAL income documentation requirements.
  - Individual tax returns show increasing self-employment income over the past 2 years
  - Funds to close are not coming from business accounts, and
  - The proposed FHA insured mortgage is not a cash-out refinance.

Rental Income

- Subject Property
  - 2-4 units dwelling or 1- 4 unit investment property.

    - **Limited or No History of Rental Income**

      - Borrowers without a history of rental income from subject property since the previous tax filing: file must evidence: A current lease agreement, and
      - An appraisal showing the fair market rent.
      - Documented proof of proposed rental income.

      Calculation of effective income. Use the lesser of:

      - Monthly operation income reported on Freddie Mac form 998, or
      - 75% of the lesser of:
        - Fair market rent reported on the appraisal; or
        - Income does not reduce the borrower(s) total mortgage payment). The rent reflected in the lease or other agreement.

      NOTE: Subject property rental income must be added to the borrower(s) gross income (net rental).

    - **History of Rental Income**

    The file of borrower(s) with a history of rental income from the subject property since the previous six months must include:

- Most recent tax return evidencing existing rental income,
- Schedule E from the previous 2-years.
  - Properties with < less than 2-year rental history must document the date of acquisition via deed, closing disclosure or similar legal document.

Calculation of effective income. Average the amount shown on the Schedule E.

- Depreciation, interest, taxes, insurance and any HOA dues show can be added back to the net income or loss. Fair market rent reported on the appraisal; or
- The rent reflected in the lease or other agreement.
- File must evidence annualized income for the length of time property has been owned if < 2 years.

NOTE: Subject property rental income must be added to the borrower(s) gross income (net rental income does not reduce the borrower(s) total mortgage payment).

- Other Rental Income
  - Rental income from a principal residence **may be** considered for qualifying purposes if:
    - Rental income has derived from the property being vacated by the borrower.
    - Borrower is relocating to an area more than 100 miles from current principal residence.
    - File evidences a 1-year lease agreement after mortgage is closed and evidence of security deposit or first months recent is in the file.

See HUD Handbook 4000.1 for complete rental income requirements.

Projected Income from New Job

Projected income from a new job that the borrower is scheduled to start is eligible subject to the following:

- Written verification and documentation of existence and amount of expected income required from employer.
- Borrower must be scheduled to start the new position within 60 days of loan closing.
- Borrower must have sufficient other income or cash reserves to pay the mortgage and all other obligations from loan closing to the start of the new job.
- A letter signed by the borrower(s) is required certifying that a paystub or other acceptable documentation to validate the borrower has started employment will be provided as soon as received by the borrower.

Escrow Holdback

Loans with an escrow holdback are eligible for purchase when all funds are disbursed prior to the loan being purchased by Planet except as noted below. Loans must meet Planet’s loan seasoning requirements detailed in "Chapter 8: Loan Purchasing" on page 531. Loans with holdback funds not disbursed prior to purchase are eligible as follows:

- **Newly constructed properties — weather related**
  - Funds held for completion of grading of yard/driveway, pouring concrete for driveway/sidewalks
  - Seller must provide proof of completion and release of funds post-purchase
- **Newly constructed properties with city held bond — weather related**
  - Eligible for purchase with temporary Certificate of Occupancy when a city bond is held for completion of roads and/or driveways
- **New construction — non-weather related**
  - Funds held for completion of landscaping
  - Seller must provide proof of completion and release of funds post-purchase.

NOTE: Existing properties with new renovations allowed on a case-by-case basis.

Gift Funds

- Gift funds are eligible for down payment, closing costs and reserve requirements if required. Excess funds must be returned to donor.
- 3-4 unit properties require the borrower to have personal reserves equivalent to 3 months PITI after closing on purchase and refinance transactions. Reserves cannot be from a gift.
- A gift is acceptable if the donor is:
  - A relative of the borrower
  - Borrower's employer or labor union
  - A close friend with a clearly defined and documented interest in the borrower
  - A charitable organization approved by FHA
  - A government agency or public entity that has a program providing home ownership assistance to low and moderate income families or first-time homebuyers.
- Gift funds must be evidenced by a gift letter and it must:
  - Be signed by the donor and the borrower
  - Indicate the donors name, address, phone number, and relationship to the borrower
  - State the source of the funds (bank/brokerage acct. etc.)
  - Include a statement by the donor that no repayment of the gift funds is expected
  - Specify the dollar amount.
- Gift fund availability and transfer of the funds must be documented as noted below:

  - Gift funds given prior to closing; copy of the donor's canceled check (front and back) and conclusive evidence that the money was withdrawn from the donor's account (conclusive evidence might be a withdrawal slip or bank statement and the borrower's deposit slip and/or bank statement verifying the deposit)
  - Gift funds given to closing agent; a copy of donor's check to the closing agent or documentation of the wire transfer is required, along with a copy of the donor's bank statement evidencing sufficient funds for the amount of the gift. The Gift must be reflected on CD.

NOTE: When a bank statement is used to document funds, the donor **may** be required to document large deposits to ensure the funds did not come from an interested third party.

- FHA allows donors to borrow gift funds from any acceptable source provided the borrowers are not obligors to any Note to secure the money borrowed for the gift. Written evidence that the funds were borrowed from an acceptable source and not from a party to the transactions is required **OR** copy of the loan document verifying the loan is in the name of the donor and borrower is not responsible for repayment. A copy of the deposit slips verifying the deposit.

NOTE: A sample gift letter is available on the Planet Core Seller Portal at www.phlcorrespondent.com under **Forms & Resources**.

Ineligible

The gift donor may not be a person or entity with an interest in the sale of the property including:

- Seller
- Real estate agent or broker
- Builder or associated entity

Gifts from these sources are considered "inducements to purchase" and must be subtracted from the sales price.

Regardless of when gift funds are made available to the borrower, it must be determined that the gift funds were not provided by an unacceptable source and that the gift funds were the donor's own funds.

Gift of Equity

- Allowed from an immediate family member only. *See* "Identity of Interest" on page 329 for HUD's definition of an immediate family member.
- A gift letter must be provided (*see* "Gift Funds" on the previous page for gift letter requirements).
- The CD must indicate "gift of equity."

HUD Real Estate Owned

*This section is Specific to the **HUD Real Estate Owned** including the **Good Neighbor Next Door** and **$100 Down** Sales programs. For any topic not covered in this section, see [HUD Handbook 4000.1](#).*

A HUD Real Estate Owned (REO) Property refers to a 1-4 units residential property acquired by HUD as a result of a foreclosure or other means of acquisition on an FHA insured mortgage. HUD REO properties are eligible for purchase under:

- Section 203(b)
  - Property meets HUD's Minimum Property Requirements (MPR) in its as-in condition.
- Section 203(b) with Repair Escrow
  - **Not currently available for sale to Planet Home Lending**.
  - Property does not meet HUD's MPR, but if repairs of not more than $10,000 are completed, the property would meet HUD's MPR.
- Section 203(k)
  - Property does not qualify for Section 203(b) or Section 203(b) with Repair Escrow and is eligible for FHA-insured financing only under Section 203(k).

Occupancy

The borrower must occupy the property as his/her primary residence and obtain FHA-insured financing under Section 203(b) or Section 203(k). Investment properties are not eligible for purchase by Planet Home Lending.

Special HUD REO Sales Incentives

Good Neighborhood Next Door (GNND)

The GNND sales incentive permits an owner-occupant borrower who is a full-time Law Enforcement Officer, Teacher, Firefighter or Emergency Medical-technicians who meet HUD's requirements to purchase a specifically designated HUD REO property, located in a HUD-designated revitalization area with FHA-insured financing at a 50% discount from the purchase price.

When using FHA-insured financing, the borrower may purchase the HUD REO property with a minimum down payment of $100. In addition, the borrower may include in the mortgage amount customary and reasonable closing costs.

<u>Eligible Borrower(s)</u>

At the time the bid is submitted and at the time of closing, the borrower must be employed full-time as a Law Enforcement Officer, Teacher or Firefighter/EMT.

- Law Enforcement Officer
  - Must be employed by a law enforcement agency of the federal government, a state, a unit of local government, or an Indian tribal government, and
  - Sworn to uphold, and make arrests for violations of federal, state, tribal, county, township, or municipal laws.
- Teacher
  - Must be an employee of a state-accredited public or private school providing direct service to students in grades pre-K through 12.
  - Must serve in the area where the property is located.
- Fire Fighter/Emergency Medical Technician
  - Must be employed by a fire department or emergency medical services responder unit of the federal government, a state, unit of general local government, or an Indian tribal government, and
  - Must serve the area where the property is located

All buyers must certify to the good faith intention to continue employment as a law enforcement officer, teacher or firefighter/EMT for at least one year after the date of closing.

$100 Down

The $100 Down sales incentive permits a Borrower to purchase a HUD REO property FHA-insured financing with a minimum down payment of $100.

Sales Contract

Sellers must obtain form HUD-9548, *Sales Contract Property Disposition Program*, and any applicable addenda, which will establish the purchase price, price discount, and eligibility for GNND, eligibility for $100 Down and meet the requirements for Sales Contract.

Line 4 of the Sales Contract must specify the program under which the borrower is applying the down payment and the mortgage amount.

The Seller must determine the eligibility of the property, the eligibility of the borrower and the specific insured HUD REO Purchase Program that must be used to finance the purchase. When the borrower has been approved for the $100 Down sales incentive, the amount of the cash down payment on Line 4 will be $100.

Line 5 will specify the amount of closing costs that HUD will pay for on behalf of the borrower. Contributions by HUD toward the borrower's closing costs are not defined as Interested Party Contributions or Inducements to Purchase.

Identity of Interest

Defined as the purchase of a primary residence between parties with a family or business relationship/business affiliates.

- The maximum LTV for an identity of interest transaction is 85%
- For the purpose of Identity of Interest transactions, FHA defines a family member as:
    - Child (son/stepson, daughter/stepdaughter)
    - Parent or grandparent (step-parent/grandparent or foster parent/grandparent)
    - Spouse
    - Legally adopted son or daughter, including a child who is placed with the borrower by an authorized agency for legal adoption
    - Foster child
    - Brother/stepbrother
    - Sister/stepsister
    - Aunt or Uncle
- If the property being sold between family members is the seller’s investment property, the maximum mortgage is the lesser of:
    - 85% of the appraised value, or
    - The appropriate LTV factor applied to the sales prices, plus or minus required adjustments.

Exceptions to the maximum LTV for Identity of Interest Transactions

FHA will allow financing above 85% in specific circumstances as detailed below:

- A family member purchases another family member’s home as a principal residence.
- A current tenant, including a family member, who has been a tenant occupying the property for a minimum of 6 months preceding the purchase contract. Evidence, such as a lease or other written evidence, is required to verify occupancy.
- An employee of a builder purchases one of the builder’s new homes or models as a principal residence
- A Corporation:
    - Transfers an employee to another location
    - Purchases the employee’s home, and
    - Sell the home to another employee.

Impound Account

Required on all loans — no exceptions.

Inspections (Well/Septic/Termite)

FHA requires property be connected to public water or sewer, if feasible. FHA considers it feasible if the cost to connect to the public utilities is 3% or less of the properties appraised value. If it is not feasible the appraiser must confirm that the private well/ septic meets FHA requirements detailed in the HUD guidelines.

- Septic inspections are required when:
  - Appraiser indicates there is evidence the septic system may be failing, or
  - Property is new construction, or
  - Mandated by state or local jurisdiction, or
  - Customary to the area
- Termite inspections are required when the purchase contract requires one, or the appraiser indicates there is evidence of active infestation.
- Well inspections are required when state or local regulations require, or if there is indication the well may be contaminated.

Manual Underwrites and DTI Maximum

Manual underwrites are subject to the following HUD requirements. The table below identifies the maximum eligible DTI as determined by the applicable compensating factor. Non-occupant co-borrower income may not be used to calculate DTI. This section does not apply to 203(h) loans (*see* "PDMDA Mortgages — 203(h)" on page 340 for details).

Detailed compensating factor requirements follows:

<table>
<tr><th>Credit Score</th><th>Maximum Qualifying Ratios</th><th>Acceptable Compensating Factor</th></tr>
<tr><td>500-579 or No Credit Score</td><td>31%/43%</td><td>Borrowers with a credit score below 580 or no credit score may not exceed 31%/43% ratio.</td></tr>
<tr><td rowspan="4">580 and above</td><td>31%/43%</td><td>No Compensating Factors required</td></tr>
<tr><td>37%/47%</td><td>One of the following:
• Documented cash reserves.
• Minimal increase in housing payments.
• Residual Income.</td></tr>
<tr><td>40%/40%</td><td>No Discretionary debt</td></tr>
<tr><td>40%/50%</td><td>Two of the following:
• Verified and document cash reserves.
• Minimal increase in housing payment.
• Significant additional income not reflected in effective income, and
• Residual income.</td></tr>
</table>

<table>
<tr><th>Compensating Factors</th><th>Requirements</th></tr>
<tr><td>Additional Cash Reserves</td><td>

1 and 2 units: 3 months or more of the total monthly mortgage payment (PITI +MIP)
3-4 units: 6 months or more of the total monthly mortgage payment (PITI+MIP)
Retirement accounts (IRA, 401(k), Keogh, etc.) are eligible to satisfy reserve requirements subject to:

Maximum 60% of the vested account, minus any outstanding loan balance (s) may be used. Any funds used for loan settlement must be excluded).
The account allows for withdrawals other than for retirement, death or employment termination. If not, the funds are ineligible towards reserves.

The following are ineligible to meet reserve requirements:

Any cash-back from the cash-out refinance transactions
Gift or borrowed funds
Equity in other real estate owned

</td></tr>
<tr><td>Minimal Housing Increase</td><td>
Minimal housing increase defined as:

New monthly mortgage payment (PITI+MIP) does not exceed the current housing payment by the lesser of:

$100, or
5% of the current housing payment, and

Borrower must have a documented 12 month housing history; if 12 months housing cannot be documented the minimal housing increase cannot be used as a compensating factor.

The following applies to the required housing history:

Purchase and rate/term refinance transactions; maximum 1x30 in previous 12 months
Cash-out transactions: 0x30 in previous 12 months

</td></tr>
<tr><td>No Discretionary Debt</td><td>
May be considered a compensating factor when:

The only open account with an outstanding balance that is not paid off monthly is the borrower’s mortgage (N/A to purchase borrowers who currently rent), and
The borrower’s credit report indicates established tradelines, open for a minimum of 6 months, in the borrower’s name (authorized user accounts not eligible), and
The borrower has paid any account balances in full for the previous 6 months (documentation of payment is required).

</td></tr>
</table>

<table>
<tr><th>Compensating Factors</th><th>Requirements</th></tr>
<tr><td>Additional Income

(income that was not used to qualify for the loan)</td><td>The following additional income is eligible, if not used for qualification:
Bonus
Overtime
Part-time/seasonal
The borrower must be able to document receipt of the income for a minimum of 1 year but < 2 years and is likely to continue AND if the income had been used for qualifying the DTI would not be more than 37%/47%.

Eligible as follows:
If DTI will not exceed 37%/47% may be used as the only compensating factor; no additional compensating factor required.
If DTI exceeds 37%/47% but is not more than 40%/50% another compensating factor, in addition to additional income, is required.
NOTE: Income from anyone not a borrower on the loan may not be used (non-borrowing spouse, domestic partner, etc.)</td></tr>
<tr><td>Residual Income</td><td>Eligible subject to VA residual income guidelines (refer to charts).
All of the borrower's household members are counted regardless of the relationship to the borrower or if they will be on the loan with the exception of "self-sufficient" household members (i.e. the household member who fully supports themselves, with verifiable income, and that income was not used for qualifying)
Residual income is determined by taking the gross monthly income of all occupying borrowers and deducting the following:
Federal and state taxes, social security
Proposed housing payment
Fixed monthly expenses (revolving/installment debt child support/alimony obligations, child care expenses, and
Home maintenance costs (calculated at 14¢ per square foot)
NOTE: Non-taxable income cannot be grossed up to meet residual income requirements.</td></tr>
</table>

Manual Underwrite: No more than 2 of the following Risk Factors allowed: Utilization of Gift Funds; DTI >45%; LTV within 5% of the program maximum

Residual Income Requirements:

Loan Amounts ≤79,000				
Family Size	**Northeast**	**Midwest**	**South**	**West**
1	$390	$382	$382	$425
2	$654	$641	$641	$713
3	$788	$772	$772	$859
4	$888	$868	$868	$967
5	$921	$902	$902	$1,004
Over 5	Add $75.00 for each additional family member up to 7			
Loan Amounts ≥ 80,000				
Family Size	**Northeast**	**Midwest**	**South**	**West**
1	$450	$441	$441	$491
2	$755	$738	$738	$823
3	$909	$889	$889	$990
4	$1,025	$1,003	$1.003	$1,117
5	$1,062	$1.039	$1.039	$1.158
Over 5	Add $80.00 for each additional family member up to 7			

Geographic Regions as Identified by VA			
Northeast	Connecticut	New Hampshire	Pennsylvania
	Maine	New Jersey	Rhode Island
	Massachusetts	New York	Vermont
Midwest	Illinois	Michigan	North Dakota
	Indiana	Minnesota	Ohio
	Iowa	Missouri	South Dakota
	Kansas	Nebraska	Wisconsin

Geographic Regions as Identified by VA			
South	Alabama	Kentucky	Puerto Rico
	Arkansas	Louisiana	South Carolina
	Delaware	Maryland	Tennessee
	District of Columbia	Mississippi	Texas
	Florida	North Carolina	Virginia
	Georgia	Oklahoma	West Virginia
West	Alaska	Idaho	Utah
	Arizona	Montana	Washington
	California	Nevada	Wyoming
	Colorado	New Mexico	
	Hawaii	Oregon	

Manufactured Homes

Eligible Properties

- The manufactured home must be:
  - 1-unit, multi-wide dwelling
  - Built and remain on a permanent chassis
  - Classified as real estate
  - Designed to be used as a dwelling with a permanent foundation built to FHA criteria
  - Existing or New construction
  - HUD REOs
  - PUDs
  - The home must not have been installed or previously occupied at any other site or location.
- Minimum 400 square feet of gross living area
- Properties located in a 100-year Flood Zone must evidence a FEMA National Flood Insurance Program (NFIP) Elevation Certificate (FEMA Form 086-0-33), that documents that the lowest floor (including the basement) of the residential building and all related improvements/equipment essential to the value of the Property, is built at or above the 100-year flood elevation in compliance with the NFIP criteria.
- File must evidence that the flood elevation certificate is prepared by a licensed engineer or surveyor and completed based on finished construction.
- The home must have been constructed on or after June 15, 1976 in compliance with Federal Manufactured Home Construction and Safety Standards (MHCSS). Manufactured homes produced prior to the above date are ineligible.
- Running Gear, towing hitch must be removed

- The perimeter enclosure must be properly enclosed by a continuous wall adequately secured to the perimeter of the unit. If the perimeter enclosure is non-load-bearing skirting comprised of lightweight material, the entire surface area of the skirting must be permanently attached to backing made of concrete, masonry, treated wood or a product with similar strength and durability.
- Utility hook-ups (electrical, gas, water, sewage, etc.) for manufactured homes are subject to HUDs standard guidelines regarding utilities.
- Fixed Rate and ARM

Ineligible Properties

- 2-4 units
- Condos
- Leaseholds
- Singlewide

Documentation

- A HUD certification label is required. If the label is missing a Label Verification Letter from the Institute for Building Technology and Safety (IBTS) is required.
- A foundation certification must be obtained from a licensed professional engineer or architect, who is licensed/registered in the state where the manufactured home is located, certifying compliance with the Permanent Foundation Guide for Manufactured Housing (PFGMH 4930.3G). A foundation certification from a previous FHA insured mortgage is acceptable.

Appraisal Requirements

- A minimum of (2) manufactured home comparable sales, which are permanently affixed to a permanent foundation, in the comparable sales grid of the appraisal is required
- If any additions or alteration have been made to the home they must be addressed in the foundation certification. If additions or alterations are not addressed the following is required:
  - An inspection by a state agency that inspects manufactured homes for compliance, or
  - Certification of the structural integrity from a licensed structural engineer if the state does not employ inspectors
- Information on the HUD Data Plate, which is affixed to the interior of the property, must be included in the appraisal:
  - Manufacturer name
  - Serial number
  - Model number
  - Date of manufacture, and
  - Wind, roof load, and thermal zone maps

NOTE: If the Data Plate is missing or the appraiser is unable to locate it, the appraiser must indicate that on the appraisal report; the appraiser is not required to obtain this information from another source, the Seller must obtain the information from IBTS.

- Any deficiencies must be disclosed on the appraisal and additional inspections completed as applicable.

Flood Zone

Finished grade elevation beneath the Manufactured Home or, if a basement is used, the grade beneath the basement floor must be at or above the 100-year return frequency flood elevation. Properties located in a FEMA flood zone A or V, require one of the following items be provided to the appraiser before the appraisal can be completed:

- Letter of Map Amendment (LOMA) - that removes the property from the flood zone and the appraiser does not need to indicate the property is in a flood zone, or
- Letter of Map Revision (LOMR) - that removes the property from the flood zone and the appraiser does not need to indicate the property is in a flood zone, or
- Flood elevation certification - the appraiser must indicate property is in a flood hazard area on the appraisal report.

See HUD Handbook 4000.1 for complete Manufactured Housing Guidelines. For topics not covered in the section, *see* FHA Standard Program Guide in the Planet Seller guide.

Mortgage/Rental History

Mortgage history must be verified for the previous 12 months if it does not appear on the credit report.

- Rental payment history may be verified as follows per TOTAL Scorecard
  - Copies of canceled rent checks
  - A direct verification of rent (VOR) received directly from the landlord (for landlords with no Identity of Interest with the Borrower), or
  - Copies of money orders
- Mortgage must be current for the month closing.
- Mortgage pay history < 6 months, requires downgrade to manual underwrite.
- Cash-out transactions require 0x30 in previous 12 months. A minimum 6 month pay history is required. If pay history is > 6 months but < 12 all payments must have been made in the month due.
- 0x30 in the previous 12 months on loans downgraded to a manual underwrite.
- 1x30 in the previous 12 months may be eligible on purchase or rate/term refinance transactions for extenuating circumstances at underwriter discretion.

Mortgage Seasoning

For all refinance transactions, the following mortgage seasoning requirements must be met.

On the date of the case assignment:

- For cash-out refinances, subject property must have been owned and occupied as a principal residence 12 months prior to the case number assignment.
- The first payment due on the new loan occurs no earlier than 210 days after the first payment due on the loan being refinanced.
- Six (6) payments since assumption date must have passed (if applicable).

NOTE: Refinance of loans on which fewer than six (6) consecutive regularly scheduled payments have been made are not eligible for financing.

Multiple FHA Loans

- Generally a borrower is only allowed to have one FHA loan and is not eligible to acquire another FHA mortgage until they have paid off the mortgage or terminated ownership.
- More than one FHA loan is allowed under very specific circumstances as detailed below.
  - Relocations
    - Borrower is relocating and establishing residency more than 100 miles from his/her current primary residence.
    - Relocating for employment related reasons
  - Increase in Family Size (Dependents)
    - Borrower is required to provide evidence of the increase in dependents and the current properties failure to no longer meet the family’s needs, and
    - The LTV ratio of the current property must be ≤ 75% LTV, based on the outstanding mortgage balance and an appraisal. If not, the borrower must pay the current loan down to 75% LTV or less.
  - Vacating a Jointly Owned Property
    - The residence will remain occupied by a co-borrower
  - Non-Occupying Co-Borrower
    - Borrower who is currently a non-occupant co-borrower on another FHA mortgage may qualify for a new FHA loan on their own primary residence

New Construction Documentation Requirements

Maximum financing to 96.5% is allowed. New Construction of Manufactured Housing is eligible. LTV is limited to 90% unless the property:

- Has a HUD-accepted insured 10-year protection plan covering the property, and
- Meets HUD Pre-Approval Requirements as follows:
  - The Property was appraised and the Mortgagee issued form HUD-92800.5B, *Conditional Commitment Direct Endorsement Statement of Appraised Value*, before construction started; **AND**
  - A building permit or its equivalent has been issued by a local jurisdiction (not applicable to Manufactured Housing); **OR**
  - The Mortgagee issued an Early Start Letter.

The following documentation is required for new construction:

- Builders Certification of Plans, Specifications and Site (HUD-92541)
- Wood Infestation Report, unless the property is located in an area of no-to-slight infestation as indicated on HUD's 'Termite Treatment Exception Areas' list
  - *Subterranean Termite Protection Builder's Guarantee* (HUD-NPMA-99-A
  - *New Construction Subterranean Termite Service Record* (HUD-NPMA-99-B) when the soil is treated with a termiticide
- Well water analysis and/or Septic report from local Health Authority where required by local jurisdictional authority.
- Inspections required:
  - LTV $\leq$ 90%: Final inspection or appraisal showing the property is 100% complete
  - Maximum financing: inspections required per FHA guidelines
- Warranty of Completion of Construction (HUD 92544) required
- Under Construction:
  - Building permit and Certificate of Occupancy (or equivalent); or
  - A 1-year warranty and final inspection issued by the local authority with jurisdiction over the Property or an ICC Certified Residential Combination Inspector (RCI) or Combination Inspector (CI).
- Existing for Less than One Year (100% Complete)
  - Copies of the building permit and CO (or equivalent); or
  - A 1-year warranty and final inspection issued by the local authority with jurisdiction over the Property or an ICC Certified Residential Combination Inspector (RCI) or Combination Inspector (CI).; or
  - An appraisal evidencing Property is 100 percent complete.

Non-Occupying Co-Borrower

- Maximum 75% LTV for 1-4 units
- The 75% LTV may be exceeded up to the maximum allowable LTV on a 1 unit property only if the non-occupant co-borrower is:
    - Related by blood, marriage or law (i.e., spouses, parent-child, siblings, step-children, aunt, uncle, domestic partner, etc.).
- LTV's may **not** exceed the maximum allowable LTV if:
    - A family member is selling to a non-occupying family member
    - A transaction on a 2-4 unit property
    - A parent is selling to a child, and the parent will be the non-occupying co- borrower, the maximum LTV is limited to 75%.
- All borrowers, regardless of occupancy status, must sign the security instrument and Note: Cosigners do not execute the security instrument or take title, but they must sign the Note.
- Non-occupant co-borrower cannot be added to a cash-out refinance transaction. A non-occupant co-borrower may remain on the cash-out refinance if on the original transaction, however the loan will be subject to a manual underwrite and manual underwriting guidelines.
- Non-occupant borrower income may not be used to calculate ratios for manual underwrites.

Non-Purchasing Spouse

The debts of the non-purchasing spouse must be included in the borrower's qualifying ratios, unless specifically excluded by state law, if:

- Borrowers reside in a community property state, or
- Property being purchased is located in a community property state

NOTE: In the community property states, the credit history of the non-purchasing spouse is not considered a reason to deny a loan, however, their obligations must be considered in the DTI unless excluded by state law. A credit report for the non-purchasing spouse must be obtained to determine if the obligations should be included in the DTI.

Occupancy

Owner-occupied primary residence and HUD-approved second homes.

PDMDA Mortgages — 203(h)

NOTE: This section is specific to 203(h) guidelines.

Section 203(h) provides mortgages to victims of a Presidentially-Declared Major Disaster Area (PDMDA) for the purchase or reconstruction of a single family property.

Mortgages to be insured under Section 203(h) must be processed and underwritten in accordance with the regulations and requirements applicable to the 203(b) program.

The borrower is not required to make the Minimum Required Investment (MRI).

LTV

Maximum LTV 100% of Adjusted Value

Refinance

Refinance transactions used to reconstruct or repair a damaged residence must be underwritten under the FHA 203(k) program. FHA 203(h) credit and documentation flexibilities may be applied to the FHA 203(k) transactions. The residence only needs to have been completed and ready for occupancy at the time of the disaster. The 203(k) LTV applies.

AUS

DU Approve/Eligible or LPA Accept/Eligible. Manual underwriting permitted.

Borrower Eligibility

- FHA case number must have been assigned within one year of the PDMDA declaration, unless an additional period of eligibility is provided.
- Primary residence only
- Minimum credit score 500
- Previous Residence documentation:
    - Borrower's previous residence, owned or rented, was in the disaster area
    - Property was destroyed or damaged to such an extent that reconstruction or replacement is necessary, and
    - Proof of damage to the previous house must accompany the mortgage application.
- For purchase transactions, the property does not have to be located in the area where the previous house was located and where the disaster occurred.

Underwriting - Special Consideration

Seller is required to make every effort to obtain traditional documentation regarding employment, assets and credit and must document all attempts.

Where traditional documentation is unavailable, the underwriter may use alternative documentation outlined below. Where specific requirements are not provided, the Seller may use alternative documentation that is reasonable and prudent to rely upon in underwriting the loan. Seller should be as flexible as prudent decision making permits.

Assets

Statements downloaded from borrower's financial institution website are acceptable to evidence sufficient assets to close the mortgage if traditional asset documentation is not available.

Credit

Borrower with derogatory credit may be considered a satisfactory credit risk if:

- The credit report indicates satisfactory credit prior to a disaster, and
- Any derogatory credit subsequent to the date of the disaster is related to the effects of the disaster.

Income

W-2s and tax returns will be accepted from the IRS to confirm prior employment/Income when:

- Income/employment records have been destroyed by a disaster, and
- Borrower is in the same and/or similar field of work.

Income from Short-term employment obtained after the disaster is acceptable and may be included as qualifying income.

Liabilities

The mortgage payment of a disaster declared property may be excluded from liability when the borrower is purchasing a new home. To exclude mortgage payment(s), the Seller must:

- Ensure the borrower is working with servicing mortgagee to address mortgage obligations, and
- Insurance proceeds from the damaged property must be applied to the mortgage of the damaged house.

Payment History

Seller may disregard any late payments on a previous obligation on PDMDA properties when:

- Late payments are a result of destroyed or damaged property, and
- Borrower is not three or more month's delinquent on mortgage at time of the disaster.

The Seller may justify approval if the borrower was 3 or more months delinquent if extenuating circumstances are documented in the file.

Eligible Property

- Single Family Residence
- FHA approved Condo

Power of Attorney

A Power of Attorney (POA) is allowed on a case-by-case basis subject to:

- For extenuating circumstances only; active military personnel or individuals with a documented medical condition that prevents them from attending the closing or performing borrower requirements.
- Must be specific to the transaction.
- Eligible on purchase and rate/term refinance transactions only; POA ineligible on cash-out.
- Must include the borrower name, property address and loan amount.
- POA must be fully executed and notarized.
- If there are two or more borrowers on the loan, at least one borrower must be present for the closing and sign for the absent borrower as their attorney-in-fact.
- POA must be recorded along with the mortgage.
- Borrower must sign the application and disclosures.
- Certified copy by settlement agent or Lender.

Prepayment Penalty

Not permitted.

Products

- Fixed Rate: 15, 20, 25, and 30 year
- ARM: 3/1 and 5/1; T-Bill; Caps: 1/1/5; Margin/Floor: 2.00; Qualified at Note rate

See "PDMDA Mortgages — 203(h)" on page 340 for restrictions.

Properties — Eligible

- Single-family residences
- 2-4 units
- PUDs (attached/detached). PUDs do no require a questionnaire/warranty form.
- Condominiums. Must be in an FHA approved project (HRAP approval **only**) and the approval must be valid when case number is issued.
- Manufactured Houses classified as real property
- Modular/prefabricated properties 1-unit only. Factory built but not built on a permanent chassis; built on-site similar to stick-built homes; permanently affixed to the foundation; must conform to local building codes. Property is legally classified as real property and assumes characteristics of stick-built such as permanent connections to water, electrical and waste disposal systems.
- Mixed use subject to:
  - Property must conform to residential nature of the neighborhood, and
  - Commercial use cannot exceed 49% of the gross living area

- Rural properties. Property must meet HUD guidelines and be accessible from a publicly maintained road and have adequate sewage, water and utilities.
- Properties owned free and clear properties (no existing lien). A copy of the tax transcript indicating no mortgage interest is required. If the borrower owns multiple properties, a 1098 is required matching the lien(s) on the 1003 with the 1098 and **one** of the following:
  - Copy of the hazard insurance declaration page with no mortgagee listed, or
  - Copy of the MERS report for the property showing no mortgage listed, or
  - Copy of the Data Verify report showing no mortgage listed.

Properties — Ineligible

- Builder bailout properties
- Commercial Property
- Condo Hotels (projects managed or operated as hotel/motel, hotel/motel conversions
- Farms, orchards, ranches
- Income producing properties (adult care facilities, bed & breakfast, boarding house, etc.)
- Kiddie condos
- Manufactured/mobile homes (any property that had/has wheels, axles, towing hitch, etc.)
- Multi-family dwellings > 4 units
- New Construction of Manufactured Houses/Mobile homes (any property that had/has wheels, axles, towing hitch, etc.)
- Non-FHA approved condominium projects (DELRAP approvals ineligible)
- Cooperative projects
- Properties located in the Hawaiian Islands in Lava zones on (1) or two (2)Properties on tribal land
- Tax-sheltered syndications
- Timeshares
- Unimproved land
- Unique properties (geodesic domes, earth berm homes, log homes, etc.)

Property Flips

Property Re-Sold 91 to 180 Days from Acquisition

- Two appraisals are required if the sales price has increased greater than 100% of the acquisition cost. At underwriter discretion, a second appraisal may be required when the increase is < 100%. The borrower cannot be charged for the second appraisal.
- The time frame for determining a property flip is measured from the date the seller acquired the property to the date of the purchase contract.

Property Flip Exemptions

The following sellers are exempt from FHA's property flipping rules:

- HUD, VA, FNMA, FHLMC and other Government Agencies
- Banks and/or mortgage companies
- Properties acquired through inheritance
- Relocation firms
- Properties acquired by non-profits under agreements with state/local government agencies
- Builders selling a new built (i.e. not previously occupied) home.
- Properties within PDMDA's, only upon issuance of notice of an exemption from HUD.

Refinance Transactions

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

Properties listed for sale in the previous 12 months must be taken off the market prior to the application date.

Cash-Out Refinance

- Must have been owned and occupied by the borrower as their primary residence 12 months prior to the case assignment date evidenced by employment documentation or utility bills (exceptions allowed per FHA guidelines).
- On the date of case assignment, at least six (6) consecutive regularly scheduled monthly payments must have been made and applied on the existing loan. Six months must have passed since the first payment due date, and the first payment due on the new loan occurs no earlier than 210 days after the first payment due on the loan being refinanced.

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

- Properties owned free and clear are eligible for cash-out refinance.
- Maximum LTV/CLTV is 80%:
  - If owned < 12 month; the lesser of the original sales price or the appraised value
  - If owned > 12 months; use the current appraised value

Rate/Term (no Cash-Out)

- Permitted on owner occupied primary residence and HUD-approved secondary residences.
- Mortgage payment history
  - < 6 months all payments must have been made on time
  - ≥ 6 months maximum 1x30 day late

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

Simple Refinance

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

- Permitted on owner occupied primary residence and HUD-approved secondary residences.
- Evidence that borrower currently occupies the subject property must be proven with employment documentation and/or utility bills.
- Secondary residence must be approved by Jurisdictional HOC.
- Mortgage payment history
  - < 6 months all payments must have been made on time
  - ≥ 6 months
    - All payments must have been made on time for six months prior to the case number assignment
    - Maximum 1x30 day late for previous 6 months for all mortgages
  - All mortgages secured by subject property must be paid the month prior to disbursement.
  - 12-month history VOM required when mortgage is not reported on borrower's credit report.
- Maximum LTV/CLTV
  - 97.75% max LTV on owner occupied
  - 85% for HUD-Approved Secondary Residence.

Reserves

Approve/Eligible or Accept/Eligible Findings

- 1-2 units: not required
- 3-4 units: 3 months PITI reserves

Manual Underwrites (loans downgraded or with a “Refer/Eligible” Finding)

- When cash reserves are not used as a compensating factor

- 1-2 units: 1 month PITI reserves
- 3-4 units: 3 months PITI reserves

- When cash reserves are used as a compensating factor
  - 1-2 units: 3 month PITI reserves
  - 3-4 units: 6 months PITI reserves

Seller Contribution (Interested Party)

- Seller and other interested party contributions are limited to 6% of the sales price
- Certain expenses, paid by the seller and other interested parties on behalf of the borrower, are considered "inducements to purchase". A dollar-for-dollar reduction to the lesser of the sales price or appraised value to the property is required prior to applying the appropriate LTV factor. These expenses include:
  - Contributions exceeding 6% of the sales price
  - Contributions exceeding the actual costs of prepaid expenses
  - Discount points and other financing concessions
  - Decorating allowances
  - Moving costs
  - Repair allowances, and
  - Other costs as determined by the applicable Homeownership Center (HOC).
- FHA also considers the payment of consumer debt by third parties as "inducement to purchase". When someone other than a family member has paid off debts or other expenses on behalf of the borrower:
  - The funds must be treated as an inducement to purchase, and
  - There must be a dollar for dollar reduction to the sales price when calculating the maximum insurable mortgage.

NOTE: The dollar for dollar reduction to the sales price also applies to gift funds not meeting the requirements that the gift be for down payment assistance and provided by an acceptable source.

Subordinate Financing/Secondary Financing

- Maximum CLTV is unlimited when subordinate Financing is provided by the following:
  - Government Entities
  - HUD Approved Nonprofits
  - HOPE Grantees
- Family Members; CLTV limited to 100%
- Private Individuals and Other Organizations; CLTV limited to applicable LTV limit.

See HUD Handbook 4000.1 and search Secondary Financing.

Temporary Buydown

2/1 Buydown allowed

- An escrow for temporary interest rate buydowns must be established.
- Fixed Rate Loans only; ARMs are ineligible
- Acceptable AUS required; Manual underwrite ineligible
- Purchase transactions only; Refinance ineligible
- The buydown must be for a period of at least 2 years and scheduled reductions in the payments must occur annually.
- The effective first year interest rate must be 2% below note rate
- The effective interest rate cannot exceed more than 1% per adjustment
- Borrower must be qualified at the note rate
- Financing contribution limits apply.

Interested Party Contribution (IPC)

Interested Parties may contribute up to 6% of the sales price toward the borrower's origination fees, other closing costs and discount points. The 6% limit includes IPC payment for temporary interest rate buydowns.

Calculating Total Mortgage Payment

The Seller must use the Note rate when calculating principle and interest for mortgages that involve a temporary interest rate buydown.

Documentation

Seller is responsible for delivering an executed buydown agreement with closing package. Unapplied buydown funds will be netted from the purchase of the loan.

Not permitted on refinance transactions.

Transaction — Eligible

- 1031 Exchange subject to HUD guidelines
- CEMA (3172). New York CEMAs allowed on refinance transactions. CEMA not eligible on purchase transactions. Sellers must include the recorded original CEMA, including Exhibits A-D and all mortgage assignments
- Cash-out
- Land contracts subject to HUD guidelines
- Limited cash-out refinance (rate/term)
- MCC (Mortgage Credit Certificates) on a case basis with Planet Credit Risk Officer approval
- Purchase. The assignment of a purchase contract is not allowed

- Simple Refinance
- Property flips, transactions involving a property being re-sold > 90 days of previous acquisition. *See* "Property Flips" on page 344 for exceptions.
- HUD REO purchases including GNND and $100 down transactions.

Transaction — Ineligible

- Community Land Trusts
- FHA Energy Efficient Mortgage (EEM)
- FHA Secure
- FHA Section 8 loans
- Hope for Homeowners
- MCC (Mortgage Credit Certificates) – without Planet Credit Risk Officer approval
- Non- HUD approved secondary residences and investment transactions
- Texas 50(a)(6)

Transaction Type

Purchase

- Mortgage amount is limited to 96.50% of the lesser of the sales price or appraised value.

Rate/Term Refinance/Simple Refinance

- Maximum mortgage amount is limited to the lesser of 97.75% LTV or the existing debt.
- The mortgage may include the sum of the unpaid principal balance, closing costs points, prepaids and, if applicable, the amount required to satisfy any subordinate liens that were used for the original purchase of the property.
- Cash back to the borrower cannot exceed $500.00
- Subordinate second liens require one year seasoning from funding and must have been a part of the acquisition or for home improvements. If draws on a HELOC exceed $1,000.00 within the previous 12 months and were used for purposes other than home improvements. The HELOC is not eligible for a rate/term.

Cash-out Refinance

- Mortgage limited to a maximum of 85% LTV. The mortgage amount must be used to pay the current unpaid principal balance of the existing 1st lien and may also be used to pay closing costs, points, prepaids, subordinate mortgage liens and provide additional cash to the borrower
- No seasoning requirement on the subordinate lien(s)
- Borrowers who are currently delinquent, in arrears or who have had mortgage delinquencies with the most recent 12 months are not eligible for cash-out transactions
- Cash-out transactions require 0x30 in previous 12 months. A minimum 6 month pay history is required. If pay history is > 6 months but < 12 all payments must have been made in the month due

- Properties owned free and clear are eligible for cash-out.
- Co-borrowers and co-signers cannot be added to the Note to meet underwriting guidelines.

FHA Streamline Conforming and High Balance Program Grid

FIXED RATE & ARM Primary Residence and Investment[3]				
Transaction Type	**Units**	**LTV/CLTV**	**Loan Amount[1,2]**	**Credit Score[4]**
Streamline-Owner Occupied	1-4	N/A / N/A	FHA Limit	N/A
Streamline-Second Home	1-4	N/A / N/A		
Streamline-Investment Property	1-4	N/A / N/A		

Footnotes:

1. The Maximum Base Loan Amount for FHA Streamline Refinances for Owner Occupied or Second Homes is the lesser of:
   - Outstanding principal balance of the existing mortgage as of the month prior to mortgage disbursement minus the applicable refund of UFMIP.
   - Plus interest and monthly MIP currently due on the existing mortgage (delinquent interest and escrow shortage cannot be included), or
   - The original principal balance of the existing mortgage including financed MIP minus the applicable UFMIP.
2. Maximum base loan amount for investment properties is the lesser of:
   - The outstanding principal balance of the existing Mortgage as of the month prior to mortgage disbursement less any refund of UFMIP (if financed in original Mortgage), or
   - The original principal balance of the existing Mortgage (including financed UFMIP) less any refund of UFMIP (if financed in original Mortgage)
3. FHA mortgage limits for all areas are available at HUD Loan Limits.
4. Non-Delegated transactions require a 620 FICO.

Complete HUD guidelines can be found at HUD Handbook 4000.1.

FHA Streamline Standard Program Overview

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

- Credit Qualifying
  - All credit qualifying transactions must meet all FHA manual underwrite requirements except for any requirements for appraisals or LTV Calculations.
  - Qualifying exemptions apply: Refer to the HUD Handbook for complete details.

- Non-Credit Qualifying
  - No credit/capacity analysis
  - No qualifying ratios required
  - Additional qualifying exceptions apply: Refer to the HUD Handbook for complete details.

- Non-Planet to Planet IRRRL transactions require a FICO score determination and an AVM value for pricing purposes.

<table>
<tr><th colspan="5">Mortgage Insurance Premium Factors for
Case Numbers Assigned on or after January 26, 2015</th></tr>
<tr><th colspan="5">Mortgage Term > 15 Years</th></tr>
<tr><th>Loan Amount</th><th>LTV</th><th>Annual MIP</th><th>Upfront MIP</th><th>Annual MIP Assessment Period</th></tr>
<tr><td rowspan="3">≤$625,500</td><td>≤90%</td><td>0.80%</td><td rowspan="7">1.75</td><td>11 years</td></tr>
<tr><td>>90% ≤95%</td><td>0.80%</td><td>Life of loan</td></tr>
<tr><td>>95%</td><td>0.85%</td><td>Life of loan</td></tr>
<tr><td></td><td></td><td></td><td></td></tr>
<tr><td rowspan="3">>$625,500</td><td>≤90%</td><td>1.00%</td><td>11 years</td></tr>
<tr><td>>90% ≤95%</td><td>1.00%</td><td>Life of loan</td></tr>
<tr><td>>95%</td><td>1.05%</td><td>Life of loan</td></tr>
<tr><td colspan="5"></td></tr>
<tr><th colspan="5">Mortgage Term < 15 Years</th></tr>
<tr><th>Loan Amount</th><th>LTV</th><th>Annual MIP</th><th>Upfront MIP</th><th>Annual MIP Assessment Period</th></tr>
</table>

Mortgage Insurance Premium Factors for Case Numbers Assigned on or after January 26, 2015				
≤$625,500	≤90%	0.45%	1.75	11 years
	>90%	0.70%		Life of loan
>$625,500	≤78%	0.45%		11 years
	>78% ≥90%	0.70%		11 years
	>78% ≤90%	0.95%		Life of Loan

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

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

FHA Streamline Conforming and High Balance Program Guidelines

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

4506-T

- Credit Qualifying
    - Tax transcripts, are required per AUS findings or can be obtained in lieu of W-2 or tax returns both personal and business
    - 4506-T must be signed by all borrowers at loan closing.

NOTE: Due to the hacking incidents, Planet will accept transcripts that the borrower obtained from the IRS along with a certification that the returns are true and correct.

- Non-Credit Qualifying
    - Not required

Ability to Repay/HUD Qualified Mortgage

Planet requires all loans to be originated and closed in compliance with Agency and Planet guidelines. Planet will purchase owner-occupied and HUD-approved second home transactions as follows:

- Loans eligible under Temporary QM, and
- Loans that meet the Safe Harbor or Rebuttable Presumption provisions, and
- Pass the points and fees test, as applicable.

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

Affidavit of Identity

Planet may require an Affidavit of Identity if a borrower signature appears incomplete or illegible.

Appraisals

Not required.

Assets

- Credit Qualifying
    - Standard asset verification required. *See* HUD Handbook 4000.1 for complete details.

- Non-CreditQualifying
  - Asset verification not required unless assets required for closing is in excess of the total mortgage payment of the new mortgage.

AUS

Not applicable. All Streamlines require manual underwrite.

Available Markets

- **Delegated Sellers**

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

- **Non-Delegated Sellers**

  Planet will purchase loans from non-delegated Sellers in all states on Fannie Mae products. **All** loans require Planet underwriting approval.

- The U.S. territories of Guam and the Virgin Islands are ineligible regardless of delegation.

Borrower Benefit

All Streamline transactions **must** have a net tangible benefit to the borrower. Net tangible benefit requirements are as follows:

	TO		
FROM	**Fixed Rate New Combined Rate**	**1-Year ARM New Combined Rate**	**Hybrid ARM New Combined Rate**
Fixed Rate	0.5% points below prior Combined Rate	Rate must be at least 2% points below the prior Combined Rate.	
Any ARM < 15 months to Next Payment Change Date	**Rate must not be > 2% points above the prior Combined Rate**	**Rate must at least 1% point below the prior Combined Rate.**	
Any ARM ≥ 15 months to Next Payment	Rate must not be > 2% points above the prior Combined Rate.	Rate must be at least 2% points below the prior Combined Rate.	Rate must be at least 1% point below the prior Combined Rate.

A reduction in term is eligible when the benefit test is met:

- Remaining amortization period of the existing mortgage is reduced
- New Interest rate does not exceed the current interest rate, and
- The combined principal, interest and MIP payment of new mortgage must not exceed the combined principal, interest and MIP of the refinanced mortgage by more than $50.

Borrowers — Eligible

- Credit Qualifying Borrower(s)
  - At least one borrower from the existing mortgage must remain as a borrower on the new mortgage.
- Non-Credit Qualifying Borrower(s)
  - Existing borrower(s) who will remain on the new mortgage.
  - Borrower(s) may be added to the title and mortgage without a credit worthiness review.
  - Borrower on the Mortgage may be removed from title and new Mortgage in cases of divorce, legal separation or death when:
    - the divorce decree or legal separation agreement awarded the Property and responsibility for payment to the remaining Borrower, if applicable; and
    - the remaining Borrower can demonstrate that they have made the Mortgage Payments for a minimum of six months prior to case number assignment.
- U.S. citizens
- Permanent resident aliens:
  - Permanent resident alien borrowers must hold an unexpired "Green Card" issued by the U.S. Citizenship and Immigration Services (USCIS). A copy of both the front and back of the card is required
- Non-permanent resident aliens are eligible as follows:
  - Borrower has a valid Social Security number (cannot be used as evidence of eligible work status)
  - Borrower has an unexpired Employment Authorization Document (EAD) issued by the United States Citizenship and Immigration Services (USCIS) as evidence of eligible work status. If the authorization for temporary residency status expires within one year, continuation may be assumed when a prior history of renewals. If no continuation has been previously granted the underwriter must determine the likelihood based on evidence from USCIS.
  - Borrower(s) may be removed from title and new mortgage in cases of:
    - Divorce
    - Legal separation, or
    - Death when:
      - A divorce decree or legal separation agreement awarded the property and responsibility for payment to the remaining borrower, if applicable, and
      - The remaining borrower demonstrates all mortgage payments have been paid for a minimum of six (6) months prior to case number assignment. *See* "Mortgage Seasoning" on page 365.

NOTE: Borrowers residing in the United States under refugee or asylee status granted by the USCIS are automatically eligible to work in the U.S. therefore an EAD is not required.

- Inter-vivos trusts that meet HUD guidelines
- All borrowers are required to have a social security number; a TIN is not acceptable.
- Borrowers can only be removed on credit qualifying Streamlines subject to HUD guidelines. *See* HUD Handbook 4000.1 for guidance.

Case Numbers

- Case number requests must comply with HUD Mortgagee Letter 2011-10. To view the Mortgagee Letter in its entirety go to: HUD Mortgagee Letters.
- FHA requires that there is an active loan application for the borrower and property.
- Case numbers older than 6 months will be automatically canceled when there has been no activity. A Case Reinstatement Request must be submitted to reinstate the case number.

Credit Report/Scores

- Credit Qualifying
  - Full tri-merge credit report required
- Non-Credit qualifying
  - Mortgage only credit report
- Non-Delegated transactions require a 620 FICO

Derogatory Credit

The following guidance applies to Credit-Qualifying Streamlines only.

Disputed Derogatory Credit

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

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

- **Disputed accounts not required in cumulative total:**
  - Disputed medical accounts.
  - Disputed accounts that are the result of documented identity theft. If documentation cannot be provided (e.g., police report) to substantiate the claim, the amount must be included in the cumulative total.

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

Tax Liens

Tax liens must be paid or subordinate to Planet’s 1st lien, with the following exceptions:

Tax liens may remain unpaid if:

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

Short Sale Eligible

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

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

Short Sale Ineligible

- **Borrower Current at Time of Short Sale**

- Mortgage payments due on the prior mortgage were made within the month due for the 12 months preceding the short sale, and
- Installment debt payments for the same time period were also made within the month due.

Exceptions

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

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

Short Payoff/Modified/Restructured Loans

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

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

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

Bankruptcy

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

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

- **Chapter 13**

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

When a Total Scorecard "Accept" recommendation is received:

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

- **Chapter 7**

When a Total Scorecard "Accept" recommendation is received:

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

Consumer Credit Counseling

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

Delinquent Child Support

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

Foreclosure/Deed-in-Lieu

- Borrowers are generally not eligible for new FHA financing if a foreclosure or deed-in-lieu has occurred in the previous 3 years.
- If < 3 years from the foreclosure settlement date to the application date, the borrower may be eligible. The loan must be downgraded to manual underwrite and subject to the following:

- Borrower must have re-established credit
- No late housing or installment payments after the foreclosure, and
- A letter of explanation as to the reason for foreclosure.

NOTE: If the foreclosure was included in a Chapter 7 bankruptcy, the date of the foreclosure deed is used for determining the foreclosure date.

Collection/Charge-Off/Judgments

- Loans that do not receive an TOTAL Scorecard of Approve/Eligible or Accept/Eligible finding, the borrower is required to provide a letter of explanation and supporting documentation for all collection, charge-off accounts and judgments. The letter must document that the collection and/or judgment was not due to the borrower's disregard of their financial obligation or their ability to manage debt.
- Loans that receive a TOTAL Scorecard of Approve/Eligible or Accept/Eligible finding, a letter of explanation is not required for collection accounts, charge-off accounts, accounts with late payments, judgments or other derogatory information.

Collections/Charge-Offs

The underwriter must consider the borrower's ability to repay the mortgage when the cumulative balance for all borrowers of collection/charge-off account(s) is > $2,000 (including any collection accounts of a non-purchasing spouse in community property states unless excluded by state law) on both manual underwrites and loans with a TOTAL Scorecard finding.

All medical collection accounts and all charge-off accounts (medical and non-medical) **are excluded** from the collection/charge-off guidance. All non-medical collection accounts **must be included**.

- **Accounts Cumulative ≥ $2,000**

  One of the following is required:

  - Payment in full prior to or at closing. Source of funds for payoff must be documented, or If borrower currently in a payment plan (no minimum time required), the payoff must be included in the DTI, or
  - If a payment plan not established, calculate 5% of the outstanding balance and include in the DTI calculation.
- **Accounts Cumulative < $2,000**

  No action required. Accounts cannot be paid down to < $2,000.

Judgments

Judgments are required to be paid off **including** judgments against a non-purchasing spouse in community property states (unless excluded by state law) **and** medical judgments. The payment requirement may be waived if the borrower is currently in a payment plan with the creditor:

- A copy of the agreement is provided, and
- Borrower has made a minimum 3 months of the scheduled payments as agreed prior to credit approval. Supporting documentation is required.
- Payments must be included in the DTI calculation

NOTE: The borrower **cannot** prepay scheduled payments to satisfy the 3-month requirement.

Documentation

- Payoff statement on existing mortgage
- Employment documentation or utility bills are required to evidence property is the current primary residence
- Evidence of approved Jurisdictional HOC required on all Secondary Residence
- Transaction must be processed as a non-owner occupied Property if:
  - Evidence that the borrower occupies the property either as a Principal or Secondary Residence **cannot** be obtained.

Special Documentation

- Credit Qualifying
  - Full 1003 required
- Non-Credit Qualifying
  - An abbreviated 1003 is allowed provided all other information is required. The following **are not required to be completed and may be left blank**.
    - Section IV - Employment Information,
    - Section V - Monthly Income and Combined Housing Expense Information,
    - Section VI - Assets and Liabilities, and
    - Section VIII – Declarations questions A-K

NOTE: Planet requires Section VIII Declarations Question "L" be completed.

DTI

- Credit Qualifying
  - Maximum DTI of 43% .

NOTE: All transactions must meet the manual underwriting requirements except for any requirements for appraisal or LTV calculations.

- Non-Credit qualifying
  - Not required

Employment

- Credit Qualifying
  - Borrower authorized Third Party Verification (TPV) is an acceptable option per HUD Handbook 4000.1 guidelines.
  - Re-verification is required within 10-calendar days prior to the date Note date.
  - Sellers must independently obtain the phone number, and when possible, the address of the wage earner borrower’s employer using directory assistance/internet/phone book, etc.
- Non-Credit Qualifying
  - Not required

Escrow/Impound Account

Required on all loans — no exceptions.

Higher Priced Mortgage Loans

HPML eligible on all Streamlines, however, credit qualifying is subject to the DTI restrictions detailed in HUD ML-2014-02 dated January 21, 2014.

Income

- Credit qualifying requires the following:
  - **Wage earners:** current 30 day paystub with YTD earnings and most recent 2-years W-2s
  - **Self-employed:** tax returns that include a minimum 2-years' self-employed income.
  - Third-Party Verification (TPV) acceptable to FHA.
- Non-Credit Qualifying
  - Not applicable

LDP/SAM

LDP / SAM

All of the following parties to the transaction, as applicable, must be checked against the HUD's Limited Denial of Participation list and the System for Award Management list.

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

Maximum Mortgage Amortization

The maximum amortization period is limited to the lesser of:

- The remaining amortization period of the existing Mortgage plus 12 years; or
- 30 years

Maximum Mortgage Calculation

- For owner-occupied principal residences and HUD-approved secondary residences, the maximum base loan amount for Streamline Refinances is:
  - **The lesser of:**
    - Outstanding principal balance of the existing mortgage as of the month prior to mortgage disbursement; plus:
      - Interest due on the existing mortgage; and
      - MIP due on existing mortgage; or
    - The original principal balance of the existing mortgage (including financed UFMIP);
      - Less any refund of UFMIP;
- For Investment properties, the maximum base loan amount for is:
  - **The lesser of:**
    - Outstanding principal balance of the existing mortgage as of the month prior to mortgage disbursement, or

      - The original principal balance of the existing mortgage (including financed UFMIP);

  - Less any refund of UFMIP.

Mortgage Payment History

- Credit Qualifying
  - Payments for properties with < 6 months payment history must be paid within the month due. *See* "Mortgage Seasoning" below for additional requirements.
  - Payments for Properties with > 6 months payment history must be paid for 6 months prior to case assignment date.
      - 1 x 30 for previous 6 months
      - All secured mortgage payments must have been made within the month due for the month prior to mortgage disbursement.
- Non-Credit Qualifying
  - All payments must have been made within the month due for six (6) months prior to case number assignment date, and
      - 1 x 30 for the previous 6 months
- All secured mortgage payments must have been made within the month due for the month prior to mortgage disbursement.

Mortgage Seasoning

The below mortgage seasoning requirements must be met.

- The first payment due on the new loan occurs no earlier than 210 days after the first payment due on the loan being refinanced.
- Six (6) payments since assumption date must have passed (if applicable).

NOTE: Refinance of loans on which fewer than six (6) consecutive regularly scheduled payments have been made are not eligible for financing.

Occupancy

- Owner-occupied primary residence.
- HUD-approved Secondary residence (fixed rate only) with evidence of Jurisdictional HOC required
- 1-unit Investment (fixed rate only)

Prepayment Penalty

Not permitted.

Products

- Fixed Rate: 15 and 30 year only
- ARM: 3/1 and 5/1; T-Bill; Caps: 1/1/5; Margin/Floor: 2.00; ARM: 3/1 and 5/1; T-Bill; Caps: 1/1/5; Margin/Floor: 2.00.

Properties — Eligible

- Single-family residences
- 2-4 units
- PUDs (attached/detached). PUDs do no require a questionnaire/warranty form.
- Mixed use subject to:
  - Property must conform to residential nature of the neighborhood, and
  - Commercial use cannot exceed 49% of the gross living area
- Condominiums Permitted in FHA approved Condominium Projects (HRAP approval only and must be valid when case number is issued) or on units approved in accordance with the FHA Single Unit approval process. Single Unit approvals must have an AUS "Accept" recommendation or LTV is limited to 90%. See HUD Handbook 4000.1 for underwriting details and Case Number assignment process.

Properties Listed for Sale

Properties listed for sale in the previous 12 months require proof of being taken off the market prior to application.

Reserves

- Credit Qualifying:
  - 1-2 units - 1 month PITI required
  - 3-4 units - 3 months PITI required
- Non-Credit Qualifying: Not required

Subordinate Financing

- Existing subordinate financing may remain in place but must re-subordinate to the new mortgage.
- New subordinate financing allowed only when subordinate finance proceeds are used to:
  - Reduce the principal amount of the existing FHA-insured mortgage, or
  - Finance the origination fees, other closing cost, or discount points.

Temporary Buydown

Not permitted.

FHA Standard 203(k) Conforming and High Balance Program Grid

FIXED RATE Primary Residence Full Documentation[5]					
Transaction Type	**Units**	**LTV**	**CLTV**	**Loan Amount[1,2]**	**Credit Score[4]**
Purchase	1-4	96.50%	110%[3]	FHA Limit	Per AUS
Rate/Term Refinance	1-4	97.75%	110%[3]		
Cash-Out	N/A	N/A	N/A	N/A	N/A

Footnotes:

1. Eligible conforming and high balance loan amounts by county and units can be found at FHA Mortgage Limits.
2. Minimum loan amount $40,000.
3. Maximum 110% CLTV allowed on all subordinate financing transactions.
4. Non-Delegated transactions require a 620 FICO.
5. Manual Underwrite: No more 2 of the following Risk Factors allowed: <620; Utilization of Gift Funds; DTI > 45%; LTV within 5% of the program maximum.

See Planet's FHA 203(k) Limited matrix for Limited guidelines.

Complete HUD guidelines can be found at HUD Handbook 4000.1.

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

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

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

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

General Parameters

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

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

This section is specific to 203(k) Standard FHA guidelines. Planet follows HUD's Handbook 4000.1 for any topic not addressed below.

Appraisals

- Appraisals must be provided by an FHA approved appraiser.
- All 203(k) appraisals are completed "subject to" completion.
- Except as described below in cases of property flipping and refinance transactions, an "As-Is" appraisal is **not** required, and alternative methods to establish the "As-Is" value may be used.

203(k) loans require both an "**Adjusted As-Is**" value and an "**After Improved**" value as outlined below.

Adjusted As-Is Value

- **Purchase transactions** require one value:
  - An "After Improved" value (value after improvements have been complete) is always required.
  - HUD assumes the purchase price is the "As-Is" value and does not require an "As-Is" value on the appraisal.
- **Refinance transactions** require two values:
  - An "As-Is" value is required, and it is typically provided in the Addendum to the appraisal report, and
  - An "After-Improved" value that is provided in the Reconciliation section of the appraisal report

  For properties acquired ≥ 12 months prior to the case assignment date

  - If the existing debt on the property plus allowable fees (see below) **exceeds** the "After Improved" value, an additional "As-Is" appraisal is required
  - If the existing debt on the property plus allowable fees (see below) **does not exceed** the "After Improved" value Planet may:
    - Use the existing debt plus the allowable fees, or
    - Obtain an "As-Is" appraisal.

Allowable Fees

- Financeable Repairs and Improvement Costs
- Financeable Mortgage Fees
- Financeable Contingency Reserves; and
- Financeable Mortgage Payment Reserves (for Standard 203(k) only).

For properties acquired <12 months prior to the case assignment date, an “As- Is” appraisal is required (The “Adjusted As-Is “value is the “As-Is” property value).

- If property is acquired by inheritance or through a gift from a family member, use the calculation of an Adjusted As-Is value for properties ≥12 months prior to the case assignment date.

After Improved Value

An appraisal of the property must be obtained subject to the repairs and improvements. *See* Section II.A.8 of the HUD Handbook 4000.1 for complete 203(k) Standard Appraisal details.

- Repairs and bid(s) in the appraisal report must match the Work Write-Up provided by the consultant.
- Additional photos are required for any improvements with a contributory value that are not captured in the front and rear photos.

Utilities

- Utilities must be inspected to ensure they are in proper working order unless they are being completely updated.
- If the utilities were not on at the time of the appraisal/inspection or are determined to not be in good working order, a 15% Contingency Reserve must be established (including homes that have been “winterized”).
- When obtaining bids, the contractor should provide a bid that allows for any repairs that may be required.

Utilities On at Time of Appraisal/Inspection

Appraiser or other licensed professional (consultant, contractor, inspector, plumber, electrician) must confirm in writing that the utilities have been visually inspected and appear to be in good working order.

Utilities NOT On at Time of Appraisal Inspection

If utilities were not on at the time of the appraisal and the Work Write-Up does not include repairs to the utilities, Planet will accept alternative documentation to validate the condition of utilities.

- If home was winterized, a winterization certification indicating all utilities were working properly when turned off.
- A certification by a licensed professional (consultant, contractor, inspector, plumber, electrician) that the utilities have been inspected and appear to be in good working order.

If the utility inspection reveals utilities are not in good working order, the Work Write-Up must include detailed required repairs, and the contractor bid(s) must match the Work Write-Up.

AUS

All loans must be submitted through FHA Total Scorecard. Manual Underwriting is permitted. All loans must be QM / Safe Harbor eligible.

CLTV/Secondary Financing

For purchase transactions, a maximum 110% CLTV on all subordinate financing including, but not limited to, government entities, HUD approved non-profits, family members and private individuals.

Contractor Validation

Required for loans submitted to Planet for prior approval.

- File must evidence contractor validation and bid acceptance.
- Required documents may be submitted prior to locking for underwriting of the loan.

A sample checklist and documentation are available on the Core Seller Portal at www.phlcorrespondent.com under **Forms & Resources**.

Credit Report/Scores

Per TOTAL Scorecard Findings. Non-Delegated transactions require a 620 FICO.

DTI

Per TOTAL Scorecard Findings.

Fees Per TOTAL Scorecard Findings. and Charges

The following fees and charges apply, as applicable, and are included in the rehabilitation costs:

- Appraisal fee.
- Architectural and engineering fees.
- Consultant fees based on the cost of the proposed renovation (refer to chart below).
- Contingency Reserve (10% to 20% of the total renovation cost).
- Cost of construction, repairs and rehabilitation.
- Discount points.

  The Mortgagee may finance a portion of the borrower-paid discount points not to exceed an amount equal to the discount point percentage multiplied by the total of the repair cost and fees including Contingency Reserves and Mortgage Payment Reserves.

- Feasibility Study.
- Standard 203(k) Mortgage Fee (supplemental Origination Fee).

A supplemental origination fee is required. The supplemental origination fee is the greater of:

- $350, or
- 1.5% of the rehabilitation portion of the loan

Example:

If the total loan amount is $300,000 and the rehab costs are $30,000, calculate as $30,000 multiplied by 1.5% equals $450.00, so the supplemental origination fee in this example is $450.00.

- Maximum $350 Inspection fees (applies to each draw).
- Mortgage payment (up to 6 months PITI may be financed when home is uninhabitable during the renovation if approved by the Consultant).
- Permits Fee(s).
- Title Update fee(s).

Consultant Fees*			
Renovation Cost	**Fee**	**Renovation Cost**	**Fee**
$5,000 - $7500	$400.00	$50,001 - $75,000	$800.00
$7501 - $15,000	$500.00	$75,001 - $100,000	$900.00
$15,001 - $30,000	$600.00	$100,001 and up	$1,000.00
$30,001 - $50,000	$700.00		

*An additional $25.00 per unit applies

Hazard Insurance

Hazard insurance must be in place for the after improved value of the property at the time of loan closing.

Identity of Interest/Conflict of Interest

- Not allowed on transactions deemed Identity of Interest or Conflict of Interest except:
  - Permitted on sales transactions between family members.
- Both the borrower(s) and consultant must sign an Identity of Interest Certification stating there is no relationship between them and **any party** to the transaction.

Improvements — Eligible

Minimum of $5,000 in eligible improvements. The 203(k) program can be used to finance painting, room additions, decks, etc. even if the home does not require other improvements. All health, safety, and energy conservation items must be addressed prior to completing general home improvements. Items eligible for 203(k) funds include, but are not limited to:

- Changes to improve function/modernization (bath/kitchen remodel).
- Converting single family to 2,3 or 4 unit dwelling or from a multi-family to a 1-4 unit.
- Elimination of health/safety hazards (lead based paint, mold, etc.) Follow state and local government requirements where property is located for removal and testing.
- Enhancing accessibility for a disabled person.
- Installation of new well and/or septic system.
- Interior/exterior painting.
- Major landscaping that adds permanent value to the property and/or corrects any fire, health or safety issue.
- Major structural alterations/additions (room/garage additions, finish attics/basements, repair of termite damage).
- Repair/replace flooring, appliances.
- Repair/replace roofing, gutters and down spouts.
- Repair/replacement/upgrade of plumbing, heating, air conditioning and electrical systems.
- Repairs to existing swimming pool.
- Weatherization including storm windows/doors, insulation, weather stripping.
- Well/septic repair/replacement work. Must be completed prior to beginning other repairs.
- Window and door replacement.

See Section II.A.8 of the HUD Handbook 4000.1 for complete eligible improvement details.

Improvements — Ineligible

Luxury items and improvements that do not become part of the real property are **not** eligible as a cost of rehabilitation. Examples of items not eligible as an improvement or for repair, include, but are not limited to:

- Additions or alterations to allow for commercial use.
- Barbeque pits, outdoor fireplaces or hearths.
- Exterior hot tubs, saunas, spas or whirlpool baths.
- Photo murals.
- Swimming pool installation.
- Television satellite dishes/antennas.
- Tennis courts.
- Tree trimming/removal.

Inspections

- The following inspections, if required by the appraiser and/or consultant, must be completed:
    - Termite/pest
    - Well or Septic certification

    - Additional HVAC or system certifications
    - Additional architectural exhibits as required
- Construction related inspections are completed by the consultant (if applicable)

See **Contingency Reserves** in "Rehabilitation Escrow Account" on page 377 for additional property inspection information.

Inspections and Draw Disbursement

Funds must be disbursed and documented as follows:

Inspections

- An authorized Form HUD 9746-A must be signed by borrower and contractor which certifies completion of work and included in the case file.
- Evidence of compliance with federal, state and local ordinances (i.e., final permit(s) as applicable). For structures being moved special guidelines apply.
- Inspections by appraisers or consultants as applicable

Draw Disbursements

- Funds must be released within five (5) business days after receipt of a properly executed inspection, title update, and draw request.
- Maximum of 5 draws/disbursement (four intermediate and one final draw). 10% is withheld from each draw.

  Exception: No holdbacks required if a work item is 100% complete, and the necessary Lien Waivers or equivalent have been provided.

- Up to 50% of the material costs can be disbursed directly to the manufacturer for custom ordered materials (i.e., cabinets, flooring, windows, etc.)
- Architectural/engineering fees and inspection permits are considered “soft costs” funds may be released at loan closing. Invoices are required.
- Any excess funds at project completion will be applied to the principal balance of the loan. If the borrower funded the Contingency Reserve from their own funds, any residual funds may be released to the borrower.

See **Release of Funds** in the [HUD Handbook 4000.1] for detailed release instructions.

Disbursements Made by Seller Prior to Purchase by Planet

Initial disbursements made through the loan closing must be reflected on the CD.

Prior to any additional draws, Seller must ensure the repairs and improvements have been completed. A completed Purchase Validation form is required and all supporting documents submitted prior to purchase by Planet.

Maximum Mortgage Amount

Purchase Transaction is the lesser of:

1. The appropriate LTV multiplied by the lesser of:
   - The Adjusted As-Is Value, plus:
     - Repair and improvement cost
     - Mortgage fees
     - Contingency Reserves, and
     - Mortgage Payment Reserves (Standard 203(k) only), or
   - 110% of the After Improved Value (100% for Condominiums); or
2. The Nationwide Mortgage Limits.

   See "Property Flips" on page 377 for FHA requirements when a property is being re-sold within one (1) year of acquisition.

Refinance Transaction is the lesser of:

1. The existing debt associated with the new mortgage, plus:
     - Repair and improvement cost
     - Mortgage Fees
     - Contingency Reserves, and
     - Mortgage Payments Reserves (Standard 203(k) only), or
2. Appropriate LTV multiplied by the lesser of:
   - The Adjusted As-Is Value, plus:
     - Repair and improvement cost
     - Mortgage fees
     - Contingency Reserves, and
     - Mortgage Payment Reserves (Standard 203k only), or
   - 110% of the After Improved Value (100% for Condominiums); or
3. The Nationwide Mortgage Limits

Mortgage Insurance

Mortgages to be insured under Section 203(k) must comply with the MIP requirements found in the MIP Chart.

- Divide the base loan amount by the After Improved Value

Product

30 year Fixed Rate only

Properties — Eligible

Must be an existing property that has been completed for a minimum of 1 year prior to the case number assignment date. If unsure, follow FHA guidelines. File must include a Certificate of Occupancy or equivalent. All health and safety issues must be addressed.

- 1-4 unit primary residences
- Conversion of single family structure to a 2,3 or 4 unit structure and vice versa is acceptable
- Condos (Specific requirements apply. *See* "Property Eligibility — Condos" below for details
- Converting from a non-203(k) to a 203(k) mortgage
- Manufactured/mobile homes (must be titled as real property and meet FHA requirements)
- Mixed use property with 1-4 residential units are acceptable if 51% of the Gross Building Area (GBA) is for residential use and the commercial use does not affect the safety of residential occupants
- Modular Homes
- PUDs (attached/detached). PUDs do not require a questionnaire/warranty form.
- Real Estate Owned (REO) property
    - Property Condition Report is required
- Site Condominium unit

Property Eligibility — Condos

Condos subject to the following:

- Permitted in FHA approved Condominium Projects (HRAP approval only and must be valid when case number is issued) or on units approved in accordance with the FHA Single Unit approval process. Single Unit approvals must have an AUS "Accept" recommendation or LTV is limited to 90%. See HUD Handbook 4000.1 for underwriting details and Case Number assignment process.
- Condo must be located in an FHA approved condominium project at the time of case number assignment.
- Rehabilitation limited to the interior of the unit. Rehabilitation of the exterior of the condo or any area that is the responsibility of the condominium association is not allowed with the exception of installation of firewalls in the attic for the unit.
- Maximum mortgage cannot exceed 100 percent of the "After-Improved" value.
- Rehab at any one time is limited to the lesser of:
    - 5 units, or
    - 25% of the total number of units in the project.

- The individual condo **building** cannot have more than 4 units in the subject property building. HUD allows greater than 4 units in a building only when the renovation reduces the number of units to 4 or less. The project **as a whole** can have more than 4 units (i.e., the project consists of 5 buildings, each with 4 units, for a total of 20 units in the project).
- Projects made up of attached townhomes are not subject to the 4 unit per building restriction. HUD considers each townhome an individual building as long as each unit is separated by a firewall that reaches from the foundation to the roof and is rated 1 ½ hours.

Properties — Ineligible

- Commercial property
- Condo Hotels (projects managed or operated as hotel/motel, hotel/motel conversions)
- Cooperative projects
- Farms, orchards, ranches
- Manufactured/mobile homes. Manufactured housing is defined as any dwelling built on a permanent chassis. Manufactured homes are ineligible even if the towing hitch, wheels, and axles have been removed
- New Construction (Certificate of Occupancy was issued within the previous 12 months)
- Properties currently boarded up, condemned and uninhabitable
- Property located in the Hawaiian Islands in lava zones one (1) or two (2)
- Properties not completed
- Properties that will be completely torn down during the rehab process (eligible if some of the existing foundation remains in place)
- REO properties that are Manufactured/Mobile Homes
- Rural property >10 acres
- Unique properties

Property Flips

In addition to the standard FHA program guidelines, the 203(k) mortgage must be based on the lowest sales price in the previous year. “As-is” appraisal is required.

Properties Listed for Sale

For refinance transactions, properties listed for sale in the previous 12 months must be taken off the market prior to the Application date.

Rehabilitation Escrow Account

Required on all loans, no exceptions. *See* **Rehabilitation Escrow Account** guidelines in the [HUD Handbook 4000.1].

The Custodian of the repair escrow funds is responsible for ensuring all funds from the escrow account are properly distributed.

- After closing all proceeds designated for the rehabilitation, including Contingency Reserves, Inspection fees, and any mortgage payments must be placed in an interest bearing account.
- Any net income earned by the rehabilitation escrow account must be disbursed to the Borrower through an agreed upon method of payment.

Effective for case numbers assigned on or after October 31, 2016, after the repair escrow account is closed, the Mortgagee must complete the Escrow Closeout Certification screen in FHAC within 30 Days after the escrow account is closed.

Contingency Reserves

Contingency Reserves are required to cover any health, safety and/or unplanned expenses arising from the renovation. Unused financed Contingency Reserve funds may be used for any additional improvements that will add value to the property.

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

<table>
<tr><th>Structures < 30 years</th><th>Minimum</th><th>Maximum</th></tr>
<tr><td>Required when evidence of termite damage</td><td>10%</td><td rowspan="2">20%</td></tr>
<tr><td>Discretionary</td><td>No Minimum</td></tr>
<tr><th>Structures > 30 years</th><th>Minimum</th><th>Maximum</th></tr>
<tr><td>Required</td><td>10%</td><td rowspan="2">20%</td></tr>
<tr><td>Required when utilities are inoperable as referenced in the Work Write-Up</td><td>15%</td></tr>
</table>

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

Financeable Mortgage Payment Reserves

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

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

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

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

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

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

Sales Contract

File must evidence a copy of the sales contract with a provision indicating 203(k) financing was obtained, and contingent on loan approval and the borrower's acceptance of additional required improvements as determined by the Seller.

Transactions — Eligible

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

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

Transactions — Ineligible

Transactions where the work will require > 6 months to complete

See "Identity of Interest/Conflict of Interest" on page 372 for additional information.

203(k) Forms and Documents

- 203(k) Borrower's Acknowledgement. (HUD Form 92700-A) Borrower must complete the "Loan Requirements" section of the Acknowledgment form indicating how the interest earned on the Rehabilitation Escrow Account is to be applied after the Final Release Notice is issued.
- 203(k) Maximum Mortgage Worksheet (HUD Form 92700) on case numbers issued before 9/2015. FHA also provides an online 203(k) Mortgage Calculator to assist in the completion of the worksheet.
- Borrower/Contractor Identity of Interest Certification (from the general contractor).
- Most recently completed Federal W-9 by Contractor (Rev. October 2018) (from the general contractor) Consultant Borrower Agreement.

- Consultant Identity of Interest Certification.
- Consultant Work Write-Up and Cost Estimate.
  - Must specify the type of repair and cost of each work item, and
  - Ensure that all health and safety issues identified were addressed before, including additional work items.
- Contractor Acknowledgement – Standard 203(k) Program.
- Contractor bid(s).
- Contractor Profile (Fannie Mae Form 1202). Profile must include:
  - Evidence of current liability insurance which meets, local/state insurance requirements.
  - Evidence of current workman's Comp insurance (if applicable).
  - Copy of current license and bond as required by local/state jurisdiction.
- Draw Request (9746-A).
- Feasibility Site Report, aka Feasibility Study (not required).
- Homeowner/Contractor Certification (from the general contractor).
- Homeowner/Contractor Agreement-HUD Form 2420 (from the general contractor).
- Mortgage Payment Disclosure Sample (recommended but not required).
- Rehabilitation Loan Agreement.
- Rehabilitation Loan Rider.

FHA Limited 203(k) Conforming and High Balance Program Grid

FIXED RATE Primary Residence Full Documentation[5]					
Transaction Type	**Units**	**LTV**	**CLTV**	**Loan Amount[1]**	**Credit Score[4]**
Purchase	1-4	96.50%	110%[3]	FHA Limit	Per AUS
Limited Cash-Out	1-4	97.75%	110%[3]	FHA Limit	
Cash-Out	N/A	N/A	N/A	N/A	N/A

Footnotes:

1. Eligible conforming and high balance loan amounts by county and units can be found at FHA Mortgage Limits.
2. Minimum loan amount $40,000.
3. Maximum 110% CLTV allowed on all subordinate financing transactions.
4. Non-Delegated transactions: A FICO of 620 is required.
5. Manual Underwrite: No more 2 of the following Risk Factors allowed: < 620 FICO; Utilization of Gift Funds; DTI > 45%;LTV within 5% of the program maximum

See Planet's FHA 203(k) Standard matrix for Standard guidelines. Complete HUD guidelines can be found at HUD Handbook 4000.1.

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

The Limited 203(k) program is designed for minor rehabilitation/renovation projects and allows a borrower to obtain a single loan to purchase a property or refinance an existing loan and complete repairs and improvements after loan closing using the "After-Improved" value of the property.

Mortgages to be insured under Section 203(k) must be processed and underwritten in accordance with the requirements in Origination Through Post-Closing/Endorsement.

General Parameters

- Repairs/renovation limited to a maximum of $35,000 (including **all** renovation costs, fees, Contingency Reserve, etc.). The total mortgage amount on the property including the cost of repairs, must fall within the FHA mortgage limit for the area where the property is located. There is no minimum renovation amount.
- All renovation work must start within 30 days of loan closing date. The work cannot stop for more than 30 consecutive days and must be completed within the established timeframe.
- A Rehabilitation Reserve escrow account is established, and funds are released as work is completed.

A maximum of 2 draws is allowed.

- The mortgage amount is based on the projected value of the property with all work completed ("After-Improved" value).
- Hazard insurance must be in place for the after improved value of the property at the time of loan closing.
- 1-year Homeowner Policy must be in place for the after-improved value of the property at the time of loan closing. If the property is not insurable, Borrower can obtain a Builders Risk Policy. Loan Escrows will need to be established using quote for standard HOI with sufficient funds to pay full premium at expiration of Builders Risk Insurance.
- 1-year Homeowner Policy must be in place for the after-improved value of the property at the time of loan closing. If the property is not insurable, Borrower can obtain a Builders Risk Policy. Loan Escrows will need to be established using quote for standard HOI with sufficient funds to pay full premium at expiration of Builders Risk Insurance.
- Licensed contractors provide written work plans and cost estimates. State/county/municipality licensing requirements must be followed. Planet does not allow "self-help" (borrower completes work); work must be completed by a licensed.

FHA Limited 203(k) Conforming and High Balance Program Guidelines

This section is specific to 203(k) Limited FHA guidelines. Planet follows HUD's Handbook 4000.1 for any topic not addressed below.

Appraisals

- Appraisals must be provided by an FHA approved appraiser
- All 203(k) appraisals are completed "subject to" completion
- Except as described below in cases of property flipping and refinance transactions, an "As-Is" appraisal is **not** required, and alternative methods to establish the "As-Is" value may be used.

203(k) loans require both an "**Adjusted As-Is**" value and an "**After Improved**" value as outlined below.

Adjusted As-Is Value

- **Purchase transactions** require one value:
  - An "After Improved" value (value after improvements have been complete) is always required.
  - HUD assumes the purchase price is the "As-Is" value and does not require an "As-Is" value on the appraisal.
- **Refinance transactions** require two values:
  - An "As-Is" value is required, and it is typically provided in the Addendum to the appraisal report, and
  - An "After-Improved" value that is provided in the Reconciliation section of the appraisal report

For properties acquired ≥ 12 months prior to the case assignment date

- If the existing debt on the property plus allowable fees (see below) **exceeds** the "After Improved" value, an additional "As-Is" appraisal is required
- If the existing debt on the property plus allowable fees (see below) **does not exceed** the "After Improved" value Planet may:
  - Use the existing debt plus the allowable fees, or
  - Obtain an "As-Is" appraisal.

Allowable Fees

- Financeable Repairs and Improvement Costs
- Financeable Mortgage Fees
- Financeable Contingency Reserves; and
- Financeable Mortgage Payment Reserves (for Standard 203(k) only).

For properties acquired < 12 months prior to the case assignment date, an “As- Is” appraisal is required (The “Adjusted As-Is “value is the “As-Is” property value).

- If property is acquired by inheritance or through a gift from a family member, use the calculation of an Adjusted As-Is value for properties ≥ 12 months prior to the case assignment date.

After Improved Value

An appraisal of the property must be obtained subject to the repairs and improvements. *See* Section II.A.8 of the HUD Handbook 4000.1 for complete 203(k) Limited Appraisal details.

- Repairs and bid(s) in the appraisal report must match the Work Write-Up by a consultant or Work Plan provided by the borrower.
- Additional photos are required for any improvements with a contributory value that are not captured in the front and rear photos.

Utilities

- Utilities must be inspected to ensure they are in proper working order unless they are being completely updated
- If the utilities were not on at the time of the appraisal/inspection or are determined to not be in good working order, a 15% Contingency Reserve must be established (including homes that have been “winterized”)
- When obtaining bids, the contractor should provide a bid that allows for any repairs that may be required.

Utilities On at Time of Appraisal/Inspection

Appraiser or other licensed professional (consultant, contractor, inspector, plumber, electrician) must confirm in writing that the utilities have been visually inspected and appear to be in good working order.

Utilities NOT On at Time of Appraisal Inspection

If utilities were not on at the time of the appraisal and the Work Write-Up/Work Plan does not include repairs to the utilities, Planet will accept alternative documentation to validate the condition of utilities.

- If home was winterized, a winterization certification indicating all utilities were working properly when turned off.
- A certification by a licensed professional (consultant, contractor, inspector, plumber, electrician) that the utilities have been inspected and appear to be in good working order.

If the utility inspection reveals utilities are not in good working order, the Work Write-Up/Work Plan must include detailed required repairs, and the contractor bid(s) must match the Work Write-Up/Work Plan.

AUS

All loans must be submitted through FHA Total Scorecard. Manual Underwriting is permitted. All loans must be QM / Safe Harbor eligible.

CLTV/Secondary Financing

For purchase transactions, a maximum 110% CLTV on all subordinate financing including, but not limited to, government entities, HUD approved non-profits, family members and private individuals.

Contractor Validation

Required for loans submitted to Planet for prior approval.

- File must evidence contractor validation and bid acceptance.
- Required documents may be submitted prior to locking for underwriting of the loan.

A sample checklist and documentation are available on the Core Seller Portal at www.phlcorrespondent.com under **Forms & Resources**.

Credit Report/Scores

Per TOTAL Scorecard Findings. Non-Delegated transactions require a 620 FICO.

DTI

Per TOTAL Scorecard Findings.

Fees and Charges

The following fees and charges apply, as applicable, and are included in the rehabilitation costs:

- Appraisal fee
- Contingency Reserve
- Cost of construction, repairs and rehabilitation
- Discount points

  The Mortgagee may finance a portion of the borrower-paid discount points not to exceed an amount equal to the discount point percentage multiplied by the total of the repair cost and fees including Contingency Reserves.

- Inspection fees; provided they are reasonable and customary for the area
- Limited 203(k) Mortgage Fees (Supplemental Origination Fee)

  A supplemental origination fee is required. The supplemental origination fee is the greater of:

  - $350, or
  - 1.5% of the rehabilitation portion of the loan

  Example:

  If the total loan amount is $300,000 and the rehab costs are $30,000 calculate as $30,000 multiplied by 1.5% equals $450.00, so the supplemental origination fee in this example is $450.00

- Permits Fee(s)
- Title Update Fee(s)

Costs and Fees that may not be financed

The following fees and costs may not be financed under the Limited 203(k) program:

- Mortgage Payment Reserves
- Architectural/Engineering Professional Fees
- 203(k) Consultant Fee
- Feasibility Study

Hazard Insurance

Hazard insurance must be in place for the after improved value of the property at the time of loan closing.

Identity of Interest/Conflict of Interest

- Not allowed on transactions deemed Identity of Interest or Conflict of Interest except:
  - Permitted on sales transactions between family members.
- Both the borrower(s) and consultant must sign an Identity of Interest Certification stating there is no relationship between them and **any party** to the transaction.

Improvements — Eligible

The Limited 203(k) may only be used for minor remodeling and non-structural repairs. The total rehabilitation cost may not exceed $35,000 and has no minimum repair cost.

All health, safety and energy conservation items must be addressed prior to completing general home improvements.

All improvement to existing structures must comply with HUD's MPR and meet or exceed local building codes. Items eligible for 203(k) funds include, but are not limited to:

- Changes to improve function/modernization (bath/kitchen remodel). Cannot include structural changes
- Elimination of health/safety hazards (lead-based paint, mold, etc.) that violate HUD's MPR
- Connecting to water public water and sewage systems
- Repair/replacement/upgrade of plumbing, heating, air conditioning and electrical systems
- Repair/replace/installing roofs, sidings, gutter, down sprouts, flooring, appliances, windows and doors improvements
- Elimination of obsolescence
- Repairs to existing swimming pool
- Well/septic repair/replacement work. Must be completed prior to beginning other repairs.

NOTE: Patios and decks must increase the "As-Is" value equal to the dollar amount spent on the improvements.

See **Limited 203(k) Eligible Improvements** section of the HUD Handbook 4000.1 for complete details.

Improvements — Ineligible

Planet follows FHA guidelines. *See* **Limited 203(k) Ineligible Improvements** section of the HUD Handbook 4000.1 for complete details.

Inspections

- The following inspections, if required by the appraiser, must be completed:
  - Termite/pest
  - Well or Septic certification
  - Additional HVAC or system certifications
  - Additional architectural exhibits as required
- Construction related inspections are completed by the consultant (if applicable)

Inspections and Draw Disbursement

The following funds can be disbursed at closing:

- Permit fees (the permit must be obtained before work commences)
- Origination fees
- Discount points; and
- Up to 50% of the estimated materials and labor costs before beginning construction:
  - Only when the contractor is not willing or able to defer receipt of payment until completion of the work, or

    - Payment represents the cost of materials incurred prior to construction. A statement from the contractor is sufficient to document.
- Maximum of 2 disbursements (draws)

Disbursements Made by Seller Prior to Purchase by Planet

The Seller has the option to disburse the initial draw. Initial draws disbursed by the Seller must be reflected on the CD.

- If the Seller disburses the final draw, they must ensure that the repairs and improvements have been completed.
- A completed Purchase Validation and all supporting documentation must be submitted prior to purchase by Planet.

Maximum Mortgage Amount

Purchase Transaction is the lesser of:

1. The appropriate LTV multiplied by the lesser of:
    - The Adjusted As-Is Value, plus:
        - Repair and improvement cost
        - Mortgage fees
        - Contingency Reserves
    - 110% of the After Improved Value (100% for Condominiums); or
2. The Nationwide Mortgage Limits.

See "Property Flips" on page 390 for FHA requirements when a property is being re-sold within one (1) year of acquisition.

Refinance Transaction is the lesser of:

1. The existing debt associated with the new mortgage, plus:
    - Repair and improvement cost
    - Mortgage Fees
    - Contingency Reserves, and
2. Appropriate LTV multiplied by the lesser of:
    - The Adjusted As-Is Value, plus:
        - Repair and improvement cost

        - Mortgage fees
        - Contingency Reserves, and
    - 110% of the After Improved Value (100% for Condominiums); or
3. The Nationwide Mortgage Limits

Mortgage Insurance

Mortgages to be insured under Section 203(k) must comply with the MIP requirements found in the MIP Chart.

- Divide the base loan amount by the After Improved Value

Product

30-year Fixed Rate only

Properties — Eligible

Must be an existing property that has been completed for a minimum of 1 year prior to the case number assignment date. If unsure, follow FHA guidelines. File must include a Certificate of Occupancy or equivalent. All health and safety issues must be addressed.

- 1-4 unit primary residences
- Condos (Specific requirements apply. *See* "Property Eligibility — Condos" below for details
- Converting from a non-203(k) to a 203(k) mortgage
- Manufactured/mobile homes (Must be titled as real property and meet FHA Requirements)
- Mixed use property with 1-4 residential units are acceptable if 51% of the Gross Building Area (GBA) is for residential use and the commercial use does not affect the safety of residential occupants
- Modular Homes
- PUDs (attached/detached). PUDs do not require a questionnaire/warranty form.
- Real Estate Owned (REO) property
    - Property Condition Report is required
- Site Condominium unit

Property Eligibility — Condos

Condos subject to the following:

- Permitted in FHA approved Condominium Projects (HRAP approval only and must be valid when case number is issued) or on units approved in accordance with the FHA Single Unit approval process. Single Unit approvals must have an AUS “Accept” recommendation or LTV is limited to 90%. See HUD Handbook 4000.1 for underwriting details and Case Number assignment process.

- Condo must be located in an FHA approved condominium project at the time of case number assignment.
- Rehabilitation limited to the interior of the unit. Rehabilitation of the exterior of the condo or any area that is the responsibility of the condominium association is not allowed with the exception of installation of firewalls in the attic for the unit.
- Maximum mortgage cannot exceed 100 percent of the “After-Improved” value.
- Rehab at any one time is limited to the lesser of:
  - 5 units, or
  - 25% of the total number of units in the project.
- The individual condo **building** cannot have more than 4 units in the subject property building. HUD allows greater than 4 units in a building only when the renovation reduces the number of units to 4 or less. The project **as a whole** can have more than 4 units (i.e., the project consists of 5 buildings, each with 4 units, for a total of 20 units in the project).
- Projects made up of attached townhomes are not subject to the 4 unit per building restriction. HUD considers each townhome an individual building as long as each unit is separated by a firewall that reaches from the foundation to the roof and is rated 1 ½ hours.

Properties — Ineligible

- Commercial property
- Condo Hotels (projects managed or operated as hotel/motel, hotel/motel conversions)
- Cooperative projects
- Farms, orchards, ranches
- Conversion of single-family structure to 2, 3 or 4 unit structure
- Decreasing a multi-unit structure to a 1-4 unit dwelling
- New Construction (Certificate of Occupancy was issued within the previous 12 months)
- Properties currently boarded up, condemned and uninhabitable
- Property located in the Hawaiian Islands in lava zones one (1) or two (2)
- Properties not completed
- Properties that will be completely torn down during the rehab process (eligible if some of the existing foundation remains in place)
- REO Properties that are Manufactured/Mobile Homes
- Rural property >10 acres
- Unique properties

Property Flips

In addition to the standard FHA program guidelines, the 203(k) mortgage must be based on the lowest sales price in the previous year. “As-is” appraisal is required.

Properties Listed for Sale

For refinance transactions, properties listed for sale in the previous 12 months must be taken off the market prior to the Application date.

Rehabilitation Escrow Account

Required on all loans, no exceptions. *See* **Rehabilitation Escrow Account** guidelines in the HUD Handbook 4000.1.

The Custodian of the repair escrow funds is responsible for ensuring all funds from the escrow account are properly distributed.

- After closing, all proceeds designated for the rehabilitation, including Contingency Reserves, Inspection fees, and any mortgage payments, must be placed in an interest bearing account.
- Any net income earned by the rehabilitation escrow account must be disbursed to the Borrower through an agreed upon method of payment.

Effective for case numbers assigned on or after October 31, 2016, after the repair escrow account is closed, the Mortgagee must complete the Escrow Closeout Certification screen in FHAC within 30 Days after the escrow account is closed.

Contingency Reserves

A Contingency Reserve is not mandated but may be required at Sellers discretion. If required:

- The reserves may be financed
- Cannot exceed 20% of the Financeable Repair and Improvement Costs.

Additionally, the borrower may provide their own funds to establish the Contingency Reserves. Where the Borrower has provided their own funds for Contingency Reserves, they must be noted under a separate category in the Repair Escrow Account.

Contingency Release

Financed Funds must be applied towards the principal balance.

Financeable Mortgage Payment Reserves

Not applicable on 203(k) Limited

Sales Contract

File must evidence a copy of the sales contract with a provision indicating 203(k) financing was obtained, and contingent on loan approval and the borrower's acceptance of additional required improvements as determined by the Seller.

Transactions — Eligible

In addition to the standard FHA program guidelines, the following transactions are eligible:

- Transactions where the work will require ≤ 6 months to complete
- Properties converting from a non-203(k) to a 203(k) transaction

Transactions — Ineligible

Transactions where the work will require > 6 months to complete

See "Identity of Interest/Conflict of Interest" on page 386 for additional information.

203(k) Forms and Documents

203(k) Limited Program documents must be included in case file as follows:

- 203(k) Borrower's Acknowledgement (HUD Form 92700-A) — Borrower must complete the "Loan Requirements" section of the Acknowledgment form indicating how the interest earned on the Rehabilitation Escrow Account is to be applied after the Final Release Notice is issued.
- 203(k) Maximum Mortgage Worksheet (HUD Form 92700) — On case numbers issued before 9/2015. FHA also provides an online 203(k) Mortgage Calculator to assist in the completion of the worksheet.
- Borrower/Contractor Identity of Interest Certification (1 from each contractor)
- Most recently completed Federal W-9 by Contractor (Rev. October 2018) (1 from each contractor)
- Contractor Written Proposal and Cost Estimate
  - Must list each work item that requires permits and indicate that repairs are non-structural, and
  - Cost Estimate must indicate the nature and type of repair and cost for each work item, broken down by labor and materials
  - Evidence that the contractor is licensed and bonded
- Contractor Acknowledgement – Limited 203(k) Program
- Contractor bid(s)
- Contractor Profile (Fannie Mae Form 1202). Profile must include:
  - Evidence of current liability insurance which meets, local/state insurance requirements
  - Evidence of current workman's Comp insurance (if applicable)
  - Copy of current license and bond as required by local/state jurisdiction
- Draw Request (9746-A)
- Homeowner/Contractor Certification (1 from each contractor)
- Homeowner/Contractor Agreement-HUD Form 2420 (1 from each contractor)
- Rehabilitation Loan Agreement
- Rehabilitation Loan Rider
- Work Plan (when not using a consultant)

Optional Consultant Documentation

The borrower has the option to use a Consultant to manage his/her rehabilitation process. With this option the following documents must be included in the case file:

- Consultant Borrower Agreement
- Consultant Identity of Interest Certification
- Consultant Work Write-Up and Cost Estimate

VA Alterations and Repair Program Grid

FIXED RATE & ARM Primary Residence Full Documentation					
Transaction Type	**Units**	**LTV**	**CLTV**	**Loan Amount**[1,2,3]	**Credit Score**
Purchase	1	90%	90%	VA Limit	580[4]
Purchase	1-4	100%	100%	VA Limit	600
Cash-out	1	90%	90%	VA Limit	580[4]
Cash-out	1-4	100%[5]	100%[5]	VA Limit	600

Footnotes:

1. VA loan limits can be found at VA Loan Limits
2. Minimum loan amount $40,000
3. Maximum loan amount $1,000,000. Loan amounts that exceed the county limit established by VA will require a down payment from the borrower.
4. Borrowers with a credit score of 580-599 are subject to specific guideline restrictions. *See* "Credit Score 580-599" on page 416 to view requirements.
5. Cash-Out Refinance with LTV > 90% must be 30 Year Fixed Rate only.
6. Non-Delegated transactions: A FICO of 620 required.
7. Manual Underwrite - No more than 2 of the following Risk Factors allowed: < 620 FICO; DTI > 45%; Utilization of Gift Funds; LTV within 5% of the program maximum

VA Alterations and Repair Program Overview

Loans for alteration and repair in conjunction with a purchase allows the purchase of a home that needs improvement or where the borrower wants to alter the home to their preference.

For purchase transactions it is mandatory to use the lesser of the as-completed value or the acquisition costs for this transaction.

Loans for alteration and repair in conjunction with a cash-out refinance of an eligible residence already owned and occupied by the borrower allows the borrower to refinance the existing loan and use the as-completed value in the transaction.

The loan proceeds are paid out to the builder and/or contractor during the alteration/repair period.

General Parameters

- Alterations and Repairs are limited to a maximum of $50,000 (plus **all** fees, Contingency Reserve, etc.).
- The total mortgage amount on the property including the cost of alteration and/or repairs, must fall within the VA's mortgage limit for the area where the property is located. There is no minimum alteration and/or repair amount.
- All renovation work must start within 30 days of the loan closing date. The work cannot stop for more than 30 consecutive calendar days and must be completed within 90 calendar days after the start date.
- A maximum of 4 draws are allowed.
- Eligible alteration and/or repairs must be those ordinarily found on similar properties of comparable value in the community.
- The loan file must evidence written approval from the borrower before each disbursement or draw payment is made to the builder and/or contractor.
- All minimum property requirements (MPR) must be met prior to issuance of the Loan Guaranty Certificate (LGC) and the final inspection/certificate of occupancy.

VA Alterations and Repair Program Guidelines

Appraisals

- Specifications for materials, exhibits to be used in projects must be provided to the appraiser at the time of appraisal order.
- Contractor estimates with material and labor breakdown "must" be provided to the appraiser at the time of appraisal order to be utilized in the preparation of the appraisal report for valuation purposes.
- Appraisers will "hold" appraisal assignments until the appropriate exhibits are received.
  - All work must be inspected, to the extent determined appropriate by VA on a case-by-case basis.), **or**
  - Any re-inspections by the appraiser must ensure that the completed renovations meet at least the minimum specifications originally utilized in preparing the appraisals final value. The use of any lower grade materials or deviations that may lower the original value provided in the appraisal report must be noted as to the specific deviation and its impact.

NOTE: All work must be acceptably completed before VA guaranty of the loan.

AUS

Planet accepts the following AUS Findings on VA Loans:

- "Approve/Eligible", or
- "Accept/Eligible", or
- "Refer/Eligible" (manual underwrite required).
- An "Approve/Eligible" Finding must be downgraded to a manual underwrite when any of the following are present:
  - Mortgage history has a 1 x 30 in the previous 12 months
  - Borrower is in an IRS tax repayment plan,
  - There are disputed tradelines
    - A manual downgrade is **not** required if the disputed tradeline meets all of the following:
      - The disputed account has a zero balance, and
      - The disputed account is marked "paid in full" or "resolved", and
      - The disputed account is **both** < $500.00 **and** is > 24 months old.

NOTE: Manual Underwrite - No more than 2 of the following Risk Factors allowed: < 620 FICO; DTI > 45%; Utilization of Gift Funds; LTV within 5% of the program maximum.

- Subject loan was a previously restructured/modified mortgage.
  - A minimum of 12 months of 0x30 payments have been made on the restructured/modified loan.
  - Mortgages in default at time of loan restructure/modification are not eligible.

CLTV/Subordinate Financing

- 90% CLTV on Purchase and Cash-out transaction with a credit score of 580-599.
- 100% CLTV on Purchase transactions with a credit score of 600 and above
- 100% CLTV on Cash-out transactions with a credit score of 600 and above
- Eligible at underwriter's discretion. The veteran cannot be placed in a substantially worse position than if the entire amount had been guaranteed by VA.

Contingency Release

- On Purchase loans, any unused contingency reserve funds must be applied to the principal balance, unless it was paid in cash at closing by the borrower. In the case where the borrower has paid for the contingency in cash, the funds will be released back to the borrower.
- On Cash-Out Refinance loans, any unused contingency reserve funds must be:
  - Returned to the borrower, or
  - Applied to the principal balance at the borrower's discretion.

Contingency Reserve

Contingency reserve of 10% of the alteration is required on all transactions. A 15% contingency reserve is required when utilities are not on at the time of inspection.

Contractor Validation

The builder or contractor must be registered with VA and the file must evidence a copy of a valid VA builder identification number prior to a VA NOV being issued. Refer to the VA Lender's Handbook, 26-7, Chapter 10. It is the lender's responsibility to ensure that the builder or contractor is licensed, bonded and insured according to all state and local requirements.

Sellers have the option of submitting the contractor documentation to Planet for validation. A checklist and documentation are available on the Core Seller Portal at www.phlcorrespondent.com under Forms & Resources.

Credit Report/Scores

- A minimum credit score of 580 is required regardless of AUS Findings. Credit scores of 580-599 are subject to specific guidelines. *See* "Credit Score 580-599" on the next page for requirements.
- Non-Delegated transactions require a 620 FICO
- A minimum credit score of 600 is required on cash-out transactions > 90% LTV.

- A tri-merged credit report is required for all borrowers.
- The borrower with the highest income must meet the minimum credit score requirement.
- The representative credit score is determined as follows:
  - If there are three (3) valid scores, the middle score is used. If two of the three scores are a duplicate, the duplicate score is used.
  - If there are two (2) valid scores, the lower of the two is used.
  - If there is one (1) valid score, that score is used.

- The borrower(s) must address all credit inquiries indicated on the credit report within the previous 120 days and indicate the reason for and result of the inquiry (i.e., was new credit obtained or not)

Credit Report – Fraud Alert

When a fraud alert, active duty alert or freeze is included with a credit report, additional steps are required to verify the borrower's identity and documentation must be provided. Documentation should include, but is not limited to:

- A letter of explanation from the borrower, and
- A copy of the identity theft report, and
- An additional form of identity verification, and
- If the credit alert contains a phone number for a verbal verification prior to credit being issued, documentation must be provided that the borrower was contacted.

Credit Score 580-599

The following applies when the borrower's credit score is between 580-599 :

- Maximum LTV/CLTV
  - **Purchase transactions:** 90% LTV/CLTV. Minimum 12 months documented housing history, indicating 0x30 in 12 months is required. < 12 months housing history is ineligible. No gift or DPA funds allowed for down payment; all funds for down payment must be from borrower's own funds.
  - **Refinance transactions:** 90% LTV/CLTV. Minimum 2 year payment history on the current loan with 0x30 in previous 24 months is required.
- 1-unit properties only (attached/detached SFR, PUDs, condos)
- No gifts or DPA funds allowed for down payment. Gift funds eligible for closing costs and/or to reduce LTV only after 10% borrower own funds requirement is met.
  - Two (2) months bank statements required to document borrower own funds requirement. Bank statements provided must be dated for the two months prior to the application date.
- Twelve (12) month housing history, indicating 0x30 in previous 12 months, is required. Borrowers without a housing history are ineligible.

- 0x30 12-month housing history must be verified as follows:
    - In-file credit report tradeline rating, or
    - Checks/money orders or evidence of consistent bank withdrawals.
- VA standard residual income requirements apply.
- Maximum payment shock is 100%. Payment shock > 50% - 100% is subject to the following:
    - Standard residual income requirement must be doubled (i.e., if VA normally requires residual income of $350, a minimum of $700 would be required).

DTI

- DTI > 41% requires additional documentation/justification unless:
    - The ratio is > 41% is due solely to the existence of tax-free income, or
    - Residual income exceeds the guidelines by at least 20%
    - The debt-to income ratio includes the following:
        - Monthly housing expense, and
        - Additional recurring charges extending 10 months or more, such as
            - Installment accounts
            - Child support or separate maintenance payments
            - Revolving accounts
            - Alimony.
- Tax free income may be "grossed up" for purposes of calculating the DTI ratio only (not for residual income).
- Debts that will be paid off in < 10 months must be included in the DTI if the amount of the debt will affect the borrower's ability to pay the mortgage during the months immediately after close especially when the borrower will have limited or no cash assets after loan closing.

NOTE: Monthly payments on revolving or open-end accounts, regardless of their balances, are counted as liabilities for qualifying purposes even if the accounts appear likely to be paid off within 10 months or less.

Eligible Alteration and/or Repairs

Alteration and/or Repairs are limited to $50,000; must meet VA MPR requirements and must be non-structural.

All improvement to existing structures must comply with VA's MPR and meet or exceed local building codes. Items eligible for Alteration and/or Repairs funds include, but are not limited to:

- Changes to improve function/modernization (bath/kitchen remodel). Cannot include structural changes

- Elimination of health/safety hazards (lead-based paint, mold, etc.) that violate VA's MPR requirements
- Connecting to water public water and sewage systems
- Repair/replacement/upgrade of plumbing, heating, air conditioning and electrical systems
- Repair/replace/installing roofs, sidings, gutter, down sprouts, flooring, appliances, windows and doors improvements
- Elimination of obsolescence
- Handicap accessibility allowed (wheelchair access ramps, widen doorways, expand showers and lower countertops)
- Repairs to existing swimming pool
- Well/septic repair/replacement work
- Additional exterior repairs including Fences, decks, patios and porches

Ineligible Alteration and/or Repairs

Structural work which requires building/construction or requires an engineer report or architectural specs.

Fees and Charges

- The following fees and charges apply as applicable and are included in the Alteration and/or repair cost. Discount fees are excluded. Funding fee due and payable within 15 days of loan closing.
    - Fees are not tied to commencement or completion of construction.
- Loan must be reported to the VA within 60 days of receipt of a clear VA final inspection report.
- Purchase transactions, for the purpose of reducing the funding fee, a down payment will only apply to the extent that the loan amount is based off the lessor of the NOV or the acquisition cost.
- Refinance transactions, for the purpose of reducing the funding fee, equity will count only to the extent that the loan amount is less than the NOV.

Unallowable Fees

The following fees cannot be charged if a 1% origination fee is charged:

- Lender's Inspections
- Lender's Appraisal
- Closing/Settlement Fee
- Doc Prep Fees
- Conveyance Fee
- Underwriting Fee
- Pest Inspection Fee
- Commitment Fees
- Fax/Email/Copying Fee
- Escrow Fee
- Fees to Loan Brokers, Finders or Other 3rd Party Fees
- Notary Fees
- Trustee Fee
- Interest Rate Lock Fee
- Postage/Mail Charges
- Amortization Schedule
- Tax Service Fee
- Attorney's Services other than title work
- Loan Application/Processing Fee
- Fees for preparing TRID
- Prepayment Penalties (refi)
- Any other fee(s) not listed as allowable by VA

- 1% origination fee based on total loan amount. Fees determined by VA as unallowable cannot be charged, or
- 1% unallowable fees based on the total loan amount. An origination fee cannot be charged, or
- 1% blend of origination fee and unallowable fees based on the total loan amount. Combined fees cannot exceed 1% of the total loan amount.
- The veteran cannot pay any of the following fees:
  - Attorney fees (unless the veteran independently retains an attorney)
  - Prepayment fees
  - Real estate broker fees

Allowable Closing Costs

The following fees may be charged:

- Loan Origination
- Appraisal Fee/Compliance Inspections
- Credit Report Fee (actual cost)
- Title Examination/Title Insurance Fee
- Recording Fees & Taxes
- Prorated Taxes
- Hazard Insurance
- Flood Insurance
- Flood Determination
- Federal Express/Express Mail (refi only)
- Closing Protection Letter
- VA Funding Fee
- MERs Registration
- Survey/Plot Plan
- Well and Septic Inspections Fees

The above lists may not be all inclusive. *See* VA Lenders Handbook for detailed guidance on allowable/unallowable fees and charges.

Renovation Fees

- A construction management fee of $350 in addition the VA origination fee is required.
- Inspection for interim draw – $150.00
- VA final repair inspection- VA specific
- Permit Fee — Per city/contractor
- Title Update Fee: 1x $125 at final draw

Third Party Charges

Third party charges are limited to the invoice charge, regardless of the amount charged for the loan origination fee (i.e. you cannot charge the borrower more than the invoice amount even if the total amount of fees is less than 1% of the total loan amount). VA limits the fee charged for an appraisal. View the appraisal fee list at VA Appraisal Fee Schedules.

Example:

The loan amount is $100,000 and the lender is charging an $800.00 origination fee. The charge for the credit report on the CD is $50.00, however, the invoice for the credit report indicates a charge of $20. The borrower must be refunded the $30.00 overcharge.

Example:

The loan amount is $100,000 and the lender is charging an $800.00 origination fee. The charge for the appraisal on the CD is $500.00, however, the maximum fee VA allows for an appraisal in the state where the property is located is $425.00. The borrower must be refunded the $75.00 overcharge.

Subordination Fees

Subordination fees cannot be financed into the loan regardless of the amount charged for the origination fee. If a subordination fee is charged the borrower must either pay the fee in cash or have a premium pricing credit that is large enough to cover the subordination fee.

Inspections and Draw Disbursement

Inspections

Improvements must be completed according to local building codes. The options allowable to satisfy the inspection requirement for cases ordered as of the NOV are:

1. VA will accept the Certificate of Occupancy (CO) for the property as evidence of local authority inspections and satisfactory completion of construction. Loans for alteration and repair ordered as “Proposed” require local authority inspections according to the extent of the improvements and local

requirements.

2. When an inspection is completed but no Certificate of Occupancy is issued:
   - Copies of the inspection reports are acceptable, which verify full compliance with local builder codes, or a written statement from the local authority that states that the required inspections were performed in a satisfactory manner.
3. Final Inspection
   - When the property is 100 percent complete, Planet Home Lending will contact the Correspondent Seller and request a Final Inspection to be ordered from the original VA fee appraiser. If the original VA appraiser is not available, the seller will contact the RLC of jurisdiction for another VA appraiser to complete the VA final inspection.

NOTE: The guaranty for alteration and repair loans will not be issued until a clear final inspection report has been completed by the VA fee appraiser.

See VA Lenders Handbook for complete VA inspection requirements.

Draw Disbursement

- Planet will establish a custodial draw account to deposit alteration/repair funds in.
  - These funds may not be comingled with other lender funds.
- A maximum of 4 disbursements allowed (draws)
  - Initial draw upon 50% completion
  - Final draw at project completion

Products

- Fixed Rate: 15, 20, 25 or 30- year term
- Cash-Out Refinance on LTV's > 90% must be 30-year fixed only (HB not allowed on cash-out > 90% LTV)
- ARM: 3/1 and 5/1; T-Bill; Caps: 1/1/5; Margin/Floor: 2.00; Qualified at Note rate

Properties — Eligible

- 1-4 unit primary residence
- Townhomes/PUDs (attached/detached). PUDs do not require questionnaire/warranty form.
- Condominiums (VA approved prior to submission). Site condos require VA Project Approval, except in the state of Michigan. *See* VA Lenders Handbook Chapter 16 for complete Condominium requirements in the state of Michigan.
- New Construction (completed < 1 year and never occupied)
- Construction must be > 95% complete
- Modular/prefabricated properties 1-unit only. Factory built but not built on a permanent chassis; built on-site similar to stick-built homes; permanently affixed to the foundation; must conform to local building codes. Property is legally classified as real property and assumes characteristics of stick-built such as permanent connections to water, electrical and waste disposal systems.

- Manufactured. Manufactured housing is defined as any dwelling built on a permanent chassis (1 unit multi-wide dwelling, new/existing construction, PUDs)

Properties — Ineligible

- Agricultural properties (farms, ranches, orchards, etc.)
- Cooperative projects
- Income producing properties
- Leasehold properties (unless prior VA approval is obtained)
- Mobile home (any property with wheels/axles and towing hitch etc.)
- Non-VA approved condo projects
- Properties located within electrical line easements
- Properties subject to regular flooding
- Properties located in an unacceptable noise zone (e.g., airport)
- Properties located in the Hawaiian Islands in lava zones one (1) or two (2)
- Proposed construction
- Unique properties (geodesic domes, earth berm homes, log homes, etc.)
- Single-wide manufactured home
- Manufactured Home classified as a Condo

Properties Listed for Sale within the Previous 12 Months

- Properties that were listed for sale in the previous 12 months must be taken off the market prior to the application date.
- A property listed for sale will be considered for a rate/term refinance if the listing has been canceled, expired or withdrawn.
- A property listed for sale will be considered for a cash-out refinance if the listing was canceled, expired or withdrawn at least 180 days prior to the application date
- A letter of explanation is required for a primary residence.

Transaction Type

Purchase

- The lesser of the as-completed value, or the acquisition cost must be used.

  Example

1. Contract Sales Price

Contract Sales Price	100,000.00
Alterations/Repairs	25,000.00
Contingency Reserve (up to 15% of repairs)	2,500.00
Inspection Fees	150.00
Permits	195.00
Total Acquisition Cost	**127,845.00**
Notice of Value	-125,000.00
Borrowers out-of-pocket closing cost	2,845.00

- Borrowers' out of pocket closing cost is not considered a down payment, as it is greater than the value.

2. Contract Sales Price

Contract Sales Price	100,000.00
Alterations/Repairs	125,000.00
Contingency Reserve (up to 15% of repairs)	2,500.00
Inspection Fees	150.00
Permits	195.00
Total Acquisition Cost	**127,845.00**
Notice of Value	-130,000.00

- The entire acquisition cost can be financed.

Cash-out

- The lesser of the acquisition cost or the as-completed value is permitted when the property is owned and occupied by the veteran.

Example

1. Contract Sales Price

Contract Sales Price	200,000.00
Alterations/Repairs	25,000.00
Contingency Reserve (up to 15% of repairs)	2,500.00
Inspection Fees	250.00
Permits	250.00
Total Acquisition Cost	**228,000.00**
Notice of Value	-220,000.00
Borrowers out-of-pocket closing cost	8,000.00

- In lieu of the $8,000 closing cost, the borrower may reduce the project cost and obtain reconsideration of value based on the adjusted alterations and repair cost.

2.

Contract Sales Price	200,000.00
Alterations/Repairs	25,000.00
Contingency Reserve (up to 15% of repairs)	2,000.00
Inspection Fees	250.00
Permits	250.00
Total Acquisition Cost	**227,500.00**
Notice of Value	-230,000.00

- The entire project cost may be financed.
- Additionally, closing cost, prepaid or cash-out up to 100% of the LTV is permitted.

VA Alteration and/or Repair Forms

- Borrower's Acknowledgement (HUD Form 92700-A) — Borrower must complete the "Loan Requirements" section of the Acknowledgment form indicating how the interest earned on the Rehabilitation Escrow Account is to be applied after the Final Release Notice is issued.
- Maximum Mortgage Worksheet — Planet provides an online VA Alteration and/or Repairs Mortgage Calculator to assist in the completion of the worksheet.
- Completed Federal W-9 by Contractor (Rev. October 2018)
- Contractor Written Proposal and Cost Estimate
  - Must list each work item that requires permits and indicate that repairs are non-structural, and
  - Cost Estimate must indicate the nature and type of repair and cost for each work item, broken down by labor and materials
  - Evidence that the contractor is licensed and bonded
- Contractor Acknowledgement
- VA Homeowner/Contractor Agreement
- Rehab Loan Agreement
- Loan Rider
- Copy of Builder/Contractor Identification Number issued by the VA
- Permit Certification

VA Conforming and High Balance Program Grid

FIXED RATE & ARM Primary Residence Full Documentation[11]					
Transaction Type	**Units**	**LTV**	**CLTV**	**Loan Amount**[1,2,3,9]	**Credit Score**[7,8,10]
Purchase	1	90%	90%	VA Limit	580
Purchase	1-4[5]	100%	100%	VA Limit	600
Cash-out	1	90%	90%	VA Limit	580
Cash-out	1-4	100%[4,5,6]	100%[4,5,6]	VA Limit	600
Manufactured Homes					
Purchase	1	100%	100%	VA Limit	640
Cash-out	1	90%[4,6]	90%[4,6]		

See Planet's VA IRRRL 's Matrix for IRRRL guidelines.

Footnotes:

1. VA loan limits can be found at VA Loan Limits
2. Minimum loan amount $40,000
3. Maximum total loan amount $1,500,000.
4. Cash-out > 90% LTV limited to conforming loan amount.
5. 100% LTV/CLTV allowed for 30-year fixed rate loans
6. 2-4 unit properties subject to a Short Sale Agreement must have been listed on the MLS for a minimum of 30 days prior to the execution of the sales contract. Properties designated as an “Exclusive Listing” are **ineligible**.
7. Borrowers with a credit score of 580-599 are subject to specific guideline restrictions. *See* "Credit Score 580-599" on page 416 to view requirements.
8. Total loan amounts exceeding $1,000,000 require a minimum FICO of 700.
9. Total loan amounts exceeding $1,000,000 require an AUS Approve/Eligible.
10. Non-Delegated transactions: A FICO of 620 required.
11. Manual Underwrite - No more than 2 of the following Risk Factors allowed: < 620 FICO; DTI > 45%; Utilization of Gift Funds; LTV within 5% of the program maximum.

VA Funding Fee*			
Type of Loan	**Down Payment**	**First Time Use**	**Subsequent Use**[4]
Purchase and Construction	None	2.30%	3.600%
	5% - 10%	1.65%	1.65%
	≥ 10%	1.40%	1.40%
Cash-Out Refinance	N/A	2.30%	3.60%
IRRRLs	N/A	0.50%	0.50%
Loan Assumptions	N/A	0.50%	0.50%

*The Certificate of Eligibility (COE), issued by VA, will indicate if the veteran is exempt or non-exempt from paying the VA Funding Fee and the amount of the veteran's entitlement.

NOTE: Funding fee is waived for active duty Purple Heart recipients.

VA guidelines can be found at: [VA Lenders Handbook - VA Pamphlet 26-7]

VA Conforming and High Balance Program Guidelines

4506-T

- Tax transcripts are required per AUS findings or can be obtained in lieu of W-2 or tax returns both personal and business.
- 4506-T must be signed by all borrowers at loan closing if transcripts were not obtained to qualify the borrower.

NOTE: Due to the hacking incidents, Planet will accept transcripts that the borrower obtained from the IRS along with a certification that the returns are true and correct.

Affidavit of Identity

Planet may require an Affidavit of Identity if a borrower signature appears incomplete or illegible.

Age of Documents

- All credit, income and asset documentation must be ≤ 120 days from the Note date (180 days for new construction). Appraisal must be dated within 180 days of the Note date.

Appraisals

- Appraisal must be performed by a VA appraiser. Appraisals are ordered through VA. A copy of the sales contract and any applicable addendums must be provided to the appraiser within one (1) business day of the appraisal assignment on purchase transactions.
- The Notice of Value (NOV) must be provided to the veteran within 5 business days of receipt of appraisal.
- The NOV must be issued at the appraised value reflected on the appraisal report.
- The appraiser must not include the value of any leased mechanical systems or any other leased equipment in the estimated market value as leased items are not suitable security for a loan.
- The appraisal must include clear, illustrative, original photographs showing the front and rear view (preferably including a different side view in each photograph) and a street scene of the subject property.
- A post construction inspection must be performed on proposed construction cases
- Building sketch must include the following:
  - Calculation of the gross living areas and dimensions of dwelling, basement, and any other improvements contributing value.
  - Floor plan layout (interior room dimensions and portioning are not required).
  - If interior access is not provided on a liquidation appraisal, a sketch is not required.
- The photos must be clear, labeled and include the following:
  - Front and rear from opposite angles showing all sides of the dwelling, if possible
  - Kitchen

- All bathrooms
- Main living area
- Any physical deterioration and recent updates that materially impact the market value or marketability of the subject property (i.e., remodel, restoration, renovation)
- Interior photos are not required on liquidation appraisals when access is not available.

- The appraisal must include, at minimum, three (3) closed sales and add comments supporting the selection
  - Comparable must be based on location and physical characteristics and not price
  - When sales data from the market area is limited, the appraiser must provide as much information and professional opinion regarding the market, reasons for limited data and the difference between the subject property and comparable
  - Use of a sale of REO properties or short sales as a comparable is acceptable
  - Property is in a new subdivision or condominium, the appraiser must include, if available for comparison, properties constructed by a competing builder in the subject market area as well as properties within the subject subdivision or condominium.
- A photograph of the front of each comparable is required
  - Real estate marketing photographs are acceptable with an explanation, for example, to exhibit condition at the time of sale, or if a comparable sale is in a gated community that was not accessible to the appraiser
  - For condominiums, if the subject and sales are in the same building or identical buildings, the appraiser may comment instead of providing photographs of the sales

NOTE: Refer to VA Pamphlet 26-7 for complete comparable sales requirements.

NOTE: The appraiser is always allowed to provide more than three comparable sales in order to support the property value.

- The subject and all comparables must be appropriately identified. *See* "Minimum Property Standard (MPR)" on page 430 for property requirements.
- Properties located in a FEMA Disaster Declaration area will be subject to additional appraisal review. *See* "Chapter 8: Loan Purchasing" on page 531 for detailed requirements.

Natural Disasters During the Appraisal Process

The standard appraisal process must be followed when the appraisal has been ordered but property has not been inspected prior to date of the disaster. No additional documentation is required.

Properties appraised on or before the date of the declared disaster and not closed prior to that date must meet include the following items that must be submitted with the VA guaranty request

- A signed and dated certification from the lender confirming:
  - There was no damaged to the property during the recently declared disaster, or
  - The property has been restored to its pre-disaster condition or better.
- A signed and dated certification from the borrower confirming:
  - The post disaster condition of the property is acceptable.
  - No disaster related expenses will be charged to borrower, and
  - The closing process can proceed.

  A new appraisal is required if there is an indication that the property value may have declined due to the disaster, despite the completion of repair.

  - The payment of the appraiser's fee for this service will be a contractual matter between the buyer and seller.

NOTE: Refer to the VA Lenders Handbook VA Pamphlet 26-7 for complete appraisal details.

Assets

If assets are required to close, the following is required to indicate sufficient funds:

- 2 months most recent bank statements or per AUS Findings (all pages). Sellers who are also the depository for the borrower's account may provide a printout or other alternative verification of the borrower's bank account assets produced directly from the bank or credit union's system in lieu of bank statement(s).
- **Purchase transactions credit score of 580-599**: Two (2) months bank statements required to document 10% borrower own funds down payment requirement. Bank statements must be dated for the two months prior to the loan application date. All other asset documentation requirements must also be met.
- Verification and documentation of the deposit amount and source of funds is required, if the earnest money:
  - Exceeds 2% of the sales price, or
  - Appears to be excessive based on the borrower's history of accumulated savings.
    - Satisfactory documentation includes:
      - Copy of the canceled check and a copy of the bank statement showing the withdrawal
      - Certification from the deposit holder acknowledging receipt of the funds
      - Bank statements (all pages) for the most recent 2 months.

NOTE: VODs are acceptable as the primary source of verification.

- Cash on hand and unsecured funds are ineligible sources for assets.
- If the veteran will be using funds from a joint account and that person is not on the loan, a letter stating that the veteran has full access to the funds in the account is required. If the other party is not the veteran's spouse, an explanation of the relationship is required and it must be noted if they will also be occupying the property.
- Verification and documentation of any recent large deposit(s), a deposit that exceeds 2% of the property's sales price on a purchase transaction and 2% of the fair market value on a refinance transaction, is required.

Assumptions

Planet follows agency guidelines.

AUS

Planet accepts the following AUS Findings on VA Loans:

- "Approve/Eligible", or
- "Accept/Eligible", or
- "Refer/Eligible" (manual underwrite required).
- An "Approve/Eligible" Finding must be downgraded to a manual underwrite when any of the following are present:
  - Mortgage history has a 1 x 30 in the previous 12 months
  - Borrower is in an IRS tax repayment plan,
  - There are disputed tradelines
    - A manual downgrade is **not** required if the disputed tradeline meets all of the following:
      - The disputed account has a zero balance, and
      - The disputed account is marked "paid in full" or "resolved", and
      - The disputed account is **both** < $500.00 **and** is > 24 months old.

Available Markets

Planet will purchase loans underwritten and closed by the delegated Seller in **all** states.

Blue Water Navy Vietnam Veterans Act of 2019

- The maximum loan guaranty may be expanded on loans greater than the Freddie Mac conforming loan limits in certain circumstances. The following transaction are eligible:

- Purchase
- Construction, and
- Cash-out Refinance

NOTE: No change to the maximum amount available to veterans for loans ≤ the $144,000 regardless of conforming limits.

- Full entitlements do not require Freddie Mac CLL consideration.
- Entitlements previously used but has not been restored:
  - The maximum guaranty amount is the lesser of 25% of the loan amount, or the maximum amount of guaranty available.
    - The maximum amount of guaranty entitlement is 25% of the Freddie Mac CLL, reduced by the amount of entitlement previously used (not restored) .
    - Entitlements may be restored for a cash-out refinance of active VA-guaranteed loans when ordering or correcting the Certificate of Eligibility (COE).

Borrowers — Eligible

Eligible per VA guidelines

- The following situations require VA review and approval:
  - Joint loan of two veterans (including 2 married veterans) using their own entitlement and more than 1 COE will be used for the guaranty
  - Loans to veterans in receipt of VA non-service connected pension
  - Veterans rated incompetent by the VA
  - Proposed construction that is ≤ 95% complete
  - IRRRL being used to refinance a VA loan that is ≥ 30 days past due
  - Leaseholds

CAIVRS/LDP/SAM

CAIVRS

All borrowers must be checked against the Credit Alert Interactive Voice Response System (CAIVRS) to determine if they have delinquent federal debt. Borrowers identified with a CAIVRS claim are generally ineligible.

Borrowers with a CAIVRS claim number due to a short sale are eligible for a VA loan if a minimum of two (2) years have passed since the short sale and the borrower otherwise qualifies for the loan. The borrower is required to provide an explanation of the event.

LDP / SAM

All of the following parties to the transaction, as applicable, must be checked against HUD's Limited Denial of Participation and the System for Award Management list:

- Appraiser
- Appraisal Company
- Borrower(s)
- Closing Agent
- Lender
- Listing Agent
- Mortgage Loan Officer
- Mortgage Processor
- Mortgage Underwriter
- Seller(s)
- Selling Agent
- Title Company
- 203(k) Consultant

Chain of Title

A 12-month chain of title is required for all loans (excluding new construction). Title must include all transfers in the previous 12-month period, including copies of all recorded deed(s). If more than one transfer in previous 12 months **or** property has significant increase in value since prior transfer, an appraisal addendum addressing all transfers is required.

Contingent Liability

A contingent liability exists when an individual is responsible for payment of a debt if another party, jointly or severally obligated, defaults on the payment.

Co-Signed Debt

- When the borrower is legally obligated on a debt, the debt must be included in the borrower's DTI ratio, even if another party is making the payment. The payment may only be excluded when the person making the payment is also legally obligated on the debt.
- Personal debt, where the borrower is a co-signer, may be excluded from the DTI if:
  - Documentation is provided verifying another borrower is responsible for the debt, and
  - Copies of the canceled checks (front and back) are provided from the party paying the debt for the most recent 12 consecutive payments, and
  - The credit report indicates the account has no late payments.

Business Debt

- **Sole Proprietorship or Partnership:** The business is not an entity that can borrow and any debt used by the business is personal obligations regardless of how the debt is paid.
  - This type of debt must be included in the borrower's DTI. The debt may be added back to the business income so the debt is not counted twice
- **Corporations (Includes Sub-S and most LLCs):** A corporation is a legal entity that can be obligated for debts. Officers of the corporation or members of an LLC are often required to personally sign as additional guarantors for debts owed by the Corporation or LLC.

- Debts may be excluded from the DTI, if:
  - A minimum of 12 consecutive most recent canceled checks are provided by the corporation/LLC for payment on the debt, and
  - Documentation is provided showing the corp. /LLC is a borrower on the loan.

Compensating Factors

VA considers the following when considering compensating factors:

- Excellent credit history
- Conservative use of consumer credit
- Minimal consumer debt
- Long-term employment
- Military benefits
- High residual income
- Low DTI ratio
- Significant liquid assets
- Sizable down payment
- Existence of equity in refinance loans
- Little or no payment shock
- Satisfactory homeownership experience
- Tax credits for childcare
- Tax benefits of home ownership

Credit Installment/Revolving Accounts and Deferred Student Loans

All debts must be run through AUS.

- **Installment Debt**
  - Included in the DTI if > 10 months remaining, or
  - Included if ≤ 10 months remaining **AND** payment is > $100.00 and/or at underwriters discretion
- **Revolving Debt**
  - Revolving debt must be included if there is a balance indicated on the credit report. If the monthly payment is not included in the credit report, the underwriter will calculate the payment using the greater of $10.00 or 5% of the outstanding balance. If the actual dollar amount is documented by the creditor or a current monthly statement, that amount maybe used for qualifying.
  - Cash-out refinance transactions

- If paid off prior to closing, documentation must be included in the loan file that the account was paid off and closed.
- Payoff must be indicated on the HUD-1
- Closing agent must verify that the account(s) were closed prior to disbursement.

- **Deferred Student Loans**
  - Payments deferred or in forbearance > 12 months from the Note date may be excluded from the DTI ratios. *See* VA Lenders Handbook for complete details on student loan debt.

Credit Report/Scores

- A minimum credit score of 580 is required regardless of AUS Findings. Credit scores of 580- 599 are subject to specific guidelines. *See* "Credit Score 580-599" below for requirements.
- A minimum credit score of 600 is required on cash-out transactions > 90% LTV.
- A tri-merged credit report is required for all borrowers.
- The primary borrower (the borrower with the highest income) must meet the minimum credit score requirement.
- The representative credit score is determined as follows:
  - If there are three (3) valid scores, the middle score is used. If two of the three scores are a duplicate, the duplicate score is used.
  - If there are two (2) valid scores, the lower of the two is used.
  - If there is one (1) valid score, that score is used.
- The borrower(s) must address **all** credit inquiries indicated on the credit report within the previous 120 days and indicate the reason for and result of the inquiry (i.e., was new credit obtained or not).

Credit Report – Fraud Alert

When a fraud alert, active duty alert or freeze is included with a credit report, additional steps are required to verify the borrower's identity and documentation must be provided. Documentation should include, but is not limited to:

- A letter of explanation from the borrower, and
- A copy of the identity theft report, and
- An additional form of identity verification, and
- If the credit alert contains a phone number for a verbal verification prior to credit being issued, documentation must be provided that the borrower was contacted.

Credit Score 580-599

The following applies when the borrower's credit score is between 580-599 :

- Maximum LTV/CLTV

    - **Purchase transactions:** 90% LTV/CLTV. Minimum 12 months documented housing history, indicating 0x30 in 12 months is required. < 12 months housing history is ineligible. No gift or DPA funds allowed for down payment; all funds for down payment must be from borrower own funds.
    - **Refinance transactions:** 90% LTV/CLTV. Minimum 2 year payment history on the current loan with 0x30 in previous 24 months is required.
- 1-unit properties only (attached/detached SFR, PUDs, condos)
- DTI per AUS Findings.
- No gifts or DPA funds allowed for down payment. Gift funds eligible for closing costs and/or to reduce LTV only after 10% borrower own funds requirement is met.
    - Two (2) months bank statements required to document borrower own funds requirement. Bank statements provided must be dated for the two months prior to the application date.
- Twelve (12) month housing history, indicating 0x30 in previous 12 months, is required. Borrowers without a housing history are ineligible.
    - 0x30 12-month housing history must be verified as follows:
        - In-file credit report tradeline rating, or
        - Checks/money orders or evidence of consistent bank withdrawals.
- VA standard residual income requirements apply.
- Maximum payment shock is 100%. Payment shock > 50% - 100% is subject to the following:
    - Standard residual income requirement must be doubled (i.e., if VA normally requires residual income of $350, a minimum of $700 would be required).
- Property flips (property being re-sold ≤ 90 days from acquisition) are ineligible.

See VA Lenders Handbook for complete details.

Derogatory Credit

Bankruptcy

- **Chapter 13**
    - If the veteran has finished making all payments and the payments were paid satisfactorily, the veteran is considered to have re-established credit.
    - If the veteran has not finished making payments, the veteran is eligible subject to:
        - A minimum of 12-months' payments have been made satisfactorily, and
        - The trustee or bankruptcy judge provides written permission for the veteran to enter into the mortgage transaction.
- **Chapter 7**

- >2 years since discharge date from closing for purchase and refinance transactions
- If bankruptcy was discharged within 1 to 2 years (discharge date to application date), may be considered if both of the following are met:
    - The bankruptcy was due to documented circumstances beyond the borrower(s) control (e.g., unemployment, medical bills not covered by insurance, death, etc. Divorce is generally not considered a circumstance beyond control), **and**
    - The Borrower(s) have obtained credit subsequent to the bankruptcy and accounts have been made satisfactory payments over a continued period.
- Discharged < 12 months is ineligible

- A letter of explanation for any bankruptcy filing is required.
- If mortgage debt was discharged through the bankruptcy, even if there was a subsequent completed foreclosure action to reclaim the property, bankruptcy waiting periods may be applied, not foreclosure waiting periods, if documentation is provided to verify the mortgage was discharged in the bankruptcy. If documentation cannot be provided, the greater of the applicable bankruptcy or foreclosure waiting period is applied.

NOTE: *See* Chapter 4 of the VA Lenders Handbook for complete details.

Collections/Charge-Offs/Judgments

- Collection and charge-offs are generally not required to be paid off, however follow AUS Findings if payoff is required.
- Judgments must be paid or in a repayment plan for 12 months with a 0 x 30 in 12 month history.
- A letter of explanation is required for all collection/charge-off/judgment accounts.

NOTE: At underwriter discretion, payoff may be required regardless of the account balance.

- Borrowers with a history of collection/charge-off accounts should have re-established a 12-month satisfactory credit history.

Consumer Credit Counseling

- If a borrower(s) has good prior credit and are participating in a Consumer Credit Counseling plan, there are no restrictions.
- If a borrower(s) has prior adverse credit and are participating in a Consumer Credit Counseling plan, the following are required:
    - >12 months satisfactory payments, and
    - Written permission from the Counseling Agency to enter into a mortgage transaction.

Delinquent Child Support

Delinquent child support must be paid current or in a payment plan.

Foreclosure

- >2 years since completion from date of closing
- If foreclosure completed within the past 1-2 years from date of closing, the borrower may be eligible subject to the following:
  - The foreclosure was due to documented circumstances beyond the borrower(s) control (e.g. unemployment, medical bills not covered by insurance, death, etc. Divorce is generally not considered a circumstance beyond control), and
  - The borrower(s) have obtained credit subsequent to the foreclosure and have made satisfactory payments over a continued period.
- Borrower(s) must have re-established credit
- No late housing or installment payments after the foreclosure
- A letter of explanation as to the reason for foreclosure.

NOTE: If the foreclosure was included in a Chapter 7 bankruptcy, the discharge date is used for determining the foreclosure date. If the foreclosure was on a VA loan, the applicant may not have full entitlement available. Planet requires a minimum 25% guaranty.

Deed in Lieu or Short Sale

- A specific waiting period is not required by VA.
- If the borrower's overall credit record is good, the deed in lieu or short sale does not necessarily stop the borrower from obtaining new credit.
- The borrower's overall credit should be reviewed, including the mortgage payments. Any delinquent mortgage payments should be viewed in the context of the borrower's overall credit.
- If the borrower's overall credit was not good at the time of the short sale the borrower must:
  - Have re-established good credit, and – The reason for the short sale must have been due to circumstances beyond the borrower's control, and
  - Late housing or installment payments after the short sale will be evaluated by the underwriter and considered on a case-by-case basis.

Down Payment

Not required unless the purchase price exceeds the full reasonable value of the property or if the loan amount exceeds the county limit established by VA then a down payment is required by the borrower from the borrower's own funds.

Down Payment Assistance/Grants

Funds from grants/down payment assistance (DPA) programs are eligible per VA guidelines.

DTI

- DTI > 41% requires additional documentation/justification unless:

        - The ratio is > 41% is due solely to the existence of tax-free income, or
        - Residual income exceeds the guidelines by at least 20%
        - The debt-to income ratio includes the following:
            - Monthly housing expense, and
            - Additional recurring charges extending 10 months or more, such as
                - Installment accounts
                - Child support or separate maintenance payments
                - Revolving accounts
                - Alimony.
- Tax free income may be "grossed up" for purposes of calculating the DTI ratio only (not for residual income).
- Debts that will be paid off in < 10 months must be included in the DTI if the amount of the debt will affect the borrower's ability to pay the mortgage during the months immediately after close especially when the borrower will have limited or no cash assets after loan closing.

NOTE: Monthly payments on revolving or open-end accounts, regardless of their balances, are counted as liabilities for qualifying purposes even if the accounts appear likely to be paid off within 10 months or less.

Employment/Income

- A two year employment history is required.
- A verbal verification of employment (VVOE) is required within 10-business days of loan closing for wage earner borrowers and within 30 calendar days of loan closing for self-employed borrowers.
- Sellers must independently obtain the phone number, and when possible, the address of the wage earner borrowers employer using directory assistance/internet/phone book, etc.
- Self-employed borrower's business requires verification of the business by a third party source (e.g. CPA, Federal Ta x ID Certificate, Business License).

NOTE: A sample VVOE form is posted on the CORE Seller Portal at www.phlcorrespondent.com under **Forms and Resources**. Sellers are not required to use this exact form; however any form used must provide the information contained on the Planet form.

- A military Leave and Earnings Statement (LES) is required for active duty military in lieu of a VVOE. The LES must be an original or certified copy of original. The LES must be no more than 120 days old (180 days for new construction).
- Follow AUS Findings for income documentation requirements.
- **Self-Employed Borrowers**
    - Follow AUS Findings for documentation requirements
    - Manual underwrite requires:

- 2 years signed personal tax returns or tax transcripts
- 2 years signed business/corporate tax returns, at underwriter discretion
- A business credit report if corporation or partnership
- YTD Profit and Loss (P&L) and balance sheet (prepared by the borrower is acceptable)
- Only income from the tax returns can be used unless P&L audited by CPA
- Income must not be declining more than 10% per year or must use lowest income to qualify
- Depreciation and /or depletion may be added back, and
- Business use of home may not be added back.

- **Commissioned Income**

File must include VOE or other written verification that evidence the following:

- Year-to-date amount of commissions paid
- Basis for payments (salary plus commission, straight commission, or draws against commission, or other), and
- How often commissions are paid (bi-weekly, monthly, quarterly, etc.)
- Copies income tax returns for the previous 2-year years (signed and dated) including all applicable schedules

Analyze Income derived from Commissions

- Income must be stable for at least 2 years
  - Employment less than 2 years is not considered stable income unless the borrower has worked previously in a related field and/or completed specialized training.
  - Employment less than 1 year is not generally allowed for qualification. However, an in-depth evaluation may be conducted to reach a final conclusion

- Commission income < 25%

  The expenses from commission income < 25% of the total annual employment income is as follows:

  - IRS Form 2106 expenses are not required to be deducted from income even if they are reported on IRS Form 2106
  - The expenses are not required to be added as a monthly liability for the borrower.

- Commission income ≥ 25%

  The expenses from commissioned income ≥ 25% of the annual employment income is as follows:

- IRS Form 2106 expenses must be deducted from gross commission income regardless of the length of time the borrower has filed the expenses with the IRS.

Exception

One exception is an automobile lease or loan payment. An automobile lease or loan payments are not subtracted from the borrower's income; they are considered part of the borrower's recurring monthly debts/obligations in Section D on VA Form 26-6393, *Loan Analysis*.

- **Rental Income**
  - ***Conversion of Current Residence***
    - The prospective rental income may be used to offset the mortgage payment on the rental property. It may not be included in the effective income.
    - If the borrower has a rental agreement it must be provided. If there is no rental agreement, the prospective rental income may still be considered if the local rental market is determined to be strong and the property will probably not be difficult to rent. Realtors/appraisers are examples of parties who can identify local rental market trends.
  - ***Other Rental Property not Secured by a VA Loan***
    - Borrowers with a history of being a landlord may use rental income from other property as follows:
      - Documented 3 months PITI reserves, and
      - Previous 2 years' individual tax returns, with all applicable schedules, indicating the rental income generated by the property is required.

NOTE: Reserves not required if rental income not used for qualifying.

  - ***Rental of Multi-Unit Property Securing the VA Loan***
    - The prospective rental income may be included in the veteran's effective income if:
      - The veteran has a documented history of being a landlord and there is reasonable likelihood of continued success,
      - There are 6 months PITI cash reserves, and
      - The amount of rental income included in the effective income is:
        - Based on 75% of the prior rent collected (existing property), or
        - The appraiser opinion of the property's fair monthly rent (new

construction).

NOTE: Reserves **not required** if rental income not used for qualifying.

Analysis of Rental Property Income

- A 2-year rental history must be itemized on the borrower's tax return
- Property depreciation claimed as a deduction on the tax may be included as effective income
    - If after adding depreciation to the negative rental income, the borrower still has rental loss, the negative income should be deducted from the overall income as it reduces the borrower's income.
- If rental income will not, or cannot be used, then the full mortgage payment should be considered and reserves do not need to be considered.

Projected Income from a New Job

Projected income from a new job that the borrower is scheduled to start is eligible subject to the following:

- Borrower must be scheduled to start the new position within 30 days of loan closing, **No exceptions**.
- A non-revocable, guaranteed employment contract is required.
- Borrower must have sufficient other income or cash reserves to pay the mortgage and all other obligations from loan closing to the start of the new job.
- A letter, signed by the borrower(s) is required, certifying that a paystub or other acceptable documentation to validate the borrower has started employment.

Social Security Income Documentation Requirements

Income received from the Social Security Administration (e.g., social security, Supplemental Security Income (SSI)) is eligible for qualifying the borrower when the income can be verified and it is likely to continue for a minimum of three (3) years from the date of the mortgage application.

NOTE: Income that will not continue for a minimum of three (3) years may only be considered as a compensating factor.

Verifying SSA Income: Any of the following is acceptable:

- Federal tax returns
- Social Security Award Letter (aka Benefits Letter/Budget Letter)
- Social Security Benefits statement (SSA 1099/1042S), or
- Most recent bank statement evidencing receipt of the income from SSA.

Verifying Continuance of SSA Income: To document the continuance of the SSA income for three (3) years obtain the most recent Notice of Award Letter or equivalent documentation. If an expiration date is not stated it can be considered likely to continue. Additional information is not required to establish length of receipt. Additionally, **never** request documentation concerning the nature of disability or medical condition and evidence of a pending or current reevaluation of medical eligibility **should not** be considered an indication the benefits will not continue.

The income stated on an initial Notice of Award Letter (or equivalent) ,which indicates the borrower will be receiving benefits, may be used as effective income as of the start date of the income as stated on the Award Letter. The borrower must have other income to qualify for the mortgage until the start date of the benefit.

Disability Income

Continuance of disability income does not need to be documented for the likelihood of continuance.

- Income verification will be placed on the COE, except in the below instances:
  - The borrower will be discharged within 6-months from the military and the has completed a Physical Exam (PEB) or Medical Review (MEB) and will be filing for disability while still on active duty
  - The borrower has recently filed for VA disability and VA's Compensation Service has not yet made a determination and would be entitled to receive VA disability benefits
  - The borrower would be entitled to receive VA disability benefits, but for the receipt of retired pay
  - The borrower has received VA disability benefits in the past, or
  - Is an unmarried surviving spouse of a veteran who is eligible for or receiving qualifying disability and Indemnity Compensation (DIC), or
  - Is in receipt of a VA nonservice connected pension, or
  - Has a VA-appointed Fiduciary to handle financial matters.

Other Long-Term Disability Income: Other long term disability income (workers compensation, private insurance) may also be used for qualifying income following the guidelines above.

See VA Lenders Handbook for complete details.

Escrow Holdback

Loans with an escrow holdback are eligible for purchase when all funds are disbursed prior to the loan being purchased by Planet except as noted below. Loans must meet Planet's loan seasoning requirements detailed in "Chapter 8: Loan Purchasing" on page 531. Loans with holdback funds not disbursed prior to purchase are eligible as follows:

- **Newly constructed properties — weather related**
  - Funds held for completion of grading of yard/driveway, pouring concrete for driveway/sidewalks
  - Seller must provide proof of completion and release of funds post-purchase
- **Newly constructed properties with city held bond — weather related**
  - Eligible for purchase with temporary Certificate of Occupancy when a city bond is held for completion of roads and/or driveways
- **New construction — non-weather related**
  - Funds held for completion of landscaping
  - Seller must provide proof of completion and release of funds post-purchase.

NOTE: Existing properties with new renovations allowed on a case-by-case basis.

Escrow/Impound Account

Required on all loans, no exceptions.

Fees and Charges

VA allows the following fees and charges:

- 1% origination fee based on total loan amount. Fees determined by VA as unallowable **cannot** be charged, or
- 1% unallowable fees based on the total loan amount. An origination fee **cannot** be charged, or
- 1% blend of origination fee and unallowable fees based on the total loan amount. Combined fees cannot exceed 1% of the total loan amount.
- The veteran **cannot** pay any of the following fees:
  - Attorney fees (unless the veteran independently retains an attorney)
  - Prepayment fees
  - Real estate broker fees

VA Funding Fees

- The Veteran is required to pay a Funding Fee to help defray the costs of the VA loan program
- Locate the appropriate percentage on the funding fee table posted on: http://www.benefits.va.gov/homeloans/documents/docs/funding_fee_table.pdf

- Apply this percentage to the loan amount to arrive at the funding fee
- The Funding Fee can be financed in the loan, or can be paid in cash; however, a partial funding fee is not allowed (cannot be part cash and part financed)
- Funding Fees are waived for active duty Purple Heart recipients

NOTE: Follow ALL requirements surrounding the validation of the Funding Fee as outlined in VA Circular 26-19-17

Unallowable Fees

The following fees cannot be charged if a 1% origination fee is charged:

- Lender's Inspections
- Lender's Appraisal
- Closing/Settlement Fee
- Doc Prep Fees
- Conveyance Fee
- Underwriting Fee
- Pest Inspection Fee
- Commitment Fees
- Fax/Email/Copying Fee
- Escrow Fee
- Fees to Loan Brokers, Finders or Other 3rd Party Fees
- Notary Fees
- Trustee Fee
- Interested Rate Lock Fee
- Postage/Mail Charges
- Amortization Schedule
- Tax Service Fee
- Attorney's Services other than title work
- Loan Application/Processing Fee
- Fees for preparing TRID
- Prepayment Penalties (refi)
- Any other fee(s) not listed as allowable by VA

Allowable Closing Costs

The following fees may be charged:

- Loan Origination
- Reasonable Discount Points
- Appraisal Fee/Compliance Inspections
- Credit Report Fee (actual cost)
- Title Examination/Title Insurance Fee
- Recording Fees & Taxes
- Prorated Taxes
- Hazard Insurance
- Flood Insurance
- Flood Determination
- Federal Express/Express Mail (refi only)
- Closing Protection Letter
- VA Funding Fee
- MERs Registration
- Survey/Plot Plan
- Well and Septic Inspections Fees

The above lists may not be all inclusive. *See* VA Lenders Handbook for detailed guidance on allowable/unallowable fees and charges.

Third Party Charges

Third party charges are limited to the invoice charge, regardless of the amount charged for the loan origination fee (i.e. you cannot charge the borrower more than the invoice amount even if the total amount of fees is less than 1% of the total loan amount). VA limits the fee charged for an appraisal. View the appraisal fee list at VA Appraisal Fee Schedules.

Example:

The loan amount is $100,000 and the lender is charging an $800.00 origination fee. The charge for the credit report on the CD is $50.00 however the invoice for the credit report indicates a charge of $20. The borrower must be refunded the $30.00 overcharge.

Example:

The loan amount is $100,000 and the lender is charging an $800.00 origination fee. The charge for the appraisal on the CD is $500.00 however the maximum fee VA allows for an appraisal in the state where the property is located is $425.00. The borrower must be refunded the $75.00 overcharge.

Subordination Fees

Subordination fees cannot be financed into the loan regardless of the amount charged for the origination fee. If a subordination fee is charged the borrower must either pay the fee in cash or have a premium pricing credit that is large enough to cover the subordination fee.

Financed Properties

Owner-occupied properties: No limit.

Gift Funds

Gifts, grants, and down payment assistance programs are eligible per VA guidelines. There must be no expected or implied repayment requirement of the gift funds.

- Gift and DPA funds are **ineligible** with a credit score of 580-599 until the 10% borrower own funds requirement has been met. Gift funds may be used after the borrower meets the 10% down payment from own funds requirement closing costs or to further reduce the LTV.
- A gift is acceptable if the donor is:
    - A relative of the borrower
    - A government agency or public entity that has a program providing home ownership assistance to low and moderate income families or first-time homebuyers
- Gift funds must be evidenced by a gift letter, signed by the donor and it must:

- Specify the dollar amount,
- Be signed by the donor and the borrower,
- Specify the date the funds were transferred,
- Indicate the donor(s) name, address, phone number, and relationship to the borrower, and
- Include a statement by the donor that no repayment of the gift funds is expected.

- The gift donor may not be a person/entity with an interest in the sale of the property including:
  - Seller
  - Real estate agent or broker
  - Builder or associated entity

Gifts from these sources are considered "inducements to purchase" and must be subtracted from the sales price.

- Gift fund availability and transfer of the funds must be documented. Verification of transfer of funds must be documented as noted below:
  - Gift funds given prior to closing
    - Copy of the donor's canceled check (front and back) and conclusive evidence that the money was withdrawn from the donor's account (conclusive evidence might be a withdrawal slip or bank statement and the borrower's deposit slip and/or bank statement verifying the deposit.
  - Gift funds given to closing agent: (cannot be on day of closing)
    - Must be received at least one day prior to closing to allow for underwriter review; gift funds the day of closing are not allowed.
    - A copy of donor's check to the closing agent is required, and
    - Gift must be reflected on HUD-1.

NOTE: When a bank statement is used to document funds, the donor may be required to document large deposits to ensure the funds did not come from an interested third party.

Regardless of when gift funds are made available to the borrower, the underwriter must be able to determine that the gift funds were not provided by an unacceptable source and were the donor's own funds. The transfer from donor to borrower must be fully documented.

NOTE: Donors may borrow gift funds from an acceptable source provided the borrowers are not obligors to any Note securing the money borrowed to give the gift.

Gift of Equity

A gift of equity is acceptable from an immediate family member only subject to the following:

- A gift letter is required
- CD indicates "gift of equity".

Guaranty/Entitlement

- A minimum 25% guaranty is required
- The guaranty is limited to the veteran's portion of ownership interest in the property. (i.e., if the veteran is the only person on title but **adds someone other than their spouse to title**, the final loan guaranty would be half of the veteran's entitlement).

Inspections

A termite inspection is required in all states where termites are present or when the appraiser has indicated a need for a termite review due to wood-destroying insect damage or an active insect infestation. *See* VA Department- Local Requirements for additional details.

- Well inspections are required in all cases (private or shared)
- Septic inspection is required when the appraiser indicates the need for one. Septic tests or certifications are valid for 90 days unless local law requirements vary.

NOTE: Connection to public water and/or sewer is only mandatory when required by local building, planning or health authorities.

Manufactured Housing

30 year Fixed Rate only. Manual underwrite is ineligible.

Eligible Properties

- The manufactured home must be:
    - 1 unit, multi-wide dwelling
    - Classified as real estate
    - Property affixed to a permanent foundation
    - Existing or New construction
    - PUD

Ineligible Properties

- 2-4 units
- Condo
- Leasehold
- Properties located in a 100-year Flood zone
- Singlewide

New Construction

Any case in which the foundation has not been fully completed and the manufactured home unit installed is considered to be “proposed or under construction.”

In those cases, each set of construction exhibits must include:

- Specifications for the foundation and a plot plan as required for conventional site-built homes
- In double-wide homes, a detail of the mating line piers, if applicable location and a cross sectional
- A foundation plan showing the detail of the supporting piers. In all cases, include drawings of the foundation anchorage details.
- A floor plan of the unit and exterior elevation drawings/photographs of the front and rear of the home, unless the unit is physically located on the site to be appraised or the appraiser has access to the unit on the dealer’s lot. These may be provided in the manufacturer’s advertising or technical installation manual.
- In States or localities that require the underside of the unit to be completely enclosed, details of the perimeter enclosure that comply with those requirements.
- Since site conditions vary considerably from location to location, any revision needed to information provided in the manufacturer’s technical installation manual in order to comply with local requirements.
- Appropriate construction exhibits for any other on-site improvements, such as decks, enclosed patios, garages and carports, etc., to be financed with the loan proceeds.
- A certification signed and dated by a technically qualified and properly identified individual (such as builder, architect, engineer, etc.) which states, “I certify that the construction exhibits for (identification of the property by house type, lot, block, subdivision name, etc.) meet all local code requirements and are in substantial conformity with VA Minimum Property Requirements, including the energy conservation standards of the 1992 Council of American Building Officials’ Model Energy Code and the requirement for lead-free water piping.” VA will accept HUD 92541, Builder’s Certification of Plans, Specifications and Site, in lieu of this certification.

Maximum Loan Amount

Maximum base loan amount is VA Conforming Loan Limits.

- Maximum total loan amount $1,500,000 in all states.

See "Transaction Types" on page 441 for detailed information on allowable inclusions in the loan amount.

Minimum Property Standard (MPR)

VA has the following minimum property standards (MPR).

- Each property requires the following to assure a suitable living environment:
  - Living
  - Sleeping

- Cooking and dining accommodations,
- Sanitary facilities

- Mechanical systems must:
  - Be safe to operate
  - Be protected from destructive elements
  - Have a reasonable future utility, durability and economy, and
  - Have an adequate capacity and quality
- Heating must be adequate for healthful and comfortable living conditions
  - Homes with wood burning stoves as the primary heating source must have a permanently installed conventional heating system that will maintain a temperature of 50° in areas where there is plumbing.
- Each unit must have a water supply and sanitary facilities as follows:
  - Domestic hot water
  - A continuous supply of safe and potable water for drinking and other household uses,
  - Sanitary facilities with a safe method of sewage disposal. A connection to a public or community water/sewage system is required when dictated by local building, planning or health authorities.
  - Any required well or septic tests/certifications are valid for 90 days unless local health authority indicates differently.
- An MPR for existing construction can be waived by the VA field office if:
  - A veteran is under contract to purchase the property, and
  - The property is habitable from the standpoint of safety, structural soundness and sanitation, and
  - VA is satisfied the non-conformity has been depreciated accurately in the VA value.

Mortgage/Rental History

- Credit score of 580-599 requires the following:
  - **Purchase transactions:** A minimum 12 month documented housing history with 0x30 in previous 12 months. Borrowers without a 12 month housing history are **ineligible**. Housing history must be evidenced by:
    - In-file credit report trade line rating, or
    - 12 months canceled checks/money orders or evidence of consistent bank withdrawals.

NOTE: VOR, including VOR from professional management company, or landlord letters are eligible **not eligible** to document housing history.

  - **Refinance transactions:** Minimum 2 year payment history on the current loan with 0x30 in previous 24 months required; < 2 year payment history the loan is ineligible.

- 0x30 in 12 months. A manual downgrade is required for any mortgage debt with 1 x 30 in 12.
- Mortgage must be current and due for the month closing
- Verification of Mortgage (VOM) or Verification of Rent (VOR) are required if an "Approve/Eligible" Finding is not received.
- Copies of rent checks are required to document rental history, In lieu of rent checks, at the underwriter's discretion, the following may be acceptable:
  - A direct verification of rent (VOR) provided by a professional management company, or
  - Copies of Money Orders.

Mortgage Seasoning

Loan seasoning applies to any loan being refinanced into a VA loan. The note date of the refinance loan must be on, or after, the later of:

- The date on which the borrower has made at least six monthly payments on the loan being refinanced; and
- The date that is 210 days after the first payment due date of the loan being refinanced.

NOTE: Refinance of loans on which fewer than six (6) consecutive regularly scheduled payments have been made are not eligible for financing.

Multiple VA Loans

- The entitlement previously used in connection with a VA home loan may be restored under certain circumstances. Once the entitlement is restored, it may be used again.
- A previously used entitlement may be restored if:
  - The property which secured the VA loan has been sold, **and** the loan has been paid in full, or
  - An eligible veteran-transferee has agreed to assume the outstanding balance on a VA loan and substitute his/her entitlement for the same amount originally used on the loan. The assuming veteran must also meet occupancy, income and credit requirements.
- In addition to the basic restoration criteria outlined above, a veteran may obtain restoration of the entitlement used on a prior VA loan as follows:
  - The prior VA loan has been paid in full and the veteran has made application for a refinance loan to be secured by the same property which secured the prior VA loan (including refinancing situation in which the prior loan will be paid off at closing from a VA refinance of the same property, or
  - The prior VA loan has been paid in full but the veteran has not disposed of the property securing the loan. The veteran may obtain restoration of the entitlement used on the prior loan in order to purchase a different property, one time only. Once this occurs, the veteran's Certificate of Eligibility will indicate the one-time restoration. Any future restoration will require disposal of the property obtained with a VA loan. A cash-out refinance is not eligible once the one-time restoration is used.

Non-Purchasing Spouse

The debts of the non-purchasing spouse must be included in the borrower's qualifying ratios, unless specifically excluded by state law, if:

- Borrowers reside in a community property state, or
- Property being purchased is located in a community property state

The credit history of the non-purchasing spouse is not considered a reason to deny a loan, however, their obligations must be considered in the DTI unless excluded by state law. A credit report, that complies with VA guidelines for the non-purchasing spouse, must be obtained to determine if the obligations should be included in the DTI.

Occupancy

Owner-occupied primary residence. The veteran must certify their intent to occupy the property within a "reasonable time", generally within 60 days of loan closing. Service members, while deployed from their permanent duty station are considered to be in a temporary duty status and able to meet the occupancy requirement.

Power of Attorney

A power of attorney is allowed on a case-by-case basis to borrowers with extenuating circumstances, active military personnel or individuals with a documented medical condition. POA acceptable as follows:

- General/Military POA acceptable if veteran signed sales contract and loan application and the veteran's intention to obtain a VA loan is indicated in the contract and/or loan application.
- A specific POA is required if both the sales contract and application were not signed. The following must be included on the POA, along with a certified copy from settlement agent:
  - A clear intention to obtain a loan for the purchase, or refinance of a property
  - A clear intention to use all, or a specified amount, of the entitlement stated
  - Property address must be identified on the POA
  - Terms of the loan
  - Veteran's intention to use and occupy the property as their primary residence is required.
- An "Alive and Well" statement is required if the veteran not at closing.

Prepayment Penalty

Not permitted.

Products

- Fixed Rate: 15, 20, 25, and 30 year
- ARM: 3/1 and 5/1; T-Bill; Caps: 1/1/5; Margin/Floor: 2.00; Qualified at Note rate

See "Manufactured Housing" on page 429 for limitations.

Properties — Eligible

- 1-4 unit primary residence
- Townhomes/PUDs (attached/detached). PUDs do not require questionnaire/warranty form.
- Condominiums (VA approved prior to submission). Site condos require VA Project Approval, except in the state of Michigan. *See* VA Lenders Handbook Chapter 16 for complete Condominium requirements in the state of Michigan.
- New Construction (completed < 1 year and never occupied)
- Construction must be > 95% complete
- Modular/prefabricated properties 1-unit only. Factory built but not built on a permanent chassis; built on-site similar to stick-built homes; permanently affixed to the foundation; must conform to local building codes. Property is legally classified as real property and assumes characteristics of stick-built such as permanent connections to water, electrical and waste disposal systems.
- Manufactured. Manufactured housing is defined as any dwelling built on a permanent chassis (1 unit multi-wide dwelling, new/existing construction, PUDs)

Properties — Ineligible

- Agricultural properties (farms, ranches, orchards, etc.)
- Cooperative projects
- Income producing properties
- Leasehold properties (unless prior VA approval is obtained)
- Mobile home (any property with wheels/axles and towing hitch etc.)
- Non-VA approved condo projects
- Properties located within electrical line easements
- Properties subject to regular flooding
- Properties located in an unacceptable noise zone (e.g., airport)
- Properties located in the Hawaiian Islands in lava zones one (1) or two (2)
- Proposed construction
- Unique properties (geodesic domes, earth berm homes, log homes, etc.)
- Single-wide manufactured home
- Manufactured Home classified as a Condo

Property Flips

Property flips are subject to additional underwriting review and are subject to the following:

- Appraisal must sufficiently support the appraised value increases
- Two full appraisals may be required at underwriter discretion, and
- The borrower must have an excellent credit history, employment history, a strong savings pattern, etc.

Properties Listed for Sale within the Previous 12 Months

- Properties that were listed for sale in the previous 12 months must be taken off the market prior to the application date.
- A property listed for sale will be considered for a rate/term refinance as long as the listing has been canceled, expired or withdrawn.
- A property listed for sale will be considered for a cash-out refinance if the listing was canceled, expired or withdrawn at least 180 days prior to the application date
- The appraised value should be, at minimum, 10% below the lowest list price. If the appraised value is not 10% below the lowest list price, the underwriter will consider the relationship between the previous list price and the current appraised value. Any variance must be satisfactorily addressed by the appraiser.
- A letter of explanation is required for a primary residence.

Purchase Agreements — Amended/Renegotiated

- Not eligible if the sales price was increased **after** the original appraisal was completed if:
  - The appraised value is higher than the originally contracted sales price that was provided to the appraiser, and
  - The new purchase agreement and/or addendum to the purchase agreement is dated after the appraisal, and
  - The only change to the purchase agreement was the sales price.
- If the purchase agreement was renegotiated after the completion of the appraisal, the LTV would be based on the **lower** of the original purchase price or the appraised value, unless:
  - The re-negotiation was only for seller paid closing costs and/or pre-paids where the seller paid closing costs/pre-paids are common and customary for the area and are supported by the comparables, or
  - The purchase contract was amended for a new construction property due to Improvements made that impact the tangible value of the property. An updated appraisal report must be obtained to validate the value of the improvements.
- Assignment of the purchase contract is not allowed.

Purchase Agreements – Escape Clause

The Escape Clause must be contained in the sales contract for all VA-guaranteed loans. The Seller is responsible for ensuring that the paragraph is in the sales contract prior to closing. In the event the clause is not in the sales contract, VA may not guaranty the loan.

Builder and Realtors:

- The builders/realtors that initiate contracts on new construction must ensure that the Escape Clause is in the contract and the contract is signed by the Veteran and the property seller.
- Upgrades are not considered earnest money and the builder is not required to refund this money. When the NOV is below the sales contract price, this clause protects the Veteran with negotiation of the sales contract.

If the sales contract was signed by the Veteran prior to receipt of the NOV, the contract must include, or be amended to include, the clause below:

> "It is expressly agreed that, notwithstanding any other provisions of this contract, the purchaser shall not incur any penalty by forfeiture of earnest money or otherwise or be obligated to complete the purchase of the property described herein, if the contract purchase price or cost exceeds the reasonable value of the property established by the Department of Veterans Affairs. The purchaser shall, however, have the privilege and option of proceeding with the consummation of this contract without regard to the amount of the reasonable value established by the Department of Veterans Affairs (38 U.S.C. 501, 3703(c)(1))."

Refinance Transactions

Continuity of obligation requires that at least one of the borrowers on the refinance transaction is currently on the title of the property being refinanced.

See "Transaction Types" on page 441 for additional requirements for refinance transactions.

Rent Back

Seller allowed to rent back property from buyer (borrower) for a maximum of 30 days after close.

Reserves

- 1-unit property: Not required
- 2-4 unit property: 6 months PITI. Reserves not required if rental income not used for qualifying.
- Other rental real estate owned: 3 months PITI for each additional property owned. Reserves not required if rental income not used for qualifying.

Residual Income

- Residual income is the net income remaining after deducting:
  - Federal and state taxes, Social Security and Medicare,
  - Proposed PITI mortgage payment,
  - Revolving and installment debt,
  - Child support or alimony obligations,

- Child care or job expenses, and
- Home maintenance (calculated at 14¢ per square foot)

- Grossed-up income cannot be used to meet residual income requirements.
- Residual income requirement can be reduced by 5% if the veteran is on Active Duty.

The following residual income charts detail VA's requirement by loan amount, family size and region.

Loan Amounts ≤ $79,999				
Family Size	**Northeast**	**Midwest**	**South**	**West**
1	$390	$382	$382	$425
2	$654	$641	$641	$713
3	$788	$772	$772	$859
4	$888	$868	$868	$967
5	$921	$902	$902	$1,004
Over 5	Add $75 for each additional family member up to 7			
Loan Amounts ≥ $80,000				
Family Size	**Northeast**	**Midwest**	**South**	**West**
1	$450	$441	$441	$491
2	$755	$738	$738	$823
3	$909	$889	$889	$990
4	$1,025	$1,003	$1,003	$1,117
5	$1,062	$1,039	$1,039	$1,158
Over 5	Add $80 for each additional family member up to 7			

Exceptions to the above:

- Individuals may be omitted from the "family size" if they are fully supported from a source of verified income that is not included in the effective income analysis. For example:
  - A spouse not obligated on the Note what has stable and reliable income sufficient to support their living expenses, or
  - A child for whom sufficient foster care payments or child support payments are received regularly.

Geographic Regions as Identified by VA			
Northeast	Connecticut	New Hampshire	Pennsylvania
	Maine	New Jersey	Rhode Island
	Massachusetts	New York	Vermont
Midwest	Illinois	Michigan	North Dakota
	Indiana	Minnesota	Ohio
	Iowa	Missouri	South Dakota
	Kansas	Nebraska	Wisconsin
South	Alabama	Kentucky	Puerto Rico
	Arkansas	Louisiana	South Carolina
	Delaware	Maryland	Tennessee
	District of Columbia	Mississippi	Texas
	Florida	North Carolina	Virginia
	Georgia	Oklahoma	West Virginia
West	Alaska	Idaho	Utah
	Arizona	Montana	Washington
	California	Nevada	Wyoming
	Colorado	New Mexico	
	Hawaii	Oregon	

Seller Contribution

- VA defines seller concessions as anything of value added to the transaction by the seller or builder which is not customarily expected, is not required to pay or provide for which the borrower pays nothing.
- Seller concessions include, but are not limited to:
  - Payment of the borrower's VA funding fee
  - Prepayment of the borrower's property taxes and insurance
  - Gifts (e.g., T.V., microwave, etc.)
  - Payment of extra points to provide permanent interest rate buydowns
  - Provision of escrowed funds to provide temporary interest rate buydowns, and
  - Payoff of credit balances or judgments on behalf of the borrower
  - Seller concessions do **not** include payment of the buyer's closing costs or appropriate discount points (e.g., if customary discount points would be two the seller's payment of two points would not be a seller concession, however if the seller paid five points, three of the points would be considered a seller concession.

- Maximum seller concession is 4% of the established reasonable of the property. Seller is allowed to pay 100% of the normal discount points and the borrower's non-recurring closing costs. Normal discount points and closing costs are **not** included in the 4% calculation.

Special Flood Hazard Area

Properties located in a FEMA Special Flood Hazard Area (SFHA) must be covered by a flood insurance policy.

- Properties located in a SFHA are not eligible if flood insurance is not available.
- Properties in areas that are subject to regular flooding are not eligible, whether or not the area has been designated an SFHA.
- Although flood zone information is required on the appraisal report, flood zone maps do not typically indicate the location of specific properties. The file must evidence the flood zone information.
- SFHA's flood zones are usually designated as follows:
  - A, AO, AH, A1-A30, AE, A99, AR, AR/AE, AR/AO, AR/A1-A30, AR/A, V, VE, and V1-V30.
  - Flood insurance is not required in Zones B, C, X, and D.
- At the borrower's request, non-residential improvements such as detached garages and small sheds may be excluded from the flood insurance policy if they are also excluded from the appraised value.
- The cost of flood insurance with and without coverage for the detached building should be compared as excluding a detached building may not be worthwhile.
- The borrower may elect to obtain private flood insurance instead of obtaining flood insurance through the National Flood Insurance Program.

Subordinate Financing

- Eligible subject to the CLTV limits on the matrix located on page 1.
- Eligible at underwriter's discretion. The veteran cannot be placed in a substantially worse position than if the entire amount had been guaranteed by VA.

Temporary Buydown

2/1 Buydowns allowed. VA will guaranty loans involving temporary interest rate buydowns, if otherwise eligible. A temporary interest rate buydown can be used in conjunction with any type of VA-guaranteed loan except a GPM. The terms of the buydown are limited to 2% for the first year and 1% for the second year.

- The assistance payment must be run for 2 years
- Scheduled reductions in the assistance payments must occur annually

Qualifying Rate

If the Borrower (s) income is expected to keep pace with payment increases, the loan application may be underwritten based on the first year's payment amount if there are strong indications that the income used to support the application will increase to cover the yearly increases in loan payments.

- Routine cost of living increases cannot be used for this purpose
- Increases resulting from confirmed future promotions or wage percentage increases guaranteed by labor contracts (for example, teachers, autoworkers) may be given favorable consideration.

Compensating Factors Allowed

If the residual income and/or DTI ratio is marginal, the buy down along with other compensating factors may be used to qualify. *See* Chapter 4 of the VA Lenders Handbook for complete requirements.

NOTE: A signed statement from the underwriter providing reason for the approval required.

Seller Concessions Allowed

- Payment of extra points to provide permanent interest rate buydowns
- Provision of escrowed funds to provide temporary interest rate buydowns,

Example: If the market dictates an interest rate of 7½ percent with two discount points, the seller's payment of the two points would not be a seller concession. If the seller paid five points, three of these points would be considered a seller concession.

Documentation

Sellers are responsible for delivering an executed buydown agreement with closing package. Unapplied buydown funds will be netted from the purchase of the loan.

NOTE: Premium pricing may not be used to fund the rate buydown.

Transaction — Ineligible

- EEM (Energy Efficient Mortgage)
- MCC (Mortgage Credit Certificates) – without Planet Credit Risk Officer approval
- Second home and investment transaction
- Texas Section 50(a)(6)
- Transactions that result in < 25% guaranty
- Joint transactions (veteran is the primary borrower with non-veteran co-borrower who is not veteran's spouse). VA will only guaranty 12.50% of the loan.

Transaction Types

Purchase

- Maximum loan amount is calculated based on borrower’s entitlement. When the purchase price does not exceed the county limits established by VA, the total loan amount, including the funding fee, cannot exceed the VA county limit.
- When the purchase price exceeds the county limit established by VA, the borrower will be required to make a cash down payment on the amount greater than the county limit to ensure a 25% guaranty is achieved. The funding fee can be financed.

Land Contracts

Land contracts are considered a refinance transaction and are subject to the following:

- Maximum mortgage amount is limited to 100% of the lesser of the sales price or Notice of Value (NOV)
- Land contract must be recorded
- Seller on contract must be the owner of record
- No liens can be title except for the lien to be paid with the proceeds of the transaction, and
- 0x30 in previous 12 months required on monthly payments. Copies of canceled checks front and back are required to document payment.

Cash-out Refinance

- Maximum 90% LTV unless the specific Cash-out Refinance > 90% LTV requirements are met. Refer to the topic below for details.
- All VA refinance transactions not defined under “Other Refinancing Loans” are cash-out.
- The cash-out refinance may be used to pay off the current unpaid principal, allowable closing costs, points, prepaids, subordinate liens and cash to the veteran.
- The loan must be secured by a first lien on the property (min. $1.00 lien required).
- Veteran must occupy the home.
- The loan amount cannot exceed the county limit.
- Seasoning requirements apply on all loans being refinanced into a VA loan. *See*"Mortgage Seasoning" on page 432 for additional requirements.

Cash-out Refinance > 90% LTV Requirements

- Loan amount cannot exceed the county limit
- Minimum credit score is 600
- 30 year fixed loan term only
- Must meet minimum residual income requirements

Family Size	Minimum Residual Income
Veteran Only	$1,000.00
Veteran +1	$1,500.00
Veteran +2	$2,000.00
Veteran +3	$2,250.00
Veteran +4	$2,500.00
Veteran +5	$3,000.00
Over 6	+ $250.00 for each additional

See VA Lenders Handbook, Chapter 6, for VA's definition of "Other Refinancing Loans".

NOTE: VA test cases are eligible.

Cash-out Refinance (effective on application dates on or after February 15, 2019).

This section is specific to the VA Cash-Out Refinance requirements. For any topic not covered in this section, refer to the VA Handbook 26-7 for complete details.

- Effective on applications dated on or after February 15, 2019, eligible borrowers must meet the requirements below. Eligible Loan Types
  - *TYPE I*
    - Loan amount (including funding fees) must not exceed payoff amount of the loan being refinanced.
    - Recoupment applicable on VA to VA transactions only. Recoupment period of all fees, closing cost and expenses must not exceed 36 months.
      - Fees do not include taxes, escrow or insurance.
    - Fixed to Fixed transaction rate reduction not < .50%
    - Fixed to ARM transaction rate reduction not < 2%
  - *TYPE II*
    - Loan amount (including VA funding fee) does exceeds the payoff amount of the loan being refinanced.
    - Recoupment not applicable for this loan type.
- Maximum LTV using total loan amount cannot exceed 100% .
  - The LTV is determined by dividing the total loan amount, including the VA funding fee, by the Reasonable Value on the NOV.
- Net Tangible Benefits (NTB)

  Net Tangible Benefits to the borrower must:

  - Eliminates Mortgage Insurance (MI)
  - Reduced Loan Term
  - Lower Interest Rate
  - Reduction in amount of monthly payment
  - Borrower's residual income increases.
  - Refinance of interim loan to construct or repair the property.
  - LTV is ≤ 90% or less of the reasonable value of the home, or
  - Loan is refinanced from an ARM to a Fixed Rate loan.

File must evidence:

  - NTB was issued to the borrower outlining the key terms of the new loan vs. the existing loan within 3 business days from loan application and at closing.
  - An estimate of the home equity being removed from the home as a result of the refinance and explain how the removal of home equity may affect the Veteran.
  - Loan Comparison Disclosure was issued at application and closing.
    - Refinancing loan amount vs. the payoff amount of the loan being refinanced
    - Loan type of the refinancing loan vs. the loan being refinanced
    - Interest rate of the refinancing loan vs. the loan being refinanced
    - Loan term of the refinancing loan vs. the loan being refinanced
    - The total the Veteran will have paid after making all payments for the loan being refinanced and the new loan
    - LTV of the refinancing loan vs. the loan being refinanced
    - An estimate of the home equity being removed from the home as a result of the refinance and explain how the removal of home equity may affect the Veteran.
- Payment History
  - File must evidence:
    - Loan was refinanced within 1 year from the date of original closing.
    - Documentation of all payments validated by the servicer/Lender.

VA IRRRL Program Grid

Primary Residence[1,4]				
Transaction Type	**Units**[6]	**LTV**	**CLTV**	**Credit Score**[2,5,7,8]
IRRRL	1	90%	90%	580[7]
IRRRL	1-4	125%	Unlimited	600
Second Home[1,3,4]				
Transaction Type	**Units**[6]	**LTV**	**CLTV**	**Credit Score**[2,5,7,8]
IRRRL	1	90%	90%	580
IRRRL	1	125%	Unlimited	600
Investment Property[1,3,4]				
Transaction Type	**Units**[6]	**LTV**	**CLTV**	**Credit Score**[2,5,7,8]
IRRRL	1	90%	90%	580
IRRRL	1-4	125%	Unlimited	600

Footnotes:

1. Minimum loan amount is $40,000; maximum loan amount $1,500,000.
2. Non-credit qualifying requires minimum 640 credit score.
3. Conforming loan amount only for second home and investment. High balance ineligible
4. Base loan amounts > VA Conforming Loan Limits subject to the following:
   - Maximum LTV is 100%
   - Mortgage history requirements:
     - 0x30 in 12 months for credit qualifying transactions
     - 0x30 in 24 months for non-credit qualifying transactions
   - Full credit report required on both credit and non-credit qualifying to verify mortgage history
5. Total loan amount exceeding $1,000,000 requires a Minimum FICO of 700.
6. Non-credit qualifying permitted on 1-unit properties only. 2-4 units require credit qualifying.
7. Transactions with 580-599 credit score are subject to the restrictions outlined in "Credit Score 580-599" on page 450. A minimum 640 credit score is required for non-credit qualifying.
8. Non-Delegated transactions require a 620 FICO.

<table>
<tr><th colspan="5">Loan Amount</th></tr>
<tr><th rowspan="2"></th><th colspan="2">≤$484,350</th><th colspan="2">>$484,350</th></tr>
<tr><th>Credit Qualifying</th><th>Non-Credit Qualifying</th><th>Credit Qualifying</th><th>Non-Credit Qualifying</th></tr>
<tr><td>Primary 1 unit</td><td rowspan="4">Eligible 580 FICO</td><td>Eligible 640 FICO</td><td>Eligible 580 FICO</td><td>Eligible 640 FICO</td></tr>
<tr><td>Primary 2-4 units</td><td>Ineligible</td><td rowspan="3">Ineligible</td><td rowspan="3">Ineligible</td></tr>
<tr><td>Second Home/Investor 1 unit</td><td>Eligible 640 FICO</td></tr>
<tr><td>Investor 2-4 units</td><td>Ineligible</td></tr>
</table>

*Refer to "Footnotes:" on the previous page for additional high balance requirements

Interest Rate Reduction Refinance Loan (IRRRL) General Information

An IRRRL is a VA guaranteed loan made to refinance an existing VA guaranteed loan. The PITI payment on the new loan must be less than on the existing loan unless one of the following applies:

- The loan term is reduced, or
- The veteran is refinancing to a more stable product (i.e. ARM or GPM to fixed rate).

Highlights of an IRRRL include:

- VA to VA refinances
- No Income
- No assets (unless borrower needs funds to close, then asset verification required)
- No ratios
- No termite inspection
- No monthly MI
- Maximum loan term is the original term of the VA loan being refinanced plus 10 years. New loan term can never exceed 30 years and 32 days.
- Sellers refinancing a loan they previously originated that was subsequently purchased by Planet are not required to apply Planet overlays; standard VA IRRRL guidelines apply.
- Non-Planet to Planet IRRRL transactions require a FICO score determination and an AVM value for pricing purposes.

Credit qualification (tri-merge credit report and standard credit underwriting guidelines) will be required if:

- The borrower’s PITI payment will increase by more than 20%,
- A spouse will be removed from the original loan,

- Credit score 580-599 conforming and high balance transactions, or
- High balance transactions with a credit score < 640

Refer to the VA Program matrix for credit qualifying criteria.

VA guidelines can be found at: VA Lenders Handbook - VA Pamphlet 26-7

VA IRRRL Program Guidelines

4506-T

Credit Qualifying

- Tax transcripts are required per AUS findings or can be obtained in lieu of W-2 or tax returns both personal and business.
- 4506-T must be signed by all borrowers at loan closing if transcripts were not obtained to qualify the borrower.

NOTE: Due to the hacking incidents, Planet will accept transcripts that the borrower obtained from the IRS along with a certification that the returns are true and correct.

Affidavit of Identity

Planet may require an Affidavit of Identity if a borrower signature appears incomplete or illegible.

Age of Documents

- All credit, income and asset documentation must be ≤ 120 days from the Note date.
- Appraisal must be dated within 180 days of the Note date.

Application (1003)

Credit Qualifying

- Full 1003 required

Non-Credit Qualifying

- Section IV Employment Information and Section VI Assets and Liabilities of the 1003 application are not required to be completed.
- Section VIII Declarations section should be completed as applicable.

NOTE: Income should never be indicated on the application for NCQ transactions.

Appraisals

- The discount points in conjunction with the base loan amount is used to determine appraisal requirement. *See* "Appraisal Requirements When Discount Points are Charged" on the next page for additional information.
- An AVM or 2055 is required:
  - A CoreLogic GeoAVM with a standard deviation ≤ 18 for all loan amounts. If standard deviation > 18, a 2055 will be required; or
  - ProTeck AVM with a confidence score of 80% or more. If confidence score is < 80% a 2055 will be

required; > VA Conforming Loan Limit requires a confidence score of ≥ 90% or a 2055 is required, or
  - 2055
- The appraisal may be charged to the borrower.

Properties located in a FEMA Disaster Declaration area will be subject to additional appraisal review (as applicable). *See* "Chapter 8: Loan Purchasing" on page 531 for detailed information.

Appraisal Requirements When Discount Points are Charged

The Protecting Veterans from Predatory Lending Act requires an LTV determination when discount points are charged when moving from a Fixed to an ARM. Appraisals should be ordered through a Planet-approved AMC and **not** through the VA portal. Acceptable forms of appraisal reports:

- Exterior-Only Inspection Residential Appraisal Report (Fannie Mae 2055)
- Uniform Residential Appraisal Report (Fannie Mae 1004)
- Exterior-Only Inspection Individual Condominium Unit Appraisal Report (Fannie Mae 1075)
- Individual Condominium Unit Appraisal Report (Fannie Mae 1073)
- Other industry accepted appraisal reports for manufactured and multi-unit homes

Assets

- Not required unless funds are needed to close. Documentation is not required if funds needed to close is ≤ $500.00.
- If funds needed to close > $500.00, one month bank statement required.

Assumptions

Planet follows agency guidelines.

AUS

Manual underwrite only.

Available Markets

Planet will purchase loans from delegated Sellers in **all** states.

Blue Water Navy Vietnam Veterans Act of 2019

NOTE: No change to the maximum amount available to veterans for loans ≤ the $144,000 regardless of conforming limits.

- Full entitlements do not require Freddie Mac CLL consideration.
- Entitlements previously used but has not been restored:
  - The maximum guaranty amount is the lesser of 25% of the loan amount, or the maximum amount of guaranty available.
    - The maximum amount of guaranty entitlement is 25% of the Freddie Mac CLL, reduced by the amount of entitlement previously used (not restored) .
    - Entitlements may be restored for a cash-out refinance of active VA-guaranteed loans when ordering or correcting the Certificate of Eligibility (COE).

Borrowers — Eligible

- Per VA guidelines. Borrower(s) must certify that he or she previously occupied the property.
- A spouse may only be deleted from the new loan if the loan is credit qualified.

Cash Back to Borrower

Incidental cash back not to exceed $500.00 ($0.00 in Texas).

Credit Report

Conforming Loan Amounts

A mortgage only credit report with credit scores is acceptable unless the PITI payment is increasing by more than 20% or a spouse is being removed from the new loan then a tri-merge credit report is required.

High Balance Loan Amounts

Full credit report to verify no major derogatory credit with the past 12 months. Major derogatory credit is defined as any payment > 60 days delinquent, collections and/or judgments (excludes medical/utilities).

Credit Report – Fraud Alert

When a fraud alert, active duty alert or freeze is included with a credit report, additional steps are required to verify the borrower’s identity and documentation must be provided.

Documentation should include, but is not limited to:

- A letter of explanation from the borrower, and
- A copy of the identity theft report, and
- An additional form of identity verification, and

If the credit alert contains a phone number for a verbal verification prior to credit being issued, documentation must be provided that the borrower was contacted.

Credit Score

- Credit qualifying minimum 580 credit score.
- Non-credit qualifying minimum 640 credit score.

Credit Score 580-599

- Credit qualifying only. *See* VA Lenders Handbook for complete credit qualifying guidelines.
- 1-unit only (all occupancies)
- Conforming and high balance
- Maximum 90% LTV/CLTV
- Minimum 2 year payment history on the loan being refinanced with a 0x30 in previous 24 months; < 2-year payment history the loan is ineligible.
- VA residual income requirements apply.

Employment

Credit Qualifying

- A two year employment history is required.
- A verbal verification of employment is required within 10 days of the Note date for salaried borrowers and within 30 calendar days of the Note date for self-employed borrowers.
- Sellers must independently obtain the phone number, and when possible, the address of the wage earner borrowers employer using directory assistance/internet/phone book, etc.
- Self-employed borrower's business requires verification of the business by a third party source (e.g. CPA, Federal Ta x ID Certificate, Business License).

NOTE: A sample VVOE form is posted on the CORE Seller Portal at www.phlcorrespondent.com under **Forms and Resources**. Sellers are not required to use this exact form; however any form used must provide the information contained on the Planet form.

- A military Leave and Earnings Statement (LES) is required for active duty military in lieu of a VVOE. The LES must be an original or certified copy of original. The LES must be no more than 120 days old (180 days for new construction).

Non-Credit Qualifying

Employment verification/history not required.

Escrow/Impound Account

Required on all loans, no exceptions.

Fees and Charges

VA allows the following fees and charges:

- 1% origination fee based on VA Form 26-8923, IRRRL Worksheet calculation. Fees determined by VA as unallowable **cannot** be charged, or
- 1% unallowable fees based on the total loan amount. An origination fee **cannot** be charged, or
- 1% blend of origination fee and unallowable fees based on the total loan amount. Combined fees cannot exceed 1% of the total loan amount.
- The veteran **cannot** pay any of the following fees:
    - Attorney fees (unless the veteran independently retains an attorney)
    - Pre-payment fees
    - Real estate broker fees
    - Termite inspection (allowed on refinance transactions only)

Unallowable Fees

The following fees cannot be charged if a 1% origination fee is charged:

- Lender's Inspections
- Lender's Appraisal
- Closing/Settlement Fee
- Doc Prep Fees
- Conveyance Fee
- Underwriting Fee
- Pest/Inspection Fee
- Fax/Email/Copying Fee
- Escrow Fee
- Notary Fees
- Trustee Fee
- Interest Rate Lock Fee
- Postage/Mail Charges
- Amortization Schedule
- Tax Service Fee
- Attorney's Services other than title work
- Loan Application/Processing Fee
- Fees for preparing TRID
- Prepayment Penalties (refi)
- Any other fee(s) not listed as allowable by VA
- Fees to Loan Brokers, Finders or Other 3rd Party Fees
- Commitment Fees

Allowable Closing Costs

The following fees may be charged:

- Loan Origination
- Reasonable Discount Points
- Appraisal Fee/Compliance Inspections
- Credit Report Fee (actual cost)
- Title Examination/Title Insurance Fee
- Recording Fees & Taxes
- Prorated Taxes
- Hazard Insurance
- Flood Insurance
- Flood Determination
- Federal Express/Express Mail (refi only)
- Closing Protection Letter
- VA Funding Fee
- MERS Registration
- Survey/Plot Plan
- Well and Septic Inspections Fees

The above lists may not be all inclusive. *See*VA Lenders Handbook for detailed guidance on allowable/unallowable fees and charges.

A copy of the borrower's recoupment statement must be provided in the loan file along with certification that all fees and incurred cost have been recouped on or before the date which is 36 months after the date of application as determined by the note date.

Recoupment periods greater than 36 months are not eligible. This includes ARM to Fixed transactions or transactions with a reduction in loan term. These transactions are not exempt from the recoupment requirement.

- Net Tangible Benefit to borrower:
  - If an existing fixed rate loan is being refinanced into a new fixed rate loan, the interest rate of the refinanced loan must not be less than .50 bps below the previous loan.
  - If an existing fixed rate loan is being refinanced into an ARM loan, the interest rate of the new refinanced loan must not be less than 2.00 bps below the previous loan, and
  - The lower interest rate is not from discount pts unless paid at closing.
    - Discount point amounts ≤ 1%, the LTV is limited to a maximum 100%
    - Discount points >1% is limited to a maximum 90% LTV.
    - *See* "Appraisals" on page 447 for minimum appraisal requirements.

Funding Fee

0.50%. The Certificate of Eligibility, issued by VA, will indicate if the veteran is exempt, or non-exempt from paying the VA Funding Fee.

Funding Fee Waived for active duty Purple Heart recipients.

Guaranty

- A minimum 25% guaranty is required
- The guaranty is limited to the veteran's portion of ownership interest in the property. (i.e., if the veteran is the only person on title but **adds someone other than their spouse to title**, the final loan guaranty would be half of the veteran's entitlement).

LDP/SAM

LDP / SAM

All of the following parties to the transaction, as applicable, must be checked against the HUD's Limited Denial of Participation list and the System for Award Management list.

- Appraiser
- Appraisal Company
- Borrower(s)
- Closing Agent
- Lender
- Listing Agent
- Mortgage Loan Officer
- Mortgage Processor
- Mortgage Underwriter
- Seller(s)
- Selling Agent
- Title Company
- 203(k) Consultant

Maximum Loan Amount

Maximum Base Loan Amount ≤ VA Conforming Loan Limits. Lesser of:

- Existing VA loan pay off - Unpaid principal balance (Including any charges/misc. fees charged by current lender to pay the loan in full) , plus allowable VA closing costs, plus VA funding fee (if applicable), plus up to 2 discount points,or
- The appraised value (AVM or 2055) x125%.

Maximum Base Loan Amount > VA Conforming Loan Limits. Lesser of:

- Existing VA loan pay off – Unpaid principal balance, (Including any charges/misc. fees charged by current lender to pay the loan in full), plus allowable VA closing costs, plus VA funding fee (if applicable), plus up to two discount points, or
- The appraised value (AVM or 2055) x 100% as applicable. *See* "Fees and Charges" on page 450 for details on allowable/unallowable fees.

Mortgage History

Credit Qualifying

0x30 in previous 12 months on loan amounts > VA Conforming Loan Limits.

Non-Credit Qualifying

0x30 in previous 24 months for loan amounts > VA Conforming Loan Limits.

If < 24 months on current mortgage for subject property, prior mortgages may be used to meet the 24 month history requirement. No increase from current housing payment allowed.

Mortgage Seasoning

Loan seasoning applies to any loan being refinanced into a VA loan. The note date of the refinance loan must be on, or after, the later of:

- The date on which the borrower has made at least six monthly payments on the loan being refinanced; and
- The date that is 210 days after the first payment due date of the loan being refinanced.

NOTE: Refinance of loans on which fewer than six (6) consecutive regularly scheduled payments have been made are not eligible for financing.

Credit score of 580-599: A minimum 24-month mortgage seasoning with 0 x30 in previous 24 months on the loan currently being refinanced. Borrowers without a 24-month mortgage seasoning on the current loan are **ineligible**.

Occupancy

- 1-4 unit owner-occupied primary residence (2-4 unit ineligible on high balance)
- 1 unit second home (ineligible on high balance)
- 1-4 unit investment (ineligible on high balance)

Prepayment Penalty

Not permitted.

Products

- Fixed Rate: 15, 20, 25 or 30 year
- ARM: 3/1 and 5/1; T-Bill; Caps: 1/1/5; Margin/Floor: 2.00; Qualified at Note rate

Properties Listed for Sale within the Previous 12 Months

- Properties that were listed for sale in the previous 12 months must be taken off the market prior to the application date.
- A property listed for sale will be considered as long as the listing has been canceled, expired or withdrawn.
- A letter of explanation is required.

Refinance Transactions

Continuity of obligation requires that at least one of the borrowers on the refinance transaction is currently on the title of the property being refinanced.

Reserves

Not required.

Subordinate Financing

New loan proceeds cannot be used to pay off any existing subordinate financing. Existing subordinate financing must subordinate to the new loan

Documents and Forms

- HUD/VA Addendum to URLA (VA Form 26-1802a) – pages 1 and 2 only
- Debt Questionnaire (VA 26-0551) – credit qualifying only
- Federal Collection Policy Notice (VA 26-0503)
- Counseling Checklist for Military Homebuyers (VA 26-0592) - active duty only
- Nearest Living Relative Statement (sample form on website)
- Child Care Certification required on credit qualifying if dependents disclosed or at underwriter's discretion. (sample form on website)
- VA Lender Certification (sample form on website)

All Loans

- Legible photo ID and social security card
- Most recent mortgage statement
- Copy of existing Note
- Payoff statement with valid expiration

USDA Rural Development Guaranteed Housing Programs Overview

	Purchase/Non-Streamlined Refinance	Streamline Refinance	Streamlined Assist Refinance
Appraisal required?	Yes Full appraisal (Completed by FHA roster appraiser on purchase)	No	No
Loans eligible for refinancing?	Section 502 Direct or Guaranteed Loan (no conventional, FHA, VA)	Guaranteed Loan only (no USDA 502 Direct, conventional, FHA, VA)	Section 502 Direct or Guaranteed Loan (no conventional, FHA, VA)
Do income limits apply?	Yes	Yes	Yes
Is property required to be in rural area?	**Purchase** - Yes **Refinance** – No. If property was eligible at origination, it is eligible for refinance even if no longer in rural area as defined by USDA	No If property was eligible at origination, it is eligible for refinance even if no longer in rural area as defined by USDA	No If property was eligible at origination, it is eligible for refinance even if no longer in rural area as defined by USDA
Does property have to be a primary residence?	Yes	Yes	Yes
Eligible states	All	All	All
Credit report required?	Yes Full	Yes Full	Yes Mortgage only on subject property

	Purchase/Non-Streamlined Refinance	Streamline Refinance	Streamlined Assist Refinance
Mortgage History/Seasoning	**Purchase** - > 680 credit score, not required ≤ 680 12 month housing history required **Refinance** - 0x30 in previous 12 months Minimum of 6 months payment history on the current mortgage for the subject property	0x30 in previous 12 months Minimum of 6 months payment history on the current mortgage for the subject property.	Verified through VOM Existing mortgage payments paid 12 months prior to refi application and must have closed 12 months prior to request for refi.
Interest rate and loan term	Fixed rate 30 years	Fixed rate 30 years	30 year fixed rate not to exceed the interest of the original loan
DTI	Per GUS Findings	29%/41% On an exception basis, max 32%/44% subject to: Rural Development approval. Additionally, all borrowers must have ≥ 680 credit score and meet compensating factor requirement *	Not applicable – debt ratios not calculated
What may be included in new loan amount?	Principal balance plus guarantee fee, accrued interest (refis), eligible closing costs, and lender fees may be included if including does not exceed 100% LTV (if financing guarantee fee 102% LTV allowed)	Principal balance plus guarantee fee only. No accrued interest, closing costs, etc. may be included in the new loan amount	Principal balance plus accrued interest, eligible closing costs, lender fees, guarantee fee, plus origination fee not to exceed the lesser of 2% of the loan amount or $3,000
Closing costs and lender fees	Normal and customary allowed	Normal and customary allowed	Normal and customary allowed but may not exceed the cost paid by the lender or charged to the lender by the service provider

*Compensating factors: Borrowers must meet one of the following (supporting documentation requirements detailed in full guidelines):

1. The proposed PITI payment is equal to or less than the applicant's current housing expense. Borrower must be 0x30 in previous 12 months on current housing. Payment cannot be documented by a family member.
2. Liquid assets at closing ≥ 3 months PITI payments. Cash on hand not eligible.
3. All employed borrowers have been continuously employed with their current employer for a minimum of 2 years (wage earner borrowers only; cannot be used by self-employed borrowers as compensating factor).

	Purchase/Non-Streamlined Refinance	**Streamline Refinance**	**Streamlined Assist Refinance**
Cash-out allowed? (Principal reduction required if cash back > borrowers out of pocket money)	No	No	No
Manual underwriting	No	Yes	Yes
Is adding/deleting borrowers allowed?	**Refinance** - Yes New borrowers may be added and existing borrowers may be deleted however one existing borrower must remain on the loan and title.	Yes New borrowers may be added and existing borrowers may be deleted however one existing borrower must remain on the loan and title.	Yes New borrowers may be added however existing borrowers may not be removed unless they are deceased.
Termite/Septic/Well required	**Purchase** – Well always required. Termite/ septic if appraiser indicates issue **Refinance** - No	No	No
Reserves	Not required	Not required	Not required

Refinance Benefits

Non-Streamlined efinance Benefits	Streamline Refinance Benefits	Streamlined Assist Program Refinance Benefits
• Direct 502 and Guaranteed loans may be refinanced • New loan amount may include accrued interest, guarantee fee and closing costs if including does not exceed appraised value. • New borrowers may be added and existing borrowers may be removed (as long as one original borrower remains on the loan/title). • Eligible in all states Planet Home Lending does business	• Guaranteed loans may be refinanced • New borrowers may be added and existing borrowers may be removed (as long as one original borrower remains on the loan/title). • Eligible in all states Planet Home Lending does business	• Direct 502 and Guaranteed loans may be refinanced • 2055 exterior-only appraisal • Mortgage-only credit report • Debt ratios not calculated • New loan amount may include principal balance plus guarantee fee, accrued interest, eligible closing costs, and lender fees. Additionally, an origination fee, not to exceed 1% of the loan amount may also be charged.

USDA Purchase and Non-Streamlined Refinance Program Grid

Primary Residence Full Documentation Fixed Rate[5]			
Transaction	**Units**	**LTV**	**Credit Score[4]**
Purchase[3]	1	100%[1]	Per AUS
Limited Cash-Out[2,3]	1	100%/100%[1]	

Footnotes:

1. Maximum LTV when financing the guarantee fee is 101%. The maximum loan amount is 100% of the appraised value plus the upfront guarantee fee if financed. Eligible closing costs and lender fees may be included in the loan amount up to 100% LTV. 100% LTV may **only** be exceeded when financing the upfront guarantee fee. Existing subordinate financing must be re-subordinated; no new subordinate financing.
2. The loan being refinanced must be a USDA Guaranteed or Direct loan; conventional, FHA or VA loans **cannot** be refinanced under this program. *See* "Refinance Transactions" on page 487 for additional requirements and restrictions.
3. Minimum loan amount $40,000.
4. Non-Delegated transactions: A FICO of 620 is required.
5. Manual Underwrite: No more than 2 of the following Risk Factors are allowed: < 620 FICO; Utilization of Gift Funds; DTI > 45%; LTV within 5% of the program maximum.

In addition to USDA Rural Development GRH purchase and non-streamlined programs, Planet offers the USDA Rural Development Streamline Refinance and Streamline-Assist (Pilot) Refinance programs. *See* the applicable matrix for guidelines specific to those USDA programs.

USDA's new HB-1-3555 may be viewed at USDA Rural Development Regulations and Guidance by selecting HB-1-3555 SFH Guaranteed Loan Program Technical Handbook. The new forms are available at USDA LINC Training and Resource Library under Forms.

USDA Guaranteed Rural Housing (GRH) Program Highlights

- The Guaranteed Rural Housing program offers 100% financing for low to moderate income buyers in rural areas subject to availability of funds from USDA.
- Income must be ≤ 115% of the area median.
- No maximum purchase price.
- Not limited to first time homebuyers.
- No down payment required.

- No reserves required.
- Gift funds are eligible for closing costs, guarantee fee or voluntary down payment.

Upfront Guarantee Fee

- **Conditional Commitments issued on or after October 1, 2017:**

  Purchase and refinance transactions: 1% of the total loan amount.

- **Annual Fee**

  0.35%. The annual fee is applicable for the life of the loan.

USDA Purchase and Non-Streamlined Refinance Program Guidelines

Planet follows USDA guidelines for any topic not addressed below.

4506-T

Seller must provide 4506-T signed by all borrowers prior to loan closing for both personal and business tax returns (if applicable) for all adult (18 years and older) household members, except full time students.

NOTE: Due to the hacking incidents, Planet will accept transcripts that the borrower obtained from the IRS along with a certification that the returns are true and correct.

Ability to Repay/Qualified Mortgage

Planet requires all loans to be originated and closed in compliance with Agency and Planet guidelines. Planet will purchase owner-occupied transactions as follows:

- Loan eligible under Temporary QM, and
- Loans that meet the Safe Harbor or Rebuttable Presumption provisions, and
- Pass the points and fees test, as applicable.

Additionally, all disclosures and documentation required under the ATR/QM provisions of the Dodd-Frank Act must be provided.

Affidavit of Identity

Planet may require an Affidavit of Identity if a borrower signature appears incomplete or illegible.

Age of Documents

- All credit, income and asset documentation must be ≤ 120 days from the Note date.
- Appraisal is valid for 150 days from the effective date and must be valid at time of Conditional Commitment request.

Appraisals

- If the appraisal **is not completed by an FHA roster appraiser, a property inspection report will be required in addition to the appraisal**.
- Appraisal photos must be taken of the front and rear of the property, at opposite angles, to show all sides of the subject property.
- Additional photos are required for any improvements with contributory value that are not captured in the front and rear photos.

- Value of the lot cannot exceed 30% of the appraised value.
- The street scene photo must include a portion of the subject property.
  - If the subject property is proposed construction and the improvements have not been started, the photos must include the grade of the vacant lot.
- All properties must have proper ingress/egress. Properties with a shared driveway must have a permanently recorded easement, and the easement must be binding to successors and title.
- Private streets must be hard surfaced or all-weather surfaced and requires a permanently recorded easement or be owned and maintained by a Homeowner's Association. Private streets and roads require a recorded private road agreement which meets Agency requirements (Fannie Mae/Freddie/HUD/VA)
- The source of the closed comparable sales used in the appraisal must be from one of the following or a desk review will be required:
  - A Multiple Listing Service (MLS), or
  - MRIS (http://www.mris.com), or
  - Midwest Real Estate Data (MRED) (www.mredllc.com), or
  - North Texas Real Estate Information Systems, Inc. NTREIS) at (www.ntreis.net), or
  - San Antonio Board of Realtors (www.sabor.com), or
  - GeoData at www.geodataplus.com, or
  - Comps Inc. at www.compsny.com.

NOTE: Comparables from a public independent source are only eligible in the states of Vermont and Maine.

- Comparable sales used for new construction properties are subject to the following:
  - If all three of the comparable sales used to support the value of the subject property were obtained from one of the above sources (public source eligible in Vermont and Maine only) no further action is required.
  - If the comparable sales are not all obtained from an MLS, MRIS, MRED, NTREIS, or from an independent source (Vermont and Maine only), the appraiser must comment that the subject property development is being marketed in an "open" or "public" environment (i.e., newspaper advertisements, bill board signs, website)
    - Additionally, the following applies:
      - One of the comparable sales must be outside the project the subject property is located in and be from an MLS, MRIS, MRED, NTREIS, or public source (public source Vermont/Maine only).
      - Two of the comparable sales must be from sources other than the subject property builder.

NOTE: The appraiser is always allowed to provide more than three comparable sales in order to support the property value.

- The comparable photos must include the front view of each comparable sale used. Use of MLS photos to exhibit comparable condition at the time of sale are acceptable. However, the appraiser must include their own photos to document compliance with the Score of Work which requires the appraiser to inspect each comparable sale from the street.
- A Market Conditions Addendum to the Appraisal Report (Fannie Mae Form 1004MC) is required on all appraisals and must meet Uniform Appraisal Dataset (UAD) requirements.
- The appraiser must certify that an existing property meets the requirements detailed in HUD Handbooks 4150.2 and 4905.1. USDA defines "existing" as a property that has been completed for 12 months or more or has been completed < 12 months but has been previously occupied.
- All appraisals must be completed using the sales comparison approach and the cost approach to value.
- The economic life of the property must meet or exceed the term of proposed loan
- Properties < 1 year old require the cost approach section of the appraisal to be completed.
- Properties ≥ 1 year old the cost approach section must be completed when needed to comply with the site value analysis required by Rural Development.
- Appraisal must identify and address properties located within a declining market. When the property is located in a declining market, the appraiser is required to:
  - Provide, at a minimum, two comparable sales that closed within 90 days of the subject property appraisal. The comparables must be as similar to the subject property as possible.
  - The appraisal must include, at a minimum, two active listings or pending sales.
- At minimum, Planet Home Lending requires the following on all properties:
  - A conventional heat source with the ability to maintain a temperature of 50° in areas of the property where there is plumbing
  - Any broken glass that is a health hazard must be removed, and the opening closed.
- Appraisals are valid 240 days from the effective date (150 for the original plus 90 days for the Appraisal Update Report.
- REO appraisals are not eligible
- Properties located in a FEMA Disaster Declaration area will be subject to additional appraisal review. *See* "Chapter 8: Loan Purchasing" on page 531 for detailed requirements.

Appraisal Transfers

Allowed; Evidence the initial lender agreed to the transfer of the report must be in the mortgage file.

Assets

- Borrowers must lack sufficient assets to obtain uninsured conventional financing (borrower has < 20% down payment for purchase transactions).

- Assets include checking/savings accounts, gift funds, sale proceeds from currently owned property, 401K/retirement accounts, and stocks/bonds and must be documented as follows on **all** purchase transactions and refinance transactions **if funds needed to close**:
  - 2 months most recent bank statements (dated within 45 days of the initial loan application date)
  - Sellers who are also the depository for the borrower's account may provide a printout or other alternative verification of the borrower's bank account assets produced directly from the bank or credit union's system in lieu of bank statement(s).
  - Stocks and bonds require the most recent statement monthly or quarterly statement.
- A Verification of Deposit (VOD) is acceptable as the primary source of verification.
- Cash on hand and unsecured funds are ineligible sources for assets.
- Retirement funds that allow for immediate withdrawal are eligible at 60% of the vested account balance to allow for withdrawal penalties.
- Retirement accounts that restrict withdrawals to retirement, employment separation, etc. cannot be considered for cash reserves.

Assumptions

Planet follows agency guidelines.

AUS

All loans must be submitted to the Guaranteed Underwriting System (GUS). Acceptable GUS Findings are:

- "Accept/Eligible," or
- "Refer/Eligible" Finding requires a manual underwrite. As a reminder, USDA requires full file documentation and documented mitigating circumstances/compensating factors when approving a loan that received a "Refer" from GUS.

Available Markets

- **Delegated Sellers**
  - Planet will purchase loans underwritten and closed by the delegated Seller in **all** states.
- **Non-delegated Sellers**
  - USDA products are permitted for non-delegated Sellers
- The U.S. territories of Guam and the Virgin Islands are ineligible regardless of delegation.
- Property must be located in a rural area as defined by Rural Development.

Borrower — Adding or Deleting

Borrowers may be added or deleted on a refinance transaction as long as one original borrower remains on the loan.

Borrowers — Eligible

Borrowers who do not qualify for conventional credit and whose income does not exceed the maximum limit set by the USDA for the applicable area. Borrowers must also be:

- A U.S. citizen, or
- A permanent resident alien with an unexpired "Green Card" issued by the U.S. Citizenship and Immigration Services (USCIS). A copy of both the front and back of the card is required, or
- Revocable Inter-vivos trust, or
- A non-permanent resident alien. Non-permanent resident aliens are eligible as follows:
  - Borrower has a valid social security number (cannot be used as evidence of eligible work status).
  - Borrower has an unexpired Employment Authorization Document (EAD) issued by the United States Citizenship and Immigration Services (USCIS) as evidence of eligible work status. If the authorization for temporary residency status expires within one year, continuation may be assumed when there is a prior history of renewals. If no continuation has been previously granted the underwriter must determine the likelihood based on evidence from USCIS.

NOTE: Borrowers residing in the United States under refugee or asylee status granted by the USCIS are automatically eligible to work in the U.S., therefore, an EAD is not required.

- All borrowers are required to have a social security number; a TIN is not acceptable.
- Non-Borrowing/Non-Purchasing Spouse: Generally have no ownership interest in the property and are not liable for the debt. In community property/marital rights states the non-borrowing spouse does have an interest in the property and is required to execute the security instrument and all applicable documents as determined by state law. A full credit report will be required for a non-purchasing spouse in community property states and the debt obligations (except as excluded by applicable state law) must be entered on the 1003 in the "Asset and Liabilities" section and their debts must be included in the borrower's debt ratio. Community property states include Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin. The non-purchasing spouse's credit history is not a reason to deny the loan application.

Borrowers — Ineligible

- Foreign Nationals
- Borrowers with diplomatic immunity
- Borrowers without a social security number
- Non-U.S. citizens with no lawful residency in the U.S.
- Non-occupant co-borrowers

- Co-Signers
- Borrowers who qualify for conventional credit

CAIVRS/LDP/SAM

CAIVRS

- All borrowers must be checked against the Credit Alert Interactive Voice Response System (CAIVRS) to determine if they have delinquent federal debt. A clear CAIVRS is required.
- All federal debt and judgments must be paid in full or otherwise resolved and have supporting documentation.
- CAIVRS claims: The borrower must provide official documentation that the delinquency has been paid in full or otherwise resolved prior to loan processing.

LDP / SAM

All of the following parties to the transaction, as applicable, must be checked against HUD's Limited Denial of Participation and the System for Award Management lists:

- Appraiser
- Appraisal Company
- Borrower(s)
- Closing Agent
- Lender
- Listing Agent
- Mortgage Loan Officer
- Mortgage Processor
- Mortgage Underwriter
- Seller(s)
- Selling Agent
- Title Company
- 203(k) Consultant

Cash Back to Borrower

The borrower cannot receive any cash back from the transaction with the exception of out of pocket money (with supporting documentation) as follows:

- Earnest money deposit
- First year of homeowners insurance paid
- Loan application fees
- Appraisal/Inspection fees
- Paid repairs

Tax credits, excess loan funds, excess seller concessions, and items paid with credit cards **cannot** be refunded to the borrower; a principal reduction is required.

NOTE: Any excess gift funds at closing may be returned to the borrower.

Chain of Title

A 12-month chain of title is required for all loans (excluding new construction). Title must include all transfers in the previous 12-month period, including copies of all recorded deed(s). If more than one transfer in previous 12 months **or** property has significant increase in value since prior transfer, an appraisal addendum addressing all transfers is required.

Construction-to-Perm

This section is specific to Construction to Perm transactions. For any topic not covered in this section, refer to the topics within the guide.

Planet will allow construction-to-permanent mortgage transactions with a single mortgage closing, after the issuance of the Certificate of Completion. The below requirements must be met.

Single Close Transactions

A single-close loan combines the features of a construction loan, which is a short-term interim loan for financing the cost of construction, and the traditional long-term permanent residential mortgage.

- Single-closing transactions may be closed as purchase only transaction.
  - The loan interest rate is established at closing.
  - The loan Note Guarantee may be issued when the interim construction loan is closed.
  - File must evidence eligibility of the construction contractors/builders and their construction management company (if applicable).

Construction contractors and builders of homes financed with the loans must meet the following requirements:

- Two (2) or more years of experience building and constructing all aspects of single family dwellings similar to the type of project being proposed.
- Evidence of a state-issued construction or contractor license, as required by state law or local law.
- Evidence of commercial general liability insurance with a minimum coverage of $500,000.
- An acceptable credit history being free of open judgments, collections or liens related to previous construction projects.
  - An individual credit report is required in addition to a commercial report on the business.
- The builder/contractor must not have any previous felony criminal record.
- A builder may be limited to an Agency determined number of units or terminated from participating in this program due to poor workmanship or failure to meet program guidelines.
- Owner-builders are ineligible.

Appraisals

- The maximum Loan amount is determined by the fair market value of the proposed property.
  - Land value is based on the value as reported in the Appraisal Report, with no seasoning requirement.

Documentation

File must evidence the following:

- Certification of plans
- Confirmation of thermal requirements
- Builder Warranty (Refer to chapter 12.9 of the USDA Handbook)
- Standard industry Closing documents
- Applicable state specific documentation
- Construction Rider or
- Allonge to the Note
- Construction Loan Agreement
- Certificate of Occupancy or final inspection
- Certificate of Completion from the appraiser
  - Photos of completed property required
- Verification of the acquisition and transfer of ownership of the land if the borrower acquired the land as a gift or inheritance.
- All executed HUD-1/CD's
- Borrower certification after conversion that the property is free and clear of all liens other than the mortgage and all construction costs have been fully drawn.
- Final Title Insurance policy with Planet in the first lien position.
- Copies of all canceled checks, paid receipts, draw requests, lien waivers, change orders, title endorsements, etc. for all property related requirements for new construction.

Age of Documents

- All credit, income and asset documentation must be dated within 120 days from the original closing date.
  - Documentation exceeding the condition time frame will require the following before the loan note guarantee can be requested and/or issued:
    - Updated appraisal and/or credit documentation, and
    - The borrower must be re-qualified.

Refer to the USDA Handbook complete Loan Note Guarantee requirements.

Required Documentation for Contractors/Builders

File must evidence the following:

- Determination of eligibility
- License verification
- Insurance validation
- Minimum credit examination (Individual and Commercial business credit reports)
- Verification of background checks

NOTE: The above criteria must be met prior to requesting a Commitment for loan Note guarantee.

Cash Back

Cash back is not permitted unless funds from prepaid expenses remain after closing, and the borrower paid these expenses from his/her personal funds.

Eligible Properties

- Primary Residence
- 1-Unit Properties only
- Site Condos that meet USDA PUD eligibility requirements.

Ineligible Properties

- Condos
- New Construction Modular Homes
- New Construction Manufactured Homes

Loan Cost

Loan costs are subject to the maximum LTV (see matrix above). Construction loan costs include the following:

- Acquisition cost of the land
- Payoff balance of land to be utilized in the construction of the dwelling.
- Construction hard cost:
  - Costs inside the contract to be detailed on the construction budget agreed upon by the builder and borrower.
  - Costs outside of the contract, paid to subcontractors, for contributive work such as well and septic installation, roads/driveways, utility hookups, landscaping, etc.
- Construction Soft Costs:
  - Appraisal fees
  - Inspection fees

- Survey
- Permits
- Plan review fees
- Architecture or design fees
- Engineering fees
- Title updates
- Lender construction administration fees
- Contingency reserve
- Interest reserve
- Project review fees
- Builder acceptance or review fees
- Tax and insurance reserve
- Other reasonable and customary closing cost not exceeding the maximum LTV are permitted per USDA Chapter 6 - Loan Purpose.

NOTE: Any item included in the cost to construct the home must be commonly and customarily included in the cost to construct other homes in the area where the subject property is located.

Loan Closing

- Loan must be fully amortized to achieve full repayment within its remaining term.
- Dual loan disclosures to the borrower is permitted (Interim construction period disclosure and terms of permanent loan disclosure), or
- A single disclosure combining both interim construction period and permanent loan terms.

The loan may be re-amortized for full repayment within the remainder of the loan term, after applying excess funds as a principal curtailment.

Product

Fixed Rate, 30 years term

Reserves

A contingency reserve to cover eligible expenses associated with unplanned problems with construction or change orders may be utilized.

- If used, the reserve is limited to 10% of the cost of construction (including labor, materials and soft costs).
- Reserve funds must be deposited into the construction escrow account.

NOTE: Personal items, items such as furniture, electronic and home entertainment equipment are not permitted as cost to construct items.

Refer to the USDA Handbook Chapter 12 for complete Construction-To-Perm requirements

Contingent Liability

A contingent liability exists when an individual is responsible for payment of a debt if another party, jointly or severally obligated, defaults on the payment.

Co-Signed Debt

- Any co-signed liability (including mortgages) may be excluded from the DTI if documentation is provided that the other party has paid the debt for the most recent 12 months or if there is an official release of liability provided from the creditor. Acceptable documentation includes copies of checks, money orders, and receipts).

Business Debt

- Exclude business debts listed on personal credit reports if evidence of payment of the most recent 12 months payments has been made by the business.

Credit Exceptions

Credit exceptions are acceptable subject to USDA guidelines. USDA allows credit exceptions in the following situations:

- The credit problems were caused by extenuating circumstances that were temporary in nature and beyond the borrower's control. The circumstance must have been removed/resolved for a minimum of 12 months prior to the loan application. Examples of acceptable temporary extenuating circumstances include a temporary job loss, illness, delay or reduction in benefits, dispute over payment for defective goods or services, etc., or
- The new loan will significantly reduce the borrower's housing expenses (50% or greater) resulting in improved debt repayment ability.

Credit exceptions do not require USDA RD approval. The following applies to credit exceptions:

- The borrower must provide written, detailed explanation as to the nature of the credit issue, its causes and indicate it is not likely to happen again.
- The borrower must provide all documentation that supports the circumstances that caused the credit issue.
- All supporting documentation used to grant the exception must be included in the loan file.
- A credit exception is not eligible on the following:
    - Borrower is delinquent on a federal debt.
    - Borrower has an outstanding federal judgment (does not apply to federal tax liens).

NOTE: Borrowers with a tax lien/judgment must provide evidence of payment arrangements. USDA does not dictate a specific time period of payments having been made; the underwriter is responsible to determine if the repayment period is of appropriate duration. Borrowers with any delinquency during the repayment period are ineligible for a USDA loan.

Credit History

The borrower's credit history must indicate the borrower has a reasonable ability and willingness to pay their obligations.

- Any of the following are considered unacceptable credit history per Rural Development:
  - More than one 30 days late within the past 12 months (including more than one late payment on a single account).
  - Bankruptcy or foreclosure that occurred within the past 3 years.
  - Outstanding tax liens or delinquent government debt with no satisfactory arrangements for payments, regardless of age if they are currently delinquent or due and payable.
  - Outstanding judgments within the past 12 months.
  - Two or more rent payments 30 days or more late within the past 3 years.
  - Any account converted to a collection account in the past 12 months (utility bills, medical bills, etc.)
  - Outstanding collection accounts with no satisfactory arrangements for payments, regardless of age if they are currently delinquent or due and payable
  - Any debt written off within the last 3 years (charge-offs)
- Borrowers with a foreclosure on a previous Rural Development loan are ineligible.

Credit Report/Scores

- Non-Delegated transactions require a 620 FICO
- A tri-merged credit report is required for all borrowers.
- The primary borrower (the borrower with the highest income) must meet the minimum credit score requirement.
- At least one borrower, whose income and assets were used for loan qualification, must have a minimum of 3 tradelines that have a 12 month history. The tradelines can be open, closed, disputed or an authorized user account as long as there is a 12 month history.
- The representative credit score is determined as follows:
  - If there are three (3) valid scores, the middle score is used. If two of the three scores are a duplicate, the duplicate score is used.
  - If there are two (2) valid scores, the lower of the two is used.
  - If there is one (1) valid score, that score is used.
- The borrower(s) must address **all** credit inquiries indicated on the credit report within the previous 90 days and indicate the reason for and result of the inquiry (i.e. was new credit obtained or not). Any new debt must be included in the debt ratio.
- Any loan related charges (application fee/closing costs/appraisal) paid for by the borrower with a credit card that is not reflected on the credit report must be added to the card balance shown on the

credit report and included in the debt ratio calculations.

- Authorized user tradelines require underwriter review to ensure the tradelines are an accurate reflection of the borrower's credit history. When there is an open account(s) one evidence of one of the following is required:
  - The tradeline belongs to another borrower on the loan application, or
  - The owner of the tradeline is the spouse of one of the borrowers, or
  - The borrower has been making the payments on the tradeline for the past 12 months.
- If none of the above can be documented, the loan is ineligible.
- Disputed accounts are acceptable subject to the following:
  - Account has a zero balance, or
  - Account is marked "paid in full" or "resolved," or
  - Account has a balance owed of < $500.00 and is more than 24 months old. If none of the above applies, the loan is ineligible.

A full credit report is required when the borrower lives in a community property state, and there is a non-purchasing spouse. Community property states include Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin.

Credit Report – Fraud Alert

When a fraud alert, active duty alert or freeze is included with a credit report, additional steps are required to verify the borrower's identity and documentation must be provided. Documentation should include, but is not limited to:

- A letter of explanation from the borrower, and
- A copy of the identity theft report, and
- An additional form of identity verification

If the credit alert contains a phone number for a verbal verification prior to credit being issued, documentation must be provided that the borrower was contacted.

Derogatory Credit

Chapter 7 Bankruptcy

Bankruptcy must be discharged a minimum of 36 months from date of application.

Chapter 13 Bankruptcy

Borrower must have 12 months history with paid as agreed and permission from the bankruptcy court is required.

Foreclosure

A foreclosure must be dismissed a minimum of 36 months from the application date. Borrowers with a previous foreclosure on a Rural Development loan are ineligible.

Borrowers with a foreclosure in the previous 3 years may be eligible for a credit exception if the foreclosure was due to extenuating circumstances which were temporary in nature and beyond the borrower's control. *See* "Credit Exceptions" on page 472 for detailed requirements.

Short Sales

Borrowers with a short sale are subject to the following:

- Borrowers who were current at the time of the short sale may be eligible subject to:
  - Borrower was current on the prior mortgage in the 12 months preceding the short sale, and
  - All installment debt payments for the same period were also current.
- Borrowers with a short sale are ineligible for a USDA loan and subject to the 3 year waiting period if:
  - Borrower pursued a short sale to take advantage of a declining market to purchase a similar or superior property close to their existing property, or
  - Borrower was in default on the prior mortgage at the time of the shortsale.

Delinquent Child Support

Delinquent child support must be paid current or in a payment plan.

Judgements

Open judgments, garnishments, and all outstanding liens must be paid off prior to or at closing and documentation of sufficient funds to satisfy these obligations must be obtained.

Consumer Credit Counseling

- One year of payout under the plan has elapsed.
- All payments have been made on time.
- The Counseling Agency has provided written permission for the borrower to enter into a mortgage transaction.
- If an "Accept/Eligible" Finding is received, no explanation or other documentation is required from the borrower.

Collections

Collection accounts require satisfactory arrangements for payment. All open accounts require the payment to be included in the Asset and Liabilities section on the 1003.

- Medical collections and any charge-off accounts (not just medical) may be excluded in the cumulative account totals.

- **Accounts Cumulative ≥ $2,000**
  - Requires payment in full prior to or at closing, or
  - Verification of payment arranged with creditor and include monthly payment amount in DTI ratios, or
  - Use 5% of each collection account balance in the debt ratio.
- **Accounts Cumulative < $2,000**
  - Payment in full is at underwriter discretion.
- Accounts converted to collections within the previous 12 months indicate unacceptable credit risk.

Judgments

- Federal judgments require payment in full, no exceptions. Documentation of sufficient funds to satisfy obligation(s) is required.
- Non-federal judgments may remain open if the borrower has made a minimum of 3 months of payments prior to the loan application as evidenced by canceled checks/statement.
- Payment in full is required if a minimum of 3 months of payments cannot be documented.

DTI

- Per GUS Findings.
- All debts with 6 months or more payments remaining must be included to ensure accurate debt ratio.
- Non-purchasing spouse debts must be included in the borrower's debt ratio.

Down Payment

Not required.

Employment

A two year employment history is required.

NOTE: If the borrower has any gaps in employment that are **> 30 days**, a letter of explanation from the borrower will be required unless employment is clearly seasonal

Wage Earners

- A verbal verification of employment (VVOE) is required within 10 business days of the Note date for salaried borrowers. A sample VVOE form is posted on the CORE Seller Portal at www.phlcorrespondent.com under **Forms and Resources**. Sellers are not required to use this exact form, however, any form used must provide the information contained on the Planet form.
- Sellers must independently obtain the phone number, and when possible, the address of the wage earner borrower's employer using directory assistance/internet/phone book, etc.

Self-Employed Borrowers

- A verbal verification of employment (VVOE) is required within 30 calendar days for self-employed borrowers.
- Self- employed borrowers are individuals who have 25% or greater ownership interest in a business.
  - Self-employed borrower's business requires verification of the business by a third-party source (e.g., CPA, Federal Tax ID Certificate, Business License).
  - Self-employed borrower with 1-2 year self-employment history may be eligible subject to the following:
    - Borrower has 2 years documented previous successful employment in the line of work in which they are self-employed or it is a related occupation, or
    - A combination of one year of employment and formal education or training in the line of work in which the individual is self-employed or in a related occupation is also acceptable.

    NOTE: < 1 year of income from self-employment is not considered effective income.

  - Annual earnings that are stable or increasing are acceptable, while businesses that show a significant decline in income over the analysis period are not acceptable, even if the current income and debt ratios meet USDA guidelines.
  - Income must not be declining more than 10% per year. If income is declining more than 10%, the lowest income must be used to qualify.
  - Depreciation and/or depletion may be added back.
  - Signed and dated individual tax returns, with all applicable tax schedules, for the most recent two years, are required.
  - Corporations, S-Corporation or Partnership, are required to provide signed copies of Federal Business income tax returns for the last 2 years with all applicable tax schedules.

Employed by Family Business

In addition to standard employment verification, a borrower employed by a family-owned business is required to provide evidence that they are not the owner of the business.

Acceptable evidence includes:

- Copies of signed personal tax returns, or
- Signed copies of the corporate tax returns showing ownership percentage.

Escrow Holdback

Not allowed.

First Time Homebuyer

First time homebuyers may be required to complete homebuyer education at the discretion of Rural Development.

Gift Funds

- Gift funds are eligible for closing costs, voluntary down payment or may be applied towards the guarantee fee. There must be no expected or implied repayment of the gift funds.
- Gift funds may **not** be used for cash reserves as a compensating factor.
- Any excess gift funds at closing may be returned to the borrower.
- A cash gift is acceptable if the donor is:
  - A person not living in the household, or
  - An eligible organization.
- A gift letter is required which includes the following:
  - The dollar amount of the gift,
  - Signature of the donor and the borrower,
  - The date the funds were transferred,
  - The donor(s) name, address, phone number, and relationship to the borrower, and
  - A statement by the donor that no repayment of the gift funds is expected.
- The gift fund donor cannot be affiliated with the builder, developer, real estate agent, broker or any other interested party to the transaction. Gift funds from household members are **eligible**.
- Regardless of when gift funds are made available to the borrower, it must be determined that the gift funds were not provided by an unacceptable source and that the gift funds were the donor's own funds.
- Gift fund availability and transfer of the funds must be documented. Verification of transfer of funds must be documented as noted below:
  - Gift funds given prior to closing.
  - Copy of the donor's canceled check (front and back) and conclusive evidence that the money was withdrawn from the donor's account (conclusive evidence might be a withdrawal slip or bank statement and the borrower's deposit slip and/or bank statement verifying the deposit.
  - Gift funds given to closing agent:
    - Must be received at least one day prior to closing to allow for underwriter review; gift funds the day of closing are not allowed.
    - A copy of donor's check to the closing agent is required, and
    - Gift must be reflected on the HUD-1/CD.
- Gift funds are eligible from any acceptable source provided the borrowers are not obligors to any Note to secure the money borrowed for the gift.

Gift of Equity

- Allowed from an immediate family member only.
- A gift letter must be provided (*see* "Gift Funds" on the previous page for gift letter requirements).
- The HUD-1/CD must indicate "gift of equity".

Impound Account

Required on all loans — no exceptions.

Income

The borrower's adjusted household income cannot exceed the limit set by Rural Development for the state/county where the property is located. View the GRH income limits by state on the : Rural Development Single Family Housing Guaranteed Loan Income Limits website.

To determine income eligibility, complete the Planet USDA Rural Development Borrower Questionnaire and Income Eligibility Worksheet and enter the information on the Rural Development Income Eligibility website.

NOTE: The Rural Development system will indicate eligible/ineligible for both the Guaranteed Rural Housing Loan Program **and** the Direct Rural Housing Loan Program. Planet **only** offers the **Guaranteed Rural Housing** program. A screen shot of the Income Eligibility Determination Summary is required.

Rural Development has three separate income calculations that are required:

Annual Income: The total income and assets of all adult household members, **including borrower (s) and non-applicants 18 years old and older**. Spouses and Non-spouse household members income must be included unless they have been living apart for at least three (3) months. The gross amount (prior to any payroll deductions) of wages, salaries, overtime pay, commissions, fees, tips, bonuses and any other compensation for personal services of all adult members of the household must be included. This is projected income, not an average of previous years' income. Unreimbursed employee business expenses are deducted from annual income and repayment income calculations.

Annual income also includes any interest, dividend, social security, unemployment, disability, retirement fund, pension, public assistance income, rental income, or alimony/child support (unless payments are not received, and a reasonable effort has been made to collect).

Full time students, who are temporarily absent from the home but who will reside at the property at any time during the coming year and the property is listed as the student's permanent address, only the first $480 of their income is considered.

The following are **ineligible** for annual income calculations:

- Earned income tax credits,
- Adoption assistance in excess of $480 per adopted child,
- Employer provided fringe benefit packages unless reported as taxable income.

Cumulative net family assets in excess of $50,000 must be reviewed for annual income purposes. Net family assets include the value of equity in real property, cash on hand in savings and checking accounts, trust accounts, lump sum receipts such as lottery winnings, capital gains, and inheritances, personal property held as an investment, market value of stocks, bonds and other forms of capital investments.

Social security and disability income require a 3-year continuance documented with an award letter.

Alimony and child support income must continue for 3 years and have a minimum 12-month history documented with bank statements.

If an adult member of the household is currently unemployed but there is recent history of employment that person's income must be considered unless the borrower and the adult unemployed person sign a statement that the person is not presently employed and does not intend to become employed again in the foreseeable future.

Adjusted Income: The household's annual income (as described above) minus eligible deductions equals the adjusted income. The adjusted income determines GRH program eligibility. Eligible deductions include:

- Dependents - $480 per person who is under 18, disabled and is 18 or older or full- time student who is 18 or older
- Elderly (head of household or spouse is 62 years of age and older and a borrower on the loan) $400 (one time deduction; not per person)
- Disability expenses (unreimbursed expenses in excess of 3% of annual income) which may include, projected medical expenses for ensuing 12 months, costs not covered by insurance and equipment to support physically challenged household member.
- Medical expenses exceeding 3% of gross annual for elderly households only.
- Child care expenses for children 12 years old and under which enables the applicant to be employed or educated. Cannot exceed the amount of income received from the applicants employment and payments cannot be made to any dependent of the applicant, and
- Attendant car expenses for disabled members. The adjusted income determines program eligibility.

Repayment Income: Determined by the stable/dependable income of the borrowers only. Borrower must generally have a two (2) year history of receiving the income, and there must be a reasonable expectation of continued receipt for three (3) years.

Repayment income is the qualifying income and is used to calculate DTI. In addition the following income may be included in the repayment income calculations:

- Income from employed minors (under 18 years of age).
- Foster care income.
- The value of any food stamps received.
- Sporadic or irregular cash gifts.
- Lump-sum additions to family assets (e.g. inheritance, capital gains, insurance for health, accident, hazard or workers comp).
- Reimbursements for medical expenses.
- Amounts of education scholarships paid directly to the student or the educational institution.
- Amounts paid by the government to a veteran for use in meeting tuition costs, fees, books, and equipment.
- Hazardous duty pay to a service person away from home and exposed to hostile fire.
- Unearned income (disability, alimony, child support, etc.) requires 3-year continuance.
- Tax exempt income may be grossed up 25%.
- Rental income that has been received ≥ 24 months and can be documented with 2 years most recent tax returns, including Schedule E, and a copy of the current signed lease agreement.

The following types of income are **ineligible** as stable repayment income:

- Payment received for foster children or adults
- Supplemental Nutrition Assistance Program payments

Income Documentation

Income must be documented for the previous 2 years for all adult household members. *See* USDA Handbook Chapter 9.

Salaried Borrowers

- Current pay stubs for previous 4 weeks earnings with YTD income
- W -2s for prior 2 years
- Written VOE or electronic verifications

Self-Employed Borrowers

- 2 years signed tax returns including all schedules
- YTD P&L (audited or unaudited)
- YTD Income & Expense Statement

Inspections

- The water quality must meet state/local standards. Not required on refinance transactions.
- Septic inspections are only required when the appraiser indicates there is evidence the septic system may be failing.
- Termite inspections are only required when the purchase contract requires one, or the appraiser indicates there is evidence of active infestation.

Liabilities

All debts are entered in GUS to ensure accurate GUS Findings. Debt obligations with more than 10 months payments remaining must be included in the debt ratio.

401K Loans

Not counted in debt ratios.

Alimony/Child Support/Garnishments

Not required to be included in the debt ratio if 10 months or less remaining

Installment Debt

Not required to be included in the debt ratio if 10 months or less remaining and the monthly payment does not exceed 5% of the monthly repayment income.

Revolving Debt

Revolving debt must be included if there is a balance indicated on the credit report. If the monthly payment is not included in the credit report, the underwriter will calculate the payment using the greater of $10.00 or 5% of the outstanding balance. If the actual dollar amount is documented by the creditor or a current monthly statement, that amount may be used for qualifying.

Student Loans

- **Fixed Payment** – If the borrower has a documented fixed payment:
  - Include the **greater of the following** as reflected on the credit report:
    - 1% of the outstanding loan balance, or
    - The verified fixed payment.
  - The monthly payment on the credit report < 1% of the outstanding balance may be used when the servicer verifies the following:
    - The borrower is on a fixed payment that is **not** subject to change, and
    - The monthly payment

  - A permanent amortized, fixed payment may be used in the debt ratio when the lender retains documentation to verify the payment is fixed, the interest rate is fixed, and the repayment term is fixed.
- **Non-Fixed Payment** – Payments for deferred loans, Income Based Repayment (IBR), Graduated, Adjustable, and other types of repayment agreements which are not fixed cannot be used in the total debt ratio calculation.
- The higher of one half percent (.50%) of the loan balance or the actual payment reflected on the credit report must be used as the monthly payment in the underwriter decision. No additional documentation is required.

If the payment is due or will begin within 24 months of loan closing and the interest rate is unknown a monthly payment, using a reasonable/customary rate for the type of loan must be estimated.

Loan Amount

Purchase Transactions

The maximum loan amount is 100% of the appraised value plus the upfront guarantee fee if financed. Eligible closing costs and lender fees may be included in the loan amount up to 100% LTV.

Non-Streamlined Refinance Transactions

- Maximum loan amount cannot exceed the current appraised value except the guarantee fee may be financed.
- Permissible discount points financed may not exceed 2% of loan amount

Mortgage/Rental History

Purchase Transactions

- > 680 credit score – housing history not required
- ≤ 680 12-month housing history required. Less than 12 months may be considered on a case-by-case basis subject to USDA guidelines. If a VOR is required, private landlords may complete as long as they are not a relative of the borrower.

Refinance Transactions

- 0x30 in previous 12 months.
- A t the time of closing, at least six (6) consecutive regularly scheduled monthly payments must have been made and applied to the existing loan.

Mortgage Seasoning

The below mortgage seasoning requirements must be met.

- The existing loan must have closed 12 months prior to the application date and must be current for the 180 day period prior to the Agency's receipt of a Conditional Commitment request.
- Six (6) consecutive monthly payments must have been made on the subject property being refinanced.
- Six (6) payments since assumption date must have passed (if applicable).

Refinance of loans on which fewer than six (6) consecutive regularly scheduled payments have been made are not eligible for financing.

Non-ARMs Length/Identity of Interest

- A non-ARM's length transaction is a purchase transaction where the is a relationship or business affiliation between the buyer and seller of the property
- Non-ARM's length transactions are eligible for re-sale properties
- An identity of interest transaction involves parties who are not related and do not have close personal ties. However, they have a strong interest in the transaction (i.e., broker acting for both buyer and seller; broker is both realtor and mortgage broker, the realtor is selling own property, etc.). Identity of interest transactions are eligible on owner-occupied transactions; however, an additional review will be required to ensure the validity of the transaction, value, etc. Additional documentation and/or a desk review or second appraisal may be required at underwriters discretion.

Non-Purchasing Spouse

The debts of the non-purchasing spouse must be included in the borrower's qualifying ratios, unless specifically excluded by state law, if:

- Borrowers reside in a community property state, or
- Property being purchased is located in a community property state

NOTE: In community property states, the credit history of the non-purchasing spouse is not considered a reason to deny a loan, however, their obligations must be considered in the DTI unless excluded by state law. A full credit report for the non-purchasing spouse must be obtained to determine if the obligations should be included in the DTI.

Community property states include Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin.

Occupancy

- Owner-occupied 1-unit primary residence
- Borrowers must occupy the property within 60 days of signing the security instruments.

NOTE: Active duty military borrowers are considered to have met the occupancy requirement if proof of discharge will be received within a reasonable period of time (generally within 1 year) and the serviceperson's family will continue to occupy the property if the serviceperson is assigned elsewhere prior to discharge.

Other Real Estate Owned

Borrowers retaining their current home are eligible subject to the following:

- Current residence is not financed by a USDA RD Guaranteed, Direct 502/504 or active grant.
- Current home owned no longer adequately meets the borrower's need due to a significant change in borrower's circumstances. Examples include, but are not limited to:
    - Severe overcrowding (more than 1.5 household members per total rooms). Documentation that the overcrowding has existed for a minimum of 90 days and will continue for a minimum of another 9 months)
    - Home requires significant retrofitting to accommodate the disability/limited mobility of a permanent household member. Documentation of the existing property deficiencies and the suitability of the new property is required.

The underwriter must provide an explanation of the significant change and the reason, beyond convenience to the borrower, why the new home purchase must be completed prior to the sale of the existing property.

- The borrower must be financially qualified to own more than one property and must qualify including both mortgages (the borrower is limited to one additional property other than the one associated with the new loan)
- The borrower will occupy the subject property as their primary residence throughout the term of the loan
- **Purchase transactions:** Rental income cannot be used for qualification of the new loan as receipt of a rental income of 24 months is required to use for repayment income.
- **Refinance transactions:** Rental income can be used for qualification, when the rental income has been received ≥ 24 months, can be documented with 2 years most recent tax returns, including Schedule E, and a copy of the current signed lease agreement.

Power of Attorney

Allowed on an exception basis for closing only; cannot be used for the execution of the initial application and disclosures. Certified copy from settlement agent required in file.

Prepayment Penalty

Not permitted.

Product

- 30 year fixed rate
- The maximum interest rate may not exceed the Fannie Mae 90 day Actual/Actual Yield for a 30-year fixed rate loan, plus 100 basis points, rounded up to the nearest quarter of one percent (e.g., Fannie Mae 90 day rate is 4.72 + 100 basis points = 5.72 rounded up to 5.75%)

Properties — Eligible

The property must be located in an eligible rural area as determined by the USDA Rural Development department or purchase transactions. Refinance transactions, the property, is not required to still be in a rural area. To determine eligibility click here: Rural Housing Property Eligibility, select “Single Family Housing” under the “Property Eligibility” header in the menu and enter the information requested. A screenshot showing that property is located in an eligible area is required. Eligible property must be predominately residential in use, character and appearance.

- Single family dwellings
- PUD (attached/detached). PUD projects do not require a questionnaire/warranty form.
- Condominium (If Fannie Mae, FHA or VA approved no action required. If currently not approved, a Fannie Mae Full Review will be required on purchase transactions; a Limited Review is not allowed).
- Site condos are eligible subject to the following:
  - The unit must be completely detached with no shared garage or other attached buildings (e.g., archway, breezeway, etc.)
  - The unit consists of the entire structure, site and air space that are not considered to be common areas or limited common areas.

NOTE: Site condos not meeting the above criteria are ineligible.

- New construction
- A Planet Home Lending Condo/PUD Warranty form is required.
- Hawaiian Home Lands property subject to USDA requirements.

Properties — Ineligible

- Properties not located in a rural area as defined by USDA Rural Development.
- Condominium projects not approved by Fannie Mae (or not eligible with Full Review, FHA or VA)
- Cooperative projects
- 2-4 units
- Investment property
- Second/vacation homes
- Manufactured homes
- Modular homes
- Condo Hotels (projects managed or operated as hotel/motel, hotel/motel conversions)
- Unique properties (geodesic domes, earth berm homes, log homes, etc.)
- Commercial property
- Farms, orchards, ranches
- Properties identified by Rural Development as “remote” rural
- Income producing properties

- Properties with large farm service building or with buildings/equipment for specific income producing purposes. Out buildings used for storage are acceptable
- Properties where the value of the lot exceeds 30% of the appraised value
- Properties with wind mills/wind turbines or cell phone towers located on the property
- Properties utilizing cisterns
- Property located in the Hawaiian Islands in lava zones one (1) or two (2)
- Log Homes

Purchase Agreements Amended/Renogotiated

- Not eligible if the sales price was increased **after** the original appraisal was completed if:
  - The appraised value is higher than the originally contracted sales price that was provided to the appraiser, and
  - The new purchase agreement and/or addendum to the purchase agreement is dated after the appraisal, and
  - The only change to the purchase agreement was the sales price.
- If the purchase agreement was renegotiated after the completion of the appraisal, the LTV will be based on the **lower** of the original purchase price or the appraised value, unless
  - The re-negotiation was only for seller paid closing costs and/or pre-paids where the seller paid closing costs/pre-paids are common and customary for the area and are supported by the comparables.
  - The re-negotiation was on a new construction property and was due to improvements made that increased the value of the property. In this case, an updated appraisal must be obtained to document the improvements and increased value.
- Assignment of the purchase contract is not allowed.

Refinance Transactions

USDA Rural Development offers 3 types of refinance transactions: Non-Streamlined Refinance, Streamlined Refinance, and Streamline-Assist Refinance. The Non-Streamlined refinance guidelines are below.

See USDA Streamlined Refinance Program Guidelines and USDA Streamlined Assist Refinance Program Guidelines for additional information for those specific programs.

Non-Streamlined Refinance

- Appraisal required
- Credit report required
- Maximum loan amount cannot exceed the current appraised value, except the guarantee fee may be financed.
- The base loan amount may include the principal and accrued interest of the existing loan being refinanced, closing costs, and lender fees included funds to establish a new escrow account if

including does not exceed the appraised value. Unpaid late fees may not be included in the new loan amount.
- Subordinate financing cannot be included in the new loan amount. Any existing secondary financing must subordinate to the new first lien.
- Borrowers may receive reimbursement from loan proceeds at settlement for personal funds advanced for loan purposes (e.g. appraisal fee, credit report, etc.) Borrower may not receive any cash back resulting from final escrow or interest calculations; these must be applied as a principal reduction.
- Continuity of obligation requires that at least one of the borrowers on the refinance transaction is currently on the title of the property being refinanced.
- Rural Development loan being refinanced may be a Section 502 Direct or Guaranteed loan.
- Properties that are now outside of a rural area as previously defined by Rural Development are eligible.
- Income eligibility must be met.
- The property must remain primary residence.
- Properties now located in a flood zone will require flood insurance.
- Properties that were listed for sale in the previous 12 months must be taken off the market prior to the application date.

Rent Back

Seller allowed to rent back property from buyer (borrower) for a maximum of 30 days after close.

Reserves

Not required.

Seller Contribution

Maximum contribution is 6% of the property sales price. Seller concessions may be in the form of loan discount points, loan origination fees, closing cost assistance, payment of condominium fees, down payment assistance, repairs or repair credits.

Subordinate Financing

- Not applicable on purchase. Down payment assistance programs and mortgage credit certificates (MCCs) are eligible with Credit Risk Officer approval
- No new subordinate financing on refinance transactions. Any existing subordinate refinancing must be resubordinated.

Temporary Buydown

Not allowed.

Transactions — Ineligible

- Cash-out
- Rural Housing Direct Loan (purchase transactions)
- Refinance of any loan that is not a current Rural Development loan
- Properties located in a Special Flood Hazard Area and flood insurance through the National Flood Insurance Program is not available
- MCCs are eligible with Credit Risk Officer approval
- Texas Section 50(a)(6)

USDA Forms and Links

USDA Rural Development forms and guidelines are available at: USDA LINC Training and Resource Library

- ***Request for Single Family Housing Loan Guarantee*** (RD Form 3555-21) is used to request a loan guarantee from Rural Development. Must be completed at time of origination and signed by the borrower(s).

NOTE: Any increase in the loan amount or interest rate from what was indicated on the initial Form 3555-21 will require a new Form 3555-21 be submitted to USDA by Planet which will delay the loan process. Loans cannot be closed with a higher loan amount/interest rates than noted on the Conditional Commitment; a new Commitment will be required.

- ***Conditional Commitment for Single Family Housing Loan Guarantee*** (RD Form 3555-18) is issued by Rural Development to indicate the loan appears to be eligible for a GRH loan. The Conditional Commitment is valid for 60 days from issuance.

USDA Streamlined Refinance Program Grid

Primary Residence Full Documentation Fixed Rate[1,4]			
Transaction	**Units**	**LTV[5]**	**Credit Score[3]**
Streamlined Refinance[2]	1	100%	Per GUS

Footnotes:

1. Loan being refinanced must be a USDA Guaranteed Rural Housing loan. USDA Section 502 Direct loans (Direct loans are serviced only by USDA). Conventional, FHA or VA loans cannot be refinanced under this program.
2. Minimum loan amount $40,000.
3. Non-Delegated transactions: A FICO of 620 is required.
4. Manual Underwrite: No more than 2 of the following Risk Factors allowed: < 620 FICO; Utilization of Gift Funds; DTI <45%; LTV within 5% of the program maximum.
5. Maximum LTV 101% if financing guarantee fee. Maximum loan amount is 100% of the appraised value plus the upfront fee if financed. Eligible closing costs and lender fees may be included in the loan amount up to 100% LTV. 100% LTV may only be exceeded when financing the upfront guarantee fee.

In addition to the USDA Rural Development GRH Streamlined program Planet offers the USDA Rural Development Purchase, Non-Streamlined Refinance and the Streamlined-Assist Refinance programs. *See* the applicable matrix for guidelines specific to those USDA programs.

USDA's new HB-1-3555 may be viewed at USDA Rural Development Regulations and Guidance by selecting HB-1-3555 SFH Guaranteed Loan Program Technical Handbook. The new forms are available at USDA LINC Training and Resource Library under Forms.

USDA Guaranteed Rural Housing (GRH) Streamlined Assist Program Highlights

A Streamlined Refinance is a credit qualifying loan. Borrower must meet all USDA income and credit requirement.

- Income must be ≤ 115% of the area median
- No reserves required
- Gift funds are eligible for closing costs or the upfront guarantee fee

Upfront Guarantee Fee

- **Conditional Commitments issued on or after October 1, 2017:**

  Purchase and refinance transactions: 1% of the total loan amount

- **Annual Fee**

  0.35%. The annual fee is applicable for the life of the loan

USDA Streamlined Refinance Program Guidelines

Planet follows USDA guidelines for any topic not addressed below.

4506-T

Seller must provide 4506-T signed by all borrowers prior to loan closing for both personal and business tax returns (if applicable) for all adult (18 years and older) household members, except full time students.

NOTE: Due to the hacking incidents, Planet will accept transcripts that the borrower obtained from the IRS along with a certification that the returns are true and correct.

Ability to Repay/Qualified Mortgage

Planet requires all loans to be originated and closed in compliance with Agency and Planet guidelines. Planet will purchase owner-occupied transactions as follows:

- Loan eligible under Temporary QM, and
- Loans that meet the Safe Harbor or Rebuttable Presumption provisions, and
- Pass the points and fees test, as applicable.

Additionally, all disclosures and documentation required under the ATR/QM provisions of the Dodd-Frank Act must be provided.

Affidavit of Identity

Planet may require an Affidavit of Identity if a borrower signature appears incomplete or illegible.

Age of Documents

All credit, income and asset documentation must be ≤ 120 days from the Note date.

Appraisals

Not required.

Assets

- Asset verification is required when funds are needed to close
- Assets include checking/savings accounts, gift funds, sale proceeds from currently owned property, 401K/retirement accounts, and stocks/bonds and must be documented as follows:
  - 2 months most recent bank statements (dated within 45 days of the initial loan application date).
  - Sellers who are also the depository for the borrower's account may provide a printout or other

alternative verification of the borrower's bank account assets produced directly from the bank or credit union's system in lieu of bank statement(s).

- Stocks and bonds require the most recent statement monthly or quarterly statement.

- A Verification of Deposit (VOD) is acceptable as the primary source of verification.
- Cash on hand and unsecured funds are ineligible sources for assets.
- Retirement funds that allow for immediate withdrawal are eligible at 60% of the vested account balance to allow for withdrawal penalties.
- Retirement accounts that restrict withdrawals to retirement, employment separation, etc. cannot be considered for cash reserves.

Assumptions

Planet follows agency guidelines.

AUS

Manual underwriting acceptable.

Available Markets

- **Delegated Sellers**
  - Planet will purchase loans underwritten and closed by the delegated Seller in **all** states.
- **Non-delegated Sellers**
  - USDA products are permitted for non-delegated Sellers
- The U.S. territories of Guam and the Virgin Islands are ineligible regardless of delegation.
- Property must be located in a rural area as defined by Rural Development.

Borrower — Adding or Deleting

Borrowers may be added or deleted on a refinance transaction as long as one original borrower remains on the loan.

CAIVRS/LDP/SAM

CAIVRS

- All borrowers must be checked against the Credit Alert Interactive Voice Response System (CAIVRS) to determine if they have delinquent federal debt. A clear CAIVRS is required.
- All federal debt and judgments must be paid in full or otherwise resolved and have supporting documentation.
- CAIVRS claims: The borrower must provide official documentation that the delinquency has been paid in full or otherwise resolved prior to loan processing.

LDP / SAM

All of the following parties to the transaction, as applicable, must be checked against HUD's Limited Denial of Participation and the System for Award Management lists:

- Appraiser
- Appraisal Company
- Borrower(s)
- Closing Agent
- Lender
- Listing Agent
- Mortgage Loan Officer
- Mortgage Processor
- Mortgage Underwriter
- Seller(s)
- Selling Agent
- Title Company
- 203(k) Consultant

Cash Back to Borrower

The borrower cannot receive any cash back from the transaction with the exception of out of pocket money (with supporting documentation) as follows:

- Earnest money deposit
- First year of homeowners insurance paid
- Loan application fees
- Appraisal/Inspection fees
- Paid repairs

Tax credits, excess loan funds, excess seller concessions, and items paid with credit cards **cannot** be refunded to the borrower; a principal reduction is required.

NOTE: Any excess gift funds at closing may be returned to the borrower.

Chain of Title

A 12-month chain of title is required for all loans (excluding new construction). Title must include all transfers in the previous 12-month period, including copies of all recorded deed(s). If more than one transfer in previous 12 months **or** property has significant increase in value since prior transfer, an appraisal addendum addressing all transfers is required.

Credit History

The borrower's credit history must indicate the borrower has a reasonable ability and willingness to pay their obligations.

- Any of the following are considered unacceptable credit history per Rural Development:
  - More than one 30 days late within the past 12 months (including more than one late payment on a single account).
  - Bankruptcy or foreclosure that occurred within the past 3 years.

  - Outstanding tax liens or delinquent government debt with no satisfactory arrangements for payments, regardless of age if they are currently delinquent or due and payable.
  - Outstanding judgments within the past 12 months.
  - Two or more rent payments 30 days or more late within the past 3 years.
  - Any account converted to a collection account in the past 12 months (utility bills, medical bills, etc.)
  - Outstanding collection accounts with no satisfactory arrangements for payments, regardless of age if they are currently delinquent or due and payable
  - Any debt written off within the last 3 years (charge-offs)
- Borrowers with a foreclosure on a previous Rural Development loan are ineligible.

Credit Report/Scores

- Non-delegated transactions require 620 FICO.
- A tri-merged credit report is required for all borrowers.
- The primary borrower (the borrower with the highest income) must meet the minimum credit score requirement.
- At least one borrower, whose income and assets were used for loan qualification, must have a minimum of 3 tradelines that have a 12 month history. The tradelines can be open, closed, disputed or an authorized user account as long as there is a 12 month history.
- The representative credit score is determined as follows:
  - If there are three (3) valid scores, the middle score is used.
  - If two of the three scores are a duplicate, the duplicate score is used.
  - If there are two (2) valid scores, the lower of the two is used.
  - If there is one (1) valid score, that score is used.
- The borrower(s) must address **all** credit inquiries indicated on the credit report within the previous 120 days and indicate the reason for and result of the inquiry (i.e. was new credit obtained or not). Any new debt, including fees for the appraisal, closing costs, etc. (if applicable) must be included in the debt ratio.
- Any loan related charges (application fee/closing costs/appraisal) paid for by the borrower with a credit card that is not reflected on the credit report must be added to the card balance shown on the credit report and included in the debt ratio calculations.
- Authorized user tradelines require underwriter review to ensure the trade lines are an accurate reflection of the borrower's credit history. When there is an open account(s) one evidence of one of the following is required:
  - The tradeline belongs to another borrower on the loan application, or
  - The owner of the tradeline is the spouse of one of the borrowers, or
  - The borrower has been making the payments on the tradeline for the past 12 months. If none of the above can be documented the loan is ineligible.
- Disputed accounts are acceptable subject to the following:

  - The account has a zero balance, or
  - The account is marked “paid in full” or “resolved”, or
  - The account has a balance owed of < $500.00 and is more than 24 months old.
- When the borrower lives in a community property state and there is a non-purchasing spouse a full credit report must be obtained for the non-purchasing spouse and their debts must be included in the borrower’s debt ratio. Community property states include Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin.

Credit Report – Fraud Alert

When a fraud alert, active duty alert or freeze is included with a credit report, additional steps are required to verify the borrower’s identity and documentation must be provided. Documentation should include, but is not limited to:

- A letter of explanation from the borrower, and
- A copy of the identity theft report, and
- An additional form of identity verification, and
- If the credit alert contains a phone number for a verbal verification prior to credit being issued, documentation must be provided that the borrower was contacted.

Derogatory Credit

Chapter 7 Bankruptcy

Bankruptcy must be discharged a minimum of 36 months from date of application

Chapter 13 Bankruptcy

Borrower must have 12 months history with paid as agreed and permission from the bankruptcy court is required.

Foreclosure/Short Sale/Deed-in-Lieu

A foreclosure must be dismissed a minimum of 36 months from the application date. Borrowers with a previous foreclosure on a Rural Development loan are ineligible.

Delinquent Child Support

Delinquent child support must be paid current or in a payment plan.

Consumer Credit Counseling

- One year of payout under the plan has elapsed.
- All payments have been made on time.
- The Counseling Agency has provided written permission for the borrower to enter into a mortgage transaction.

- If an "Accept/Eligible" Finding is received, no explanation or other documentation is required from the borrower.

Collections

Collection accounts require satisfactory arrangements for payment. All open accounts require the payment to be included in the Asset and Liabilities section on the 1003.

- Medical collections and any charge-off accounts (not just medical) may be excluded in the cumulative account totals.
  - **Accounts Cumulative ≥ $2,000**
    - Requires payment in full prior to or at closing, or
    - Verification of payment arranged with creditor and include monthly payment amount in DTI ratios, or
    - Use 5% of each collection account balance in the debt ratio.
  - **Accounts Cumulative < $2,000**
    - Payment in full is at underwriter discretion.
- Accounts converted to collections within the previous 12 months indicate unacceptable credit risk.

Judgments

- Federal judgments require payment in full, no exceptions. Documentation of sufficient funds to satisfy obligation(s) is required.
- Non-federal judgments may remain open if the borrower has made a minimum of 3 months of payments prior to the loan application as evidenced by canceled checks/statement.
- Payment in full is required if a minimum of 3 months of payments cannot be documented.

DTI

- Maximum 29%/41%. Exceptions may be granted subject to all of the following being met:
  - The PITI payment is between 29% and 32% and the total DTI is between 41% and 44%, and
  - All borrowers have a credit score of ≥ 680, and
  - A minimum of one compensating factor is identified and substantiated with supporting documentation:
    - The proposed PITI payment is ≤ the borrower's current housing expense. Current housing must be 0x30 for previous 12 months and documented with VOR or credit report. Previous rent or mortgage payment cannot be verified by a family member; or
    - Borrower has accumulated liquid assets (savings, cash reserves) after close of a minimum of 3 months PITI payments verified with two (2) months bank statements or VOD, dated within 45 days of the loan application. Cash on hand is not eligible; or
    - All employed borrowers have been continuously employed, with their current respective employer, for a minimum of two (2) years. Employment must be verified using RD Form 1910-5 Request for Verification of Employment or Fannie Mae Form 1005. VOE prepared

by an employment verification service (e.g. The Work Number, etc.) are acceptable.

NOTE: Only wage earners may use 2 year employment as a compensating factor; not eligible for self-employed borrowers.

- Debt waiver ratios are subject to Rural Development approval of the Debt Waiver Request.
- All debts are entered in GUS to ensure accurate GUS Findings. Debt obligations with more than 10 months payments remaining must be included in the debt ratio. *See*"Liabilities" on page 503 for additional details.

Employment

A two year employment history is required.

NOTE: If the borrower has any gaps in employment that are **> 30 days**, a letter of explanation from the borrower will be required unless employment is clearly seasonal

Wage Earners

- A verbal verification of employment (VVOE) is required within 10 business days of the Note date for salaried borrowers. A sample VVOE form is posted on the CORE Seller Portal at www.phlcorrespondent.com under **Forms and Resources**. Sellers are not required to use this exact form, however, any form used must provide the information contained on the Planet form.
- Sellers must independently obtain the phone number, and when possible, the address of the wage earner borrower's employer using directory assistance/internet/phone book, etc.

Self-Employed Borrowers

- A verbal verification of employment (VVOE) is required within 30 calendar days for self-employed borrowers.
- Self- employed borrowers are individuals who have 25% or greater ownership interest in a business.
    - Self-employed borrower's business requires verification of the business by a third-party source (e.g., CPA, Federal Tax ID Certificate, Business License).
    - Self-employed borrower with 1-2 year self-employment history may be eligible subject to the following:
        - Borrower has 2 years documented previous successful employment in the line of work in which they are self-employed or it is a related occupation, or
        - A combination of one year of employment and formal education or training in the line of work in which the individual is self-employed or in a related occupation is also acceptable.

        NOTE: < 1 year of income from self-employment is not considered effective income.

    - Annual earnings that are stable or increasing are acceptable, while businesses that show a significant decline in income over the analysis period are not acceptable, even if the current

income and debt ratios meet USDA guidelines.
  - Income must not be declining more than 10% per year. If income is declining more than 10%, the lowest income must be used to qualify.
  - Depreciation and/or depletion may be added back.
  - Signed and dated individual tax returns, with all applicable tax schedules, for the most recent two years, are required.
  - Corporations, S-Corporation or Partnership, are required to provide signed copies of Federal Business income tax returns for the last 2 years with all applicable tax schedules.

Employed by Family Business

In addition to standard employment verification, a borrower employed by a family-owned business is required to provide evidence that they are not the owner of the business.

Acceptable evidence includes:

- Copies of signed personal tax returns, or
- Signed copies of the corporate tax returns showing ownership percentage.

Escrow Holdback

Not allowed.

Gift Funds

- Gift funds are eligible for closing costs or may be applied towards the guarantee fee. There must be no expected or implied repayment requirement of the gift funds.
- Gift funds may **not** be used for cash reserves as a compensating factor.
- Any excess gift funds at closing may be returned to the borrower.
- A cash gift is acceptable if the donor is:
  - A person not living in the household, or
  - An eligible organization.
- A gift letter is required which includes the following:
  - The dollar amount of the gift,
  - Signature of the donor and the borrower,
  - The date the funds were transferred,
  - The donor(s) name, address, phone number, and relationship to the borrower, and
  - A statement by the donor that no repayment of the gift funds is expected.
- The gift fund donor cannot be affiliated with the broker or any other interested party to the transaction including household members. Gift funds from household members are **eligible**.
- Regardless of when gift funds are made available to the borrower, it must be determined that the gift funds were not provided by an unacceptable source and that the gift funds were the donor's own

funds.

- Gift fund availability and transfer of the funds must be documented. Verification of transfer of funds must be documented as noted below:
  - Gift funds given prior to closing
    - Copy of the donor's canceled check (front and back) and conclusive evidence that the money was withdrawn from the donor's account (conclusive evidence might be a withdrawal slip or bank statement and the borrower's deposit slip and/or bank statement verifying the deposit.
  - Gift funds given to closing agent:
    - Must be received at least one day prior to closing to allow for underwriter review; gift funds the day of closing are not allowed.
    - A copy of donor's check to the closing agent is required, and
    - Gift must be reflected on CD.

NOTE: When a bank statement is used to document funds, the donor **may** be required to document large deposits to ensure the funds did not come from an interested third party.

- Gift funds are eligible from any acceptable source provided the borrowers are not obligors to any Note to secure the money borrowed for the gift.

Impound Account

Required on all loans — no exceptions.

Income

The borrower's adjusted household income cannot exceed the limit set by Rural Development for the state/county where the property is located. View the GRH income limits by state on the : Rural Development Single Family Housing Guaranteed Loan Income Limits website.

To determine income eligibility, complete the Planet USDA Rural Development Borrower Questionnaire and Income Eligibility Worksheet and enter the information on the Rural Development Income Eligibility website.

NOTE: The Rural Development system will indicate eligible/ineligible for both the Guaranteed Rural Housing Loan Program **and** the Direct Rural Housing Loan Program. Planet **only** offers the **Guaranteed Rural Housing** program. A screen shot of the Income Eligibility Determination Summary is required.

Rural Development has three separate income calculations that are required:

Annual Income: The total income and assets of all adult household members, **including borrower (s) and non-applicants 18 years old and older**. Spouses and Non-spouse household members income must be included unless they have been living apart for at least three (3) months. The gross amount (prior to any payroll deductions) of wages, salaries, overtime pay, commissions, fees, tips, bonuses and any other compensation for personal services of all adult members of the household must be included. This is projected income, not an average of previous years' income. Unreimbursed employee business expenses are deducted from annual income and repayment income calculations.

Annual income also includes any interest, dividend, social security, unemployment, disability, retirement fund, pension, public assistance income, rental income, or alimony/child support (unless payments are not received, and a reasonable effort has been made to collect).

Full time students, who are temporarily absent from the home but who will reside at the property at any time during the coming year and the property is listed as the student's permanent address, only the first $480 of their income is considered.

The following are **ineligible** for annual income calculations:

- Earned income tax credits,
- Adoption assistance in excess of $480 per adopted child,
- Employer provided fringe benefit packages unless reported as taxable income.

Cumulative net family assets in excess of $50,000 must be reviewed for annual income purposes. Net family assets include the value of equity in real property, cash on hand in savings and checking accounts, trust accounts, lump sum receipts such as lottery winnings, capital gains, and inheritances, personal property held as an investment, market value of stocks, bonds and other forms of capital investments.

Social security and disability income require a 3-year continuance documented with an award letter.

Alimony and child support income must continue for 3 years and have a minimum 12-month history documented with bank statements.

If an adult member of the household is currently unemployed but there is recent history of employment that person's income must be considered unless the borrower and the adult unemployed person sign a statement that the person is not presently employed and does not intend to become employed again in the foreseeable future.

Adjusted Income: The household's annual income (as described above) minus eligible deductions equals the adjusted income. The adjusted income determines GRH program eligibility. Eligible deductions include:

- Dependents - $480 per person who is under 18, disabled and is 18 or older or full- time student who is 18 or older
- Elderly (head of household or spouse is 62 years of age and older and a borrower on the loan) $400

(one time deduction; not per person)

- Disability expenses (unreimbursed expenses in excess of 3% of annual income) which may include, projected medical expenses for ensuing 12 months, costs not covered by insurance and equipment to support physically challenged household member.
- Medical expenses exceeding 3% of gross annual for elderly households only.
- Child care expenses for children 12 years old and under which enables the applicant to be employed or educated. Cannot exceed the amount of income received from the applicants employment and payments cannot be made to any dependent of the applicant, and
- Attendant car expenses for disabled members. The adjusted income determines program eligibility.

Repayment Income: Determined by the stable/dependable income of the borrowers only. Borrower must generally have a two (2) year history of receiving the income, and there must be a reasonable expectation of continued receipt for three (3) years.

Repayment income is the qualifying income and is used to calculate DTI. In addition the following income may be included in the repayment income calculations:

- Income from employed minors (under 18 years of age).
- Foster care income.
- The value of any food stamps received.
- Sporadic or irregular cash gifts.
- Lump-sum additions to family assets (e.g. inheritance, capital gains, insurance for health, accident, hazard or workers comp).
- Reimbursements for medical expenses.
- Amounts of education scholarships paid directly to the student or the educational institution.
- Amounts paid by the government to a veteran for use in meeting tuition costs, fees, books, and equipment.
- Hazardous duty pay to a service person away from home and exposed to hostile fire.
- Unearned income (disability, alimony, child support, etc.) requires 3-year continuance.
- Tax exempt income may be grossed up 25%.
- Rental income that has been received ≥ 24 months and can be documented with 2 years most recent tax returns, including Schedule E, and a copy of the current signed lease agreement.

The following types of income are **ineligible** as stable repayment income:

- Payment received for foster children or adults
- Supplemental Nutrition Assistance Program payments

Income Documentation

Income must be documented for the previous 2 years for all adult household members. *See* USDA Handbook Chapter 9.

Salaried Borrowers

- Current pay stubs for previous 4 weeks earnings with YTD income
- W -2s for prior 2 years
- Written VOE or electronic verifications

Self-Employed Borrowers

- 2 years signed tax returns including all schedules
- YTD P&L (audited or unaudited)
- YTD Income & Expense Statement

Inspections

Not required.

Liabilities

All debts are entered in GUS to ensure accurate GUS Findings. Debt obligations with more than 10 months payments remaining must be included in the debt ratio.

401K Loans

Not counted in debt ratios.

Alimony/Child Support/Garnishments

Not required to be included in the debt ratio if 10 months or less remaining

Installment Debt

Not required to be included in the debt ratio if 10 months or less remaining and the monthly payment does not exceed 5% of the monthly repayment income.

Revolving Debt

Revolving debt must be included if there is a balance indicated on the credit report. If the monthly payment is not included in the credit report, the underwriter will calculate the payment using the greater of $10.00 or 5% of the outstanding balance. If the actual dollar amount is documented by the creditor or a current monthly statement, that amount may be used for qualifying.

Student Loans

- **Fixed Payment** – If the borrower has a documented fixed payment:
  - Include the **greater of the following** as reflected on the credit report:
    - 1% of the outstanding loan balance, or
    - The verified fixed payment.

  - The monthly payment on the credit report < 1% of the outstanding balance may be used when the servicer verifies the following:
    - The borrower is on a fixed payment that is **not** subject to change, and
    - The monthly payment
  - A permanent amortized, fixed payment may be used in the debt ratio when the lender retains documentation to verify the payment is fixed, the interest rate is fixed, and the repayment term is fixed.
- **Non-Fixed Payment** – Payments for deferred loans, Income Based Repayment (IBR), Graduated, Adjustable, and other types of repayment agreements which are not fixed cannot be used in the total debt ratio calculation.
- The higher of one half percent (.50%) of the loan balance or the actual payment reflected on the credit report must be used as the monthly payment in the underwriter decision. No additional documentation is required.

If the payment is due or will begin within 24 months of loan closing and the interest rate is unknown a monthly payment, using a reasonable/customary rate for the type of loan must be estimated.

Loan Amount

- Only the principal balance of the loan and the upfront guarantee fee may be included in the new loan amount.
- Accrued interest, closing costs or lender fees **cannot be financed** using the streamlined option.
- Maximum loan amount cannot exceed the existing balance on the loan being refinanced.
- Loan discounts points not eligible for inclusion except to reduce the effective interest rate.

Mortgage/Rental History

If the borrower had any late mortgage payments within the past 36 months on the existing Guaranteed loan, with additional emphasis placed on the most recent 12 months, the underwriter consider the circumstances surrounding the late payment(s) to determine if the loan is eligible (e.g. were the payments late due to the borrowers disregard for financial obligations or their inability to manage debt, or were their circumstances beyond the borrower's control such as an illness, job loss, etc.)

Mortgage Seasoning

The below mortgage seasoning requirements must be met.

- The existing loan must have closed 12 months prior to request for a refinance and must be current for the 180 day period prior to the Agency's receipt of a Conditional Commitment request.
- Six (6) payments since assumption date must have passed (if applicable).

Refinance of loans on which fewer than six (6) consecutive regularly scheduled payments have been made are not eligible for financing.

Occupancy

Owner-occupied, 1-unit primary residence.

Other Real Estate Owned

- Borrower may own one additional property.
- Borrower must be financially qualified to own more than one property and must qualify including both mortgages.
- Rental income that has been received ≥ 24 months and can be documented with 2 years most recent tax returns, including Schedule E, and a copy of the current signed lease agreement.

Power of Attorney

Allowed on an exception basis for closing only; cannot be used for the execution of the initial application and disclosures. Certified copy from settlement agent required in file.

Prepayment Penalty

Not permitted.

Product

30 year fixed rate

Reserves

Not required.

Streamlined Refinance General Requirements

- The borrower must receive the benefit of a lower interest rate. The new interest rate must be a minimum of 100 basis points below the current interest rate.
- The maximum interest rate may not exceed the Fannie Mae 90 day Actual/Actual Yield for a 30 year fixed rate loan, plus 100 basis points, rounded up to the nearest quarter of one percent (e.g., Fannie Mae 90 day rate is 4.72 + 100 basis points = 5.72 rounded up to 5.75%).
- A tri-merged credit report is required.
- Maximum loan amount cannot exceed the existing balance on the loan being refinanced.
- The guarantee fee may be financed.
- The base loan amount may only include the principal balance of the loan and the up-front guarantee fee if financed. Accrued interest, closing costs or lender fees cannot be financed with the Streamlined option.

- Subordinate financing cannot be included in the new loan amount. Any existing secondary financing must subordinate to the new first lien.
- Borrowers may receive reimbursement from loan proceeds at settlement for personal funds advanced for loan purposes (e.g., appraisal fee, credit report, etc.) Borrower may not receive any cash back resulting from final escrow or interest calculations; the excess funds must be applied as a principal reduction.
- Continuity of obligation requires that at least one of the borrowers on the refinance transaction is currently on the title of the property being refinanced.
- Rural Development loan being refinanced must be a Guaranteed loan.
- Properties that are now outside of a rural area as previously defined by Rural Development are eligible.
- Income eligibility must be met.
- Property must remain primary residence.
- Properties now located in a flood zone with require flood insurance.
- Properties that were listed for sale in the previous 12 months must be taken off the market prior to the application date.

Subordinate Financing

No new subordinate financing. Existing subordinate financing cannot be included in the new loan amount. Any existing subordinate financing must subordinate to the new first lien.

Temporary Buydown

Not allowed.

Transactions - Ineligible

- Cash-out refinances.
- Refinance of a USDA Section 502 Direct Loan.
- Refinance of any loan that is not a current Rural Development loan.

USDA Forms and Links

USDA Rural Development forms and guidelines are available at: USDA LINC Training and Resource Library

- ***Request for Single Family Housing Loan Guarantee*** (RD Form 3555-21) is used to request a loan guarantee from Rural Development. Must be completed at time of origination and signed by the borrower(s).

NOTE: Any increase in the loan amount or interest rate from what was indicated on the initial Form 3555-21 will require a new Form 3555-21 be submitted to USDA by Planet which will delay the loan process. Loans cannot be closed with a higher loan amount/interest rates than noted on the Conditional Commitment; a new Commitment will be required.

- ***Conditional Commitment for Single Family Housing Loan Guarantee*** (RD Form 3555-18) is issued by Rural Development to indicate the loan appears to be eligible for a GRH loan. The Conditional Commitment is valid for 60 days from issuance.

USDA Streamlined Assist Refinance Program Grid

Primary Residence Full Documentation Fixed Rate[4]			
Transaction	**Units**	**LTV/CLTV[1]**	**Credit Score[3]**
Streamlined-Assist Refinance[2]	1	N/A	Per GUS

Footnotes:

1. Loan being refinanced must be a USDA Guaranteed Rural Housing loan or USDA Section 502 Direct loans (Direct loans are serviced only by USDA). Conventional, FHA or VA loans cannot be refinanced under this program.
2. Minimum loan amount $40,000.
3. Non-delegated transactions require A 620 FICO
4. Manual Underwrite: No more than 2 of the following Risk Factors allowed: < 620 FICO; Utilization of Gift Funds; DTI <45%; LTV within 5% of the program maximum.

USDA's new HB-1-3555 may be viewed at USDA Rural Development Regulations and Guidance by selecting HB-1-3555 SFH Guaranteed Loan Program Technical Handbook. The new forms are available at USDA LINC Training and Resource Library under Forms.

USDA Guaranteed Rural Housing (GRH) Streamlined Assist Program Highlights

- No Appraisal required, except for direct borrowers who received a subsidy during their loan terms to calculate the subsidy recapture amount.
- No Credit Report required.
- No Debt-to-Income calculations required.

Upfront Guarantee Fee

- **Conditional Commitments issued on or after October 1, 2017:**

  Purchase and refinance transactions: 1% of the total loan amount

- **Annual Fee**

  0.35%. The annual fee is applicable for the life of the loan

USDA Streamlined Assist Refinance Program Guidelines

Planet follows USDA guidelines for any topic not addressed below.

4506-T

Seller must provide 4506-T signed by all borrowers prior to loan closing for both personal and business tax returns (if applicable) for all adult (18 years and older) household members, except full time students.

NOTE: Due to the hacking incidents, Planet will accept transcripts that the borrower obtained from the IRS along with a certification that the returns are true and correct.

Ability to Repay/Qualified Mortgage

- Any loan guaranteed by the USDA is a qualified mortgage as long as the originator did not charge the borrower points and fees above the limits established by CFPB.
- Not required to meet USDA repayment provision for streamlined-assist loans.

Affidavit of Identity

Planet may require an Affidavit of Identity if a borrower signature appears incomplete or illegible.

Age of Documents

All credit, income and asset documentation must be ≤ 120 days from the Note date.

Appraisals

- Not required for existing guaranteed borrowers.
- Required for borrowers with an existing direct loan to determine the amount of subsidy recapture due.

Assumptions

Planet follows agency guidelines.

AUS

Manual underwrite only.

Available Markets

- **Delegated Sellers**
  - Planet will purchase loans underwritten and closed by the delegated Seller in **all** states.
- **Non-delegated Sellers**

    - USDA products are permitted for non-delegated Sellers
- The U.S. territories of Guam and the Virgin Islands are ineligible regardless of delegation.
- Property must be located in a rural area as defined by Rural Development.

Borrower Benefit

Tangible benefit ≥ $50 reduction in PITI which includes the annual fee payment on the new guaranteed loan when compared to the existing PITI including the annual fee payment.

Borrower - Adding or Deleting

Borrower(s) may be added but **not** deleted from the existing loan.

Borrower Type

Existing guaranteed loan borrowers or Direct 502 borrowers.

Borrowers — Eligible

Borrowers who do not qualify for conventional credit and whose income does not exceed the maximum limit set by the USDA for the applicable area. Borrowers must also be:

- A U.S. citizen, or
- A permanent resident alien with an unexpired "Green Card" issued by the U.S. Citizenship and Immigration Services (USCIS). A copy of both the front and back of the card is required, or
- Revocable Inter-vivos trust, or
- A non-permanent resident alien. Non-permanent resident aliens are eligible as follows:
    - Borrower has a valid social security number (cannot be used as evidence of eligible work status).
    - Borrower has an unexpired Employment Authorization Document (EAD) issued by the United States Citizenship and Immigration Services (USCIS) as evidence of eligible work status. If the authorization for temporary residency status expires within one year, continuation may be assumed when there is a prior history of renewals. If no continuation has been previously granted the underwriter must determine the likelihood based on evidence from USCIS.

NOTE: Borrowers residing in the United States under refugee or asylee status granted by the USCIS are automatically eligible to work in the U.S., therefore, an EAD is not required.

- All borrowers are required to have a social security number; a TIN is not acceptable.
- Non-Borrowing/Non-Purchasing Spouse: Generally have no ownership interest in the property and are not liable for the debt. In community property/marital rights states the non-borrowing spouse does have an interest in the property and is required to execute the security instrument and all applicable documents as determined by state law. A full credit report will be required for a non-purchasing spouse in community property states and the debt obligations (except as excluded by

applicable state law) must be entered on the 1003 in the "Asset and Liabilities" section and their debts must be included in the borrower's debt ratio. Community property states include Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin. The non-purchasing spouse's credit history is not a reason to deny the loan application.

Borrowers - Ineligible

- Foreign Nationals
- Borrowers with diplomatic immunity
- Borrowers without a social security number
- Non-U.S. citizens with no lawful residency in the U.S.
- Non-occupant co-borrowers
- Co-Signers
- Borrowers who qualify for conventional credit

CAIVRS/LDP/SAM

CAIVRS

- All borrowers must be checked against the Credit Alert Interactive Voice Response System (CAIVRS) to determine if they have delinquent federal debt. A clear CAIVRS is required.
- All federal debt and judgments must be paid in full or otherwise resolved and have supporting documentation.
- CAIVRS claims: The borrower must provide official documentation that the delinquency has been paid in full or otherwise resolved prior to loan processing.

LDP / SAM

All of the following parties to the transaction, as applicable, must be checked against HUD's Limited Denial of Participation and the System for Award Management lists:

- Appraiser
- Appraisal Company
- Borrower(s)
- Closing Agent
- Lender
- Listing Agent
- Mortgage Loan Officer
- Mortgage Processor
- Mortgage Underwriter
- Seller(s)
- Selling Agent
- Title Company
- 203(k) Consultant

Cash Back to Borrower

The borrower is eligible to receive reimbursement from loan proceeds at settlement for personal funds advanced such as:

- Appraisals fees
- Credit reports
- Final escrow
- Interest calculations

Tax credits, excess loan funds and items paid with credit cards cannot be refunded to the borrower; a principal reduction is required.

NOTE: Any excess gift funds at closing may be returned to the borrower

Credit History

Planet requires documented proof that the borrower has maintained existing tradelines for at least 180 days prior to application.

Credit Report

A mortgage only credit report on the subject property is required. *See* "Mortgage Seasoning" on page 515 requirements for additional information

DTI

No debt-to-income calculations required.

Employment

- A verbal verification of employment (VVOE) is required within 10 business days of the Note date for salaried borrowers and 30 calendar days for self-employed borrowers. A sample VVOE form is posted on the CORE Seller Portal at www.phlcorrespondent.com under **Forms and Resources**. Sellers are not required to use this exact form, however, any form used must provide the information contained on the Planet form.
- Sellers must independently obtain the phone number, and when possible, the address of the wage earner borrower's employer using directory assistance/internet/phone book, etc.
- Self- employed borrowers are individuals who have 25% or greater ownership interest in a business. Self-employed borrowers require verification of the business by a third party source (e.g. CPA, Federal Tax ID Certificate, Business License, and 411/Reverse Look-up). *See* USDA Handbook Chapter 9 for complete Employment income details.

Escrow Holdback

Not allowed.

Gift Funds

- Gift funds are eligible for closing costs or may be applied towards the guarantee fee. There must be no expected or implied repayment requirement of the gift funds.

- Gift funds may **not** be used for cash reserves as a compensating factor.
- Any excess gift funds at closing may be returned to the borrower.
- A cash gift is acceptable if the donor is:
  - A person not living in the household, or
  - An eligible organization.
- A gift letter is required which includes the following:
  - The dollar amount of the gift,
  - Signature of the donor and the borrower,
  - The date the funds were transferred,
  - The donor(s) name, address, phone number, and relationship to the borrower, and
  - A statement by the donor that no repayment of the gift funds is expected.
- The gift fund donor cannot be affiliated with the broker or any other interested party to the transaction including household members. Gift funds from household members are **eligible**.
- Regardless of when gift funds are made available to the borrower, it must be determined that the gift funds were not provided by an unacceptable source and that the gift funds were the donor's own funds.
- Gift fund availability and transfer of the funds must be documented. Verification of transfer of funds must be documented as noted below:
  - Gift funds given prior to closing
    - Copy of the donor's canceled check (front and back) and conclusive evidence that the money was withdrawn from the donor's account (conclusive evidence might be a withdrawal slip or bank statement and the borrower's deposit slip and/or bank statement verifying the deposit.
  - Gift funds given to closing agent:
    - Must be received at least one day prior to closing to allow for underwriter review; gift funds the day of closing are not allowed.
    - A copy of donor's check to the closing agent is required, and
    - Gift must be reflected on CD.

NOTE: When a bank statement is used to document funds, the donor **may** be required to document large deposits to ensure the funds did not come from an interested third party.

- Gift funds are eligible from any acceptable source provided the borrowers are not obligors to any Note to secure the money borrowed for the gift.

Impound Account

Required on all loans — no exceptions.

Income Documentation

Income must be documented for the previous 2 years for all adult household members. Spouses and Non-spouse household members income must be included unless they have been living apart for at least three (3) months. *See* USDA Handbook Chapter 9.

Salaried Borrowers

- Current pay stubs for previous 4 weeks of earnings with YTD income
- W -2s for prior 2 years
- Written VOE or electronic verifications

Self-Employed Borrowers

- 2 years signed tax returns including all schedules
- YTD P&L (audited or unaudited)
- YTD Income & Expense Statement

Income Limits

The borrower's total adjusted annual household income cannot exceed the moderate level of the area median as determined by Rural Development for the state/county where the property is located. View the GRH income limits by state on the Rural Development Single Family Housing Guaranteed Loan Income Limits website.

To determine income eligibility, enter the information requested on the Rural Development Income Eligibility website.

NOTE: The Rural Development system will indicate eligible/ineligible for both the Guaranteed Rural Housing Loan Program and the Direct Rural Housing Loan Program. Planet only offers the Guaranteed Rural Housing program. *See* USDA Planet Purchase and Non-Streamlined program guide for additional income details.

Inspections

Not required.

Maximum Loan Amount

Loan amount may not exceed the total of:

- The principal balance of the existing
- Eligible closing cost
- Fund necessary to establish a new tax and insurance escrow account
- Upfront guarantee fee
- Loan discount points not eligible for inclusion except to reduce the effective interest rate

NOTE: Unpaid fees, past due interest, late fees and penalties cannot be included in the new loan amount.

Mortgage History

- Existing mortgage must have been paid as agreed for 12 months prior to refi application.
- Existing mortgage must have closed 12 months prior to request for refinance.
- Mortgage payment history must be verified through a Verification of Mortgage (VOM) or a credit report.

NOTE: If a credit report is ordered to determine timely mortgage payments, other credit accounts will not be reviewed.

Mortgage Seasoning

For refinance transactions, the following mortgage seasoning requirements must be met:

- The existing loan must have closed 12 months prior to the request for Conditional Commitment, and
- Paid as agreed for the 12 months prior to application.
- Six (6) payments since assumption date must have passed (if applicable).

NOTE: Refinance of loans on which fewer than six (6) consecutive regularly scheduled payments have been made are not eligible for financing.

Net Tangible Benefit

- The borrower must receive a $50 or greater reduction in their principal, interest, and annual fee monthly payment compared to the existing principal, interest and annual fee monthly payment.
- Must not exceed the interest rate of the original loan.

Occupancy

Owner-occupied, 1-unit primary residence.

Other Real Estate Owned

Borrower may own one additional property under the below cases:

- Must be financially qualified to own more than one property
- Rental income that has been received ≥ 24 months must be documented with 2 years most recent tax returns, including Schedule E, and a copy of the current signed lease agreement.
- Other owned property is not financed by a Rural Development guaranteed or direct Section 502 or 504 loans or active grant (the grant agreement has not expired).

Power of Attorney

Allowed on an exception basis for closing only; cannot be used for the execution of the initial application and disclosures.

Prepayment Penalty

Not permitted.

Product

30 year fixed rate only

Properties — Eligible

- Owner-occupied principal residence
- Must be secured by original loan
- Properties do not have to be located in an area currently identified as an eligible rural area.

Reserves

Not required.

Subordinate Financing

No new subordinate financing. Existing subordinate financing cannot be included in the new loan amount. Any existing subordinate financing must subordinate to the new first lien. Planet will accept direct loans for refinancing. When a direct loan is refinanced any recapture amount owned may be included or deferred as long as the recapture amount takes a subordinate lien position to the new SFHGLP.

Temporary Buydown

Not allowed.

Transactions - Ineligible

Refinance of any loan that is not a current Rural Development loan.

USDA Forms and Links

USDA Rural Development forms and guidelines are available at: USDA LINC Training and Resource Library

- ***Request for Single Family Housing Loan Guarantee*** (RD Form 3555-21) is used to request a loan guarantee from Rural Development. Must be completed at time of origination and signed by the borrower(s).

NOTE: Any increase in the loan amount or interest rate from what was indicated on the initial Form 3555-21 will require a new Form 3555-21 be submitted to USDA by Planet which will delay the loan process. Loans cannot be closed with a higher loan amount/interest rates than noted on the Conditional Commitment; a new Commitment will be required.

- ***Conditional Commitment for Single Family Housing Loan Guarantee*** (RD Form 3555-18) is issued by Rural Development to indicate the loan appears to be eligible for a GRH loan. The Conditional Commitment is valid for 60 days from issuance.

Chapter 6: Lock Registration and Commitments

Lock Registration

The Seller must lock each loan submitted to Planet for purchase. Individual loans can be locked before or after a loan is submitted to Planet.

Rate Sheets

Rate sheets outline Planet's current loan products, pricing, and lock terms. Rate sheets are published daily between approximately 7:00 A.M. and 7:30 P.M. Pacific time and are available online at www.phlcorrespondent.com. Access to online rate sheets are restricted to the approved Seller with an assigned login and password.

Locking a Loan

The Seller can lock a loan with Planet by going to www.phlcorrespondent.com and logging into Planet's CORE Seller Portal using its CORE User Name and Password. Loans can be locked prior to submission by clicking the **New Loan Actions** button. To lock an existing loan, select the loan in the pipeline and click the **Lock** button.

Lock registrations are accepted from the approved Seller only and may be locked anytime during the day prior to the cut-off time of 5:00 P.M. Pacific time.

Maximum Locks per Day

Planet limits the Seller to a maximum of $5 million in locks per day.

The daily limit begins with the issuance of the morning rate sheet and ends at 5:00 P.M. Pacific time or when there is a mid-day price change. In the event of a mid-day price change, the limit resets when the new rate sheet is issued (i.e., Seller who has locked $3 million in loans based on the morning rate sheet is eligible to lock up to an additional $5 million based on the rate sheet issued with the mid-day price change for a total of $8 million in locks for the day). This reset also applies to any additional price changes published by Planet throughout the day.

Exceptions to this policy may be granted on a case-by-case basis by Planet's Capital Markets.

This policy **does not** apply to mandatory bulk trades or direct trades.

Daily Pricing

Pricing is available to the Seller on a daily basis and is available at www.phlcorrespondent.com. Due to market conditions and other circumstances, Planet may have periods when no pricing is available. During these periods, the Seller will not be able to obtain rate locks.

Intra-Day Pricing Changes

Due to the volatile nature of the secondary mortgage market, all pricing is subject to change at any time without notice. Planet determines cut-off times for intra-day pricing changes.

Lock a Loan Where Subject Property is To Be Determined

To lock a loan where the subject property is to be determined (TBD), enter address as follows:

- Enter “TBD” in the Address field
- Enter the anticipated zip code in the Zip Code field (this may be changed once an actual property is selected)

Once an actual property is determined, the Seller should import an updated 3.2 file that has the property address.

Locked Loan Changes

Any changes to the loan information on a loan already locked with Planet needs to be reviewed for potential re-pricing.

A Change In	Receives
Interest rate, credit score, loan amount, LTV, property type, or occupancy	Pricing from original day’s lock date plus all applicable Loan Level Pricing Adjustments
Term (e.g., 30-year term to 15-year term)	Worst case pricing
Product switch: Government to/from Conventional	Worst case pricing
Product switch: FHA to/from VA with the same term	Pricing from original lock date
Product Type: Fixed to/from ARM	Worst case pricing

Worst case pricing is the lower of the current day’s rate sheet base price or the original lock date’s rate sheet base price, **plus** all accumulated loan level price adjustments, extension fees, and deficiency fees.

Specific fields that cannot be changed by the Seller are as follows:

- Seller identification number
- Primary borrower name (first and last) and co-borrower name, if applicable
- Primary borrower social security number and co-borrower social security, if applicable
- Property address, city, state, and zip code

NOTE: Any updates to these fields must be requested and updated by Planet.

Incomplete Lock Information

Loans that have incomplete information (required data fields are not provided) may not be quoted a price.

Error Notification

Loans locked with incorrect information should be reported to Planet within one (1) business day of lock. Any error, omission, or mistake in locking a loan is considered on a case-by-case basis for correction and may be subject to a re-price and/or penalty. Any correction of errors, omissions, or mistakes reported after the one (1) business day time frame requires that the loan be re-priced subject to worst case pricing.

Lock Commitments

Planet requires that the Seller lock all loans prior to the purchase date. A lock commitment is an agreement whereby the Seller commits to deliver a mortgage loan that is eligible for purchase under the terms of the Agreement and Seller Guide.

Lock Commitment Options

Best Efforts Commitment

Single Loan: Best effort commitments are used as a lock for a specific single loan that identifies the loan program, subject property, and borrower for a specific period, at an interest rate and price, according to program parameters. If the loan does not close and the Seller cannot deliver the loan for purchase, a pair off fee **will not** apply. However, Planet closely monitors pull-thru ratios of locked pipelines and unacceptable activity may impact the Seller’s eligibility to do business with Planet.

A Seller may register a best efforts commitment lock for 15, 30, 45, 60, 75, 90 or 120 days.

Mandatory Commitment

Single Loan: Mandatory commitments are used as a lock for a specific single loan that identifies the loan program, subject property, and a borrower for a specific period, at an interest rate and price, according to program parameters. If the loan does not close and the Seller cannot deliver the loan for purchase, a pair off fee **will** apply. The pair off fee includes the difference in price due to market movement and a .125% administrative fee.

A Seller may register a mandatory commitment lock for 15, 30, 45, 60, 75, 90 or 120 days.

Multiple Loans: Mandatory commitments are used as a lock for multiple loans that are negotiated with Planet. This mandatory commitment for multiple loans (or "**Bulk Transaction**") may be used for the purchase of a specific pool of loans at a specific price, based upon the loan characteristics of the pool. If the Seller fails to deliver any of the loans identified in the pool, a pair off fee will be assessed on that loan. The pair off fee includes the difference in price due to market movement plus a .125% administrative fee. With Planet approval, the Seller may elect to substitute a loan in lieu of a pair off. However, the Seller must deliver a minimum of 95%, or a maximum of 105% of the unpaid principal balances of the original pool of loans or Planet may modify the price of the commitment to reflect current market prices for the over or under delivery.

Master Commitments

Forward commitments and volume incentives are available on a case-by-case basis. Please contact your Regional Sales Manager, if interested.

Long Term Rate Lock Commitment

Single Loan: Long-term rate lock commitments are used as a lock for a specific single loan that identifies the loan program, subject property, and borrower for a specific period, at an interest rate and price, according to program parameters. A 1% upfront fee is charged and is due from the Seller within five (5) business days of the lock commitment. On the sixth business day, if the fee has not been received, the lock is automatically canceled. The 1% upfront fee is refunded upon purchase of the loan by Planet. If the loan does not close and the Seller cannot deliver the loan for purchase, the 1% upfront fee is not refunded.

A Seller may register a long-term rate lock commitment for 180, 270 or 360 days.

The Seller has the option to wire transfer or overnight a check for payment of the 1% upfront fee.

Wire Transfer Instructions:

Fifth Third Bank
Cincinnati, OH
ABA: 042000314
Account #:7237533968

Account Name: Planet Home Lending, LLC

Check Instructions:

Planet Home Lending, LLC
Attn: Allyson Jackson
10025 Governor Warfield Pkwy, Suite 301
Columbia, MD 21044

Float Down Policy Long Term Locks

Planet offers a one-time option for a borrower to reduce the locked mortgage rate for lock periods of 120, 180, 270 or 360 days.

- The interest rate market has favorably improved to a point that a 1/8th reduction to the locked rate is available.
- Once the rate has been floated down, the rate cannot be changed in a subsequent transaction that will cause it to exceed the renegotiated rate.
- Email: Correspondentlocks@planethomelending.com.
    - The Seller must include the final rate and price being requested for the borrower.
- The Float Down Rate calculation is: Current Market minus 0.500%. The resulting price cannot exceed the original locked price.

For example:

Original Locked Pricing = 4.5% @ 100.00

Current Market Pricing = 4.25% @ 100.00; 4.375% @ 100.50; 4.5% @ 100.75

Float Down Pricing Options: 4.25% @ 99.5; 4.375% @100.00

In the above scenario, 4.5% @ 100.25 is not an available option as it does not provide a 1/8th reduction of the locked rate, and the final price would exceed the original locked price.

Lock Confirmations

The Seller receives a confirmation on each rate lock commitment. This lock confirmation does not constitute a loan decision or a commitment to purchase a mortgage loan.

Rate Lock Extensions

The Seller may request a rate lock extension with Planet by logging onto www.phlcorrespondent.com and providing the necessary information to obtain a rate lock extension.

The extension is granted up to 30 days on or before the original lock expiration date. Planet may grant a rate lock extension on a best efforts lock, single-loan mandatory commitment or mini-bulk mandatory commitment. Due to market conditions and other circumstances, rate lock extensions are at the discretion of Planet. Rate lock extensions are calculated in calendar days and must be continuous. Weekend or holiday expirations are calculated from the actual calendar expiration date that falls on the weekend of the holiday. At no time shall the extension exceed an aggregate of 60 days.

Extension fees are as follows:

Expiration Date	Fee
Less than or equal to 7 days	(.125)
8-15 days	(.250)
16-30 days	(.500)

Extension fees are at the discretion of Planet and are subject to change without notice. Planet will not offer a rate lock extension without an additional fee.

Expirations

Planet must receive all mortgage loans by the lock expiration date.

Lock Expiration

The lock expiration is the expiration of Planet's commitment to honor a locked loan at a particular interest rate. If the Seller requires additional time and a rate lock extension was not requested prior to the lock expiration, the mortgage loan is subject to relock at worst case pricing. For locks expiring on a weekend or holiday, the expiration rolls to the next business day.

Relocks

The following table details the Planet re-lock policy:

Number of Days from Original Lock Expiration to Re-lock	Loan Submitted to Planet	Pricing
≤ 45 days	Yes	Subject to worst case pricing*
≤ 45 days	No	Subject to worst case pricing*

Number of Days from Original Lock Expiration to Re-lock	Loan Submitted to Planet	Pricing
> 45 days	Yes	Subject to worst case pricing*
> 45 days	No	Priced at current market

* Worst case pricing is the lower of the current day's rate sheet base price or the original lock date's rate sheet base price plus all accumulated loan level price adjustments, extension fees, and deficiency fees.

Holiday or Weekend Lock Expirations

An original lock, relock, or extended lock commitment expiring on a holiday or weekend rolls into the following business day.

Locked Loan Delivery Policy

All loans locked under a best efforts or mandatory commitment must be received on, or before, the expiration date of the lock.

Purchasing Disposition

When the review of a file is completed, a purchasing disposition is issued to notify the Seller of certain conditions including, but not limited to, underwriting and purchasing conditions, which have not been met.

Conditions Cleared By Date

The purchasing disposition will be issued with a Conditions Cleared By Date, which is the greater of seven (7) calendar days from the date of disposition or the lock expiration date. If the Conditions Cleared By Date is on a holiday or weekend, it rolls to the next business day.

If the Seller is not able to clear the conditions for purchase by the Conditions Cleared By Date, the Seller is responsible for a deficiency fee.

Deficiency Fees

Deficiency fees to purchase loans are as follows:

Number of Calendar Days to Extend Conditions Cleared by Date	Deficiency Fee
0-7 days	No Fee
8-14 days	.125%
15-22 days	.250%
23-30 days	.375%
Over 30 days	Re-lock loan at worst case pricing

Pair Off Fees

The pair off fee includes the difference in price due to the market movement, plus a .125% administrative fee.

Calculation of Pair Off Fees

Below are examples of the calculation of pair off fees for a $200,000 loan amount with either negative or positive market movement.

Negative Market Movement	Mortgage loan not received by lock expiration date	
	Price at expiration date	101.000
	Price at lock date	101.500
	Negative market movement	(0.500)
	Pair off fee	0.000
	Administrative fee	0.125
	Total pair off	0.125
	Amount subject to pair off fee	$200,000
	Multiplied by pair off	0.125
	Total pair off fee	$250.00

Positive Market Movement	Mortgage loan not received by lock expiration date	
	Price at expiration date	101.000
	Price at lock date	100.500
	Positive market movement	0.500
	Pair off fee	0.500
	Administrative fee	0.125
	Total pair off	0.625
	Amount subject to pair off fee	$200,000
	Multiplied by pair off	0.625
	Total pair off fee	$1,250.00

Example 2: Mortgage loan not received by lock expiration date—positive market movement: Price at expiration date 101.000 Price at lock date 100.500 Positive market movement 0.500 Pair off fee 0.500 Administrative fee 0.125 Total pair off 0.625 Amount subject to pair off fee $200,000 Multiplied by pair off 0.625 Total pair off fee $1,250.00

Pair Off Fee Notification

Once the Seller is issued a pair off fee notification, the Seller is required to pay Planet within fifteen (15) business days. If the pair off fee is not paid, Planet may offset fees due from any proceeds owed to the Seller by Planet.

Chapter 7: Planet CORE Seller Portal — Loan Submissions

Overview

Planet embraces technology to create an electronic, paperless environment where receipt of data, images, underwriting, purchasing and servicing information is processed, stored, maintained and completed, all within the CORE Seller Portal.

The CORE Seller Portal is a secure website that can be accessed by the approved Seller to conduct business with Planet. The CORE Seller Portal is available at www.phlcorrespondent.com under the **Seller Login** button.

The Seller can submit and lock loans, request pipeline reports, view and print purchase advices, and access the Planet Seller Guide, all within the CORE Seller Portal.

Loan Submission

Loans submitted to Planet must comply with all federal regulations, state and local laws.

Planet's internal Quality Control process includes the review of loans received from a newly, approved Seller prior to purchase. Each of these loans undergoes a comprehensive review to ensure continued quality in the loans purchased.

In addition, Quality Control conducts a review on a population of selected loans based on a random sampling to include loans from all Sellers. In an effort to deliver acceptable service levels for our Sellers, the QC review will, in most cases, be a parallel process with our standard pre-purchase loan review.

Planet partners with all Sellers to assist in enhancing their internal policies and procedures to ensure quality loan production by sharing the findings and resources whenever possible.

A complete loan package must be submitted to Planet on or before the lock expiration date. A Quick Start Reference Sheet, Upload a Closing Package, is available on the CORE Seller Portal at www.phlcorrespondent.com under **Training Tools**.

All flow loans must be locked prior to purchase by Planet.

To submit a loan to Planet, log into the CORE Seller Portal and select **New Loan Actions**. All data, images and submission requirements are processed through the CORE Seller Portal.

Upload Conditions

Underwriting and purchasing conditions can be reviewed and uploaded through the CORE Seller Portal.

Incomplete Closing Packages

Upon a review of the closing package, a Purchasing Disposition, which outlines outstanding conditions, is generated. All conditions must be delivered the later of seven (7) days following the Purchase Disposition or the Lock expiration date.

Condo Analytics

Loans delivered to Planet for underwriting with a property type of condominium or attached PUD (conventional), without a Condo Analytics Report is subject to a new documentation review as part of the Planet approval process.

Planet reviews and makes a project decision based on the Condo Analytics Report and applicable documentation provided by the Seller.

If the Seller does not provide a Condo Analytics Report at the time of submission but does provide all project documentation required to complete a review, Planet orders the review from Condo Analytics at a cost of $149.00 (Conventional, FHA and Non-Agency Reviews) which is then passed on to the Seller through the Purchase Advice immediately.

Planet orders a Condo Analytics Report and all project documentation for the Seller who has not provided the applicable materials to complete a review at the time of submission. The cost is outlined below and is passed on to the Seller through the Purchase Advice immediately.

Condo Analytics Project Review Cost		
Conventional and Non-Agency	Full Condo Review	$350.00
Conventional and Non-Agency	Limited Condo/PUD Review	$275.00
FHA	Full Condo Review	$399.00
FHA	Refresh	$99.00

Bailee Requirement

Planet requires a Bailee Letter from the Warehouse Lender when a loan has been pledged to secure a warehouse line of credit. Self-funding is allowed by depository institutions only (i.e. banks and credit unions).

When self-funded, the Seller should complete a Wire Transfer/Authorization form which must be signed by an authorized representative of the Seller. A sample Correspondent Wire Authorization Form is available on the CORE Seller Portal at www.phlcorrespondent.com under **Forms and Resources**. The Seller is not required to use this form but any form used must provide all of the information contained on the Planet form.

Original Note

The Note may be shipped under separate cover if it is forwarded by the Seller's warehouse bank. Planet does not accept Lost Note Affidavits (LNA).

Original Note Endorsement or Allonge

The Allonge must be completed and executed by an authorized employee of the Seller endorsing the Note in blank. If an Allonge is not provided, then an authorized employee of the Seller endorsing the Note in blank must endorse the Note itself.

Endorsement should read (for all states):

Pay to the Order of:

Planet Home Lending, LLC
Without Recourse [Seller]
[Signature of Officer]
[Officer's Name and Title]

Original Note, Bailee Letter and Allonge should be shipped to:

Deutsche Bank
1761 E. Saint Andrew Place
Santa Ana, CA 92705
(714) 247-6069
ATTN: Planet Home Lending - Correspondent Loans

Collateral File

The Seller is required to upload collateral documents using the **Upload Documents** link available in the CORE Seller Portal. If a document must be re-recorded per an exception, this must be stipulated as a condition. The Seller must meet this condition before Planet purchases the loan.

Collateral documents must include:

- Bailee Letter
- Original Note endorsed to Planet Home Lending, LLC; OR

- Original Note and Allonge to Planet Home Lending, LLC
- Certified copy of the Power of Attorney, if applicable

See "Chapter 8: Loan Purchasing" on page 531 **Loan Assignments** section for requirements regarding the assignment of the security instrument.

Administration Fees

Administration fees are assessed based on the Seller’s delegation authority. The administration fees, indicated on the Planet rate sheet, are effective as of the date of the lock.

Chapter 8: Loan Purchasing

Loan Review

Prior to purchase, all loans must be reviewed by the Loan Eligibility Department. Loans are reviewed for completeness as well as for compliance with Planet loan program overlays. Planet has the right to conduct a quality control audit on all loans.

Closed loans are reviewed to determine purchase eligibility. Collateral delivery and submission of the closed loan package must include all underwriting conditions to ensure that all requirements have been met.

If Planet does not conduct a review or discover any deficiencies, the Seller is not released from any obligations. The Seller must provide the documentation required to correct any errors. Planet has the right to remedies and indemnification, which includes the right to request a repurchase of a loan file. When the purchase review is complete, Planet will determine if the loan is approved, suspended or denied for purchase.

Seasoned Loans

Loans must be delivered for purchase within 30 days of the loan closing date and purchased by Planet prior to the second payment due date. Planet defines a seasoned loan as a loan that has been credited with a maximum of one payment. The seasoned loan may have one additional scheduled payment at the time of purchase by Planet.

NOTE: Planet will not purchase a loan when more than one loan payment has been credited.

A printout of the payment history must be included in the loan package indicating how the payment was applied and any disbursements from escrows for all seasoned loans.

Closing Disclosure

A Closing Disclosure (“CD”) must be fully completed on every loan indicating all fees, funds and cost involved with the transaction.

Planet does not mandate the use of a specific form, but any form used must be executed completely.

On purchase transactions, the Settlement Agent must provide a signed executed copy of the settlement break down from the Seller’s side. The document must be signed by the Settlement Agent/Attorney and Seller.

Principal Reductions

Planet allows principal reductions at closing subject to the guidelines detailed below. This policy applies to principal reductions required due to cash-out limitations or excess credit.

If the principal reduction is applied at closing, it must be documented on the CD indicating the amount of the reduction and reason.

If the principal reduction is applied after closing, the file must include documentation that indicates the amount of the principal reduction and the reason or source of the reduction (e.g., lender refund or borrower remittance).

Conventional Rate/Term Transactions – Cashback Limitation

A principal reduction is allowed when cashback to the borrower exceeds the Agency's cashback-to-the-borrower limit of:

- lesser of 2% of the loan amount or $2,000 on Fannie Mae rate/term transactions,
- greater of 1% or $2,000 for Freddie Mac rate/term transactions.

Reimbursements for overpayment of fees and charges due to federal or state laws/regulations are not included in the cash back limitation.

Conventional Rate/Term Transactions — Principal Reduction Limitation

The maximum amount of the principal reduction cannot exceed the lesser of $2,500 or 2% of the original loan amount.

If the cashback to the borrower exceeds Fannie Mae's limit even after applying the maximum principal reduction, the loan must be re-worked or be re-underwritten as a cash-out transaction subject to cash-out guidelines and pricing.

Government Transactions

The maximum principal reduction is 1% of the loan amount excluding any allowable cashback to the borrower per the applicable guideline.

Federal Emergency Management Agency (FEMA) Disaster Declarations

Planet requires a property inspection for any loan submitted or in process during the FEMA defined incident period that has been adversely affected by the disaster.

Properties Located in a Designated Area and Affected by a Disaster

Properties located in FEMA designated areas in which an appraisal has been completed on or before the incident period date will require an inspection report to determine the properties condition using one of the following methods:

- An Appraisal Update and/or Completion Report (Fannie Mae Form 1004D) or
- Desktop Underwriter Property Inspection Report (Fannie Mae Form 2075) including loans in which an appraisal is not required.

Prior to November 19, 2018:

- Loans in process that previously utilized a PIW or ACE will require a full appraisal.
- PIW and ACE may NOT be used when the subject property is located in an area impacted by a natural disaster.

On or After November 19, 2018:

- Fannie PIW may NOT be used when the subject property is located in an area impacted by a natural disaster, and a full appraisal is required.
- Freddie ACE may be used when the subject property is located in an area impacted by a natural disaster; Desktop Underwriter Property Inspection Report is required.

FHA Transactions

A Damage Inspection report completed by the original FHA roster appraiser dated after the incident period is required on all FHA transactions.

- If the original Appraiser is not available, another FHA roster appraiser can be used.
- Additional conditions apply when damage is indicated on form 1004D, 2075 or the FHA Inspection Report.

Appraisals completed after the Disaster Declaration incident period end date require the appraiser to comment on the value and marketability of the property for 60 days from the end of the incident period.

Properties Located in a Designated Area and NOT Affected by a Disaster

If a property is located in a FEMA designated area and has not be adversely affected by the disaster, Planet will accept a certification from the Seller, including post disaster photos evidencing no adverse effect by the disaster to the subject property.

NOTE: Certifications executed by an employee that receive direct compensation from the subject transaction is not acceptable.

It is the Seller's responsibility to check the FEMA website to determine if a property is in a declared area. Only properties located in counties listed under “Individual Assistance” require an Appraisal Update. Disaster Declarations can be viewed on FEMA’s website at FEMA.

Servicing Documents

Servicing Released

Planet purchases all loans on a servicing-released basis. The sale date is the funding date.

The Seller collects any payments due from the borrower according to statements on the Purchase Advice. Planet services the loans purchased and collects all payments due from the borrower thereafter.

Planet issues the initial payment statement to the borrower within two to three business days after loan purchase. Subsequent payment statements are issued within one week of Planet receiving the borrower’s payment.

It is the Seller’s responsibility to continue servicing the loan up to the effective transfer date.

Servicing Letters

A Servicing Transfer Letter (aka Goodbye Letter) is required to transfer servicing and must be prepared for all Planet loans. The Servicing Transfer Letter must reference the correct servicer or sub-servicer. Servicing Transfer Letters should reference the following servicing information regarding payment address, correspondence address, phone numbers, and hours of operation.

A sample Goodbye Letter is available on the CORE Seller Portal at www.phlcorrespondent.com; Seller should add its logo and company information when using the sample.

Servicer Payment Address:

Planet Home Lending, LLC
P.O. Box 69197

Baltimore, MD 21264-9197

Servicer Payment Overnight:

Planet Home Lending, LLC
321 Research Parkway, Suite 303
Meriden, CT 06450
Attn: Cash Management
Phone: (866) 882-8187
Hours: Monday – Friday, 8:30 A.M. to 9:00 P.M. Eastern Time

Servicer Correspondence Address:

Planet Home Lending, LLC
321 Research Parkway, Suite 303
Meriden, CT 06450
Attn: Customer Service
Phone: (866) 882-8187
Hours: Monday – Friday, 8:30 A.M. to 9:00 P.M. Eastern Time

Record Maintenance

The Seller must maintain records in accordance with applicable laws and regulations but not less than the effective date of the servicing transfer. Proper documentation includes, but is not limited to, all records that relate to the origination, sale, and servicing of the loan.

Servicing Transfer Numbers – FHA Transactions

When transferring an FHA loan to Planet for servicing, the following numbers should be entered into FHA Connection:

- Holder (Planet Home Lending, LLC) Number: 27128
- Servicer (Planet Home Lending, LLC):27128

Servicing Transfer Information – USDA Transactions

When transferring a USDA to Planet for servicing, the following information is required to complete the Lender Certification for SFH Guaranteed Loan (attachment to USDA RD Form 3555-18).

Servicing Lender – Planet Home Lending

Lender Tax ID:	26-0362771
Assigned Branch Number:	001
Address:	Planet Home Lending 321 Research Parkway, Suite 303 Meriden, CT 06450

Holding Lender – Planet Home Lending

Lender Tax ID:	26-0362771
Assigned Branch Number:	001
Address:	Planet Home Lending 321 Research Parkway, Suite 303 Meriden, CT 06450

Disclosure of Information

The Seller must agree to provide any requested information to the designated servicer to ensure proper loan servicing.

Eligible Delivery

The Seller must ensure that each loan delivered and sold to Planet meets all terms and criteria set forth in the Seller Guide.

Documents

The Seller warrants that all documents that are required as detailed in this Seller Guide have been completed, executed and delivered in the form and manner specified by Planet.

Electronic Signatures

Planet accepts electronically executed signatures as follows:

- Purchase/sales contracts
- Initial 1003
- Initial disclosures

It is the Seller's responsibility to ensure electronically-signed documents comply with the E-Sign Act and in accordance with applicable laws and regulations.

Planet requires wet signatures at closing on all closing documents.

Hybrid Closings

Hybrid closings consist of some wet-signed and some e-signed documents. Loans closed under a hybrid closing method must be in compliance with the E-Sign Act and other applicable state and federal laws, as well as applicable agency guidelines. Sellers must obtain consent to receive and sign documents electronically from each applicant or individual to whom a document or disclosure is required by applicable law to be provided or made available in writing and each individual who signs a document electronically. The loan file must include all properly disclosed and executed E-Sign disclosures and consent forms. Closing documents signed electronically in a hybrid closing must be signed on the date of the closing.

1. Hybrid Closing for the following transactions are NOT acceptable:
    - Transactions closing with a Power of Attorney
    - Transactions closing with title in the name of a Trust
    - Texas 50(a)(6) transactions
    - Any transaction without an e-consent from all borrowers prior to receiving electronic documents.
2. The following documents must be wet signed for all closings:
    - Note
    - Mortgage/Deed of Trust
    - All documents that are recorded
    - All documents that are notarized (require a notary)
    - NORTC
    - SSA-89 Authorization for SSA to release SSN verification

Flood Determination and Insurance General Requirements

A Life-of-Loan Flood Certificate is required from one of the Planet approved vendors. The Flood Certificate must include the National Flood Insurance Program (“NFIP”) map number, map date, and flood zone. All flood zones beginning with the letter “A” or “V” are considered a Special Flood Hazard Area (“SFHA”) as designated on a Flood Insurance Rate Map (“FIRM”). Properties located in an “A” or “V” flood zone require flood insurance issued by the NFIP.

Flood insurance is required for all residential buildings on the mortgaged premises if any part of the structure is located within an SFHA. If two or more residential structures are located on a security property (e.g., a principal structure and a guest house), all structures with any part in an SFHA must be covered by adequate flood insurance.

Flood insurance requirements are as follows:

If	Then Flood Insurance
any part of the principal structure on a property securing the mortgage loan is located in an SFHA,	is required on the principal structure.
a non-residential detached structure attached to the land on a property securing the mortgage loan has any part located in an SFHA,	is not required on the non-residential detached structure.
a detached residential structure on a property securing the mortgage loan has any part located in an SFHA,	is required on the detached residential structure.

The Seller must ensure that any flood insurance required for the subject property is in place prior to purchase by Planet. A one (1) year policy must be in effect at the time of loan closing.

If flood insurance is not available because the community does not participate in the NFIP, the loan is not eligible for purchase.

Planet accepts all transferable Life-of-Loan Flood Certificates from:

- American Flood Research, Inc.
- CBCInnovis
- E-Flood Zone
- Fidelity National Flood Service
- First American Flood Services (CoreLogic Flood)
- GC Engineering
- GeoLogixs
- Geotrac, Inc.
- Kroll Factual Data
- Land America
- Lereta, LLC
- Nationwide Real Estate Tax and Compliance Service
- Palma, Lazar & Ulsh
- ServiceLink National Flood, LLC
- Stewart Mortgage Information
- Stormwater Research Group
- United One Resources
- US Determination Service, a division of PCI Corporation
- US Flood Research, Inc.

It is the responsibility of the Seller to notify all flood zone determination carriers of the change in servicer prior to the effective date of servicing transfer.

In the event the Seller does not provide an acceptable transferable life-of-loan flood zone determination contract, Planet will order the life-of-loan flood zone determination contract and the Seller will be charged for all costs associated with securing the contract.

Initial Escrow Account Disclosure Statement

The Seller agrees to provide an initial escrow account disclosure statement that aligns with the CD on any loan closed using the aggregate escrow analysis method in accordance with the HUD Final Escrow Rule.

Notification to Planet

The Seller is responsible to promptly notify Planet of any changes that affect the loan’s servicing. In addition, the Seller must agree to forward any information requested by Planet that is required to service the loan.

Notification of Subordination

The Seller agrees to notify Planet and its designated servicer of any junior lienholder on all loans sold to Planet. If the junior lienholder is required to pay a fee to the senior lienholder, the Seller immediately forwards the payment to Planet’s designated servicer.

Payment of Taxes/Assessments

The Seller must pay the property taxes for loans with escrow accounts when the bill is due and available prior to purchasing by Planet. A copy of the check, bill, and pay history, including escrow balance, are also required prior to purchase. All penalties incurred by Planet as a result of delinquent payments or real estate taxes prior to purchase date of the loan are the responsibility of the Seller.

Insurance Policies

Insurance policies include, but are not limited to, property, flood, mortgage, earthquake, condominium and PUD insurance, as applicable.

Acceptable Policy Ratings for Insurance Carriers

Insurance policies must be issued by a carrier rated as noted below:

- Carriers rated by the A.M. Best Company, Inc. must have either:
  - A “B” or better Financial Strength Rating in the Best’s Insurance Reports, or
  - An “A” or better Financial Strength Rating and a Financial Size Category of “VIII” or greater in Best’s Insurance Reports Non-US Edition
- Carriers rated by Demotech, Inc. must have an “A” or better rating in Demotech’s Hazard Insurance Financial Stability Ratings.
- Carriers rated by Standard and Poor’s must have a “BBB” or better Insurer Financial Strength Rating in Standard and Poor’s Ratings Direct Insurance Service.

The following types of insurance policies are acceptable as detailed below:

- Policies underwritten by a state’s Fair Access to Insurance Requirements (“FAIR”) if they are the only coverage that can be obtained.
- Policies obtained through state insurance plans, such as the Hawaii Property Insurance Association (“HPIA”), Florida’s Citizens Property Insurance Corporation, or other state- mandated windstorm and beach erosion insurance pools, if they are the only coverage available.
- A separate hurricane insurance policy issued by the Hawaiian Hurricane Relief Fund (for properties in Hawaii), as long as the companion non-catastrophic fire and extended coverage, or homeowner’s policy is obtained from a property insurer that meets the rating requirements detailed under the Acceptable Policy Ratings for Insurance Carrier's topic.

Notification to Insurance Carriers

The Seller agrees to notify all insurance carriers of the change in servicer prior to the effective date of servicing transfer. All insurance policies are required to be endorsed.

Premiums

The Seller must pay all insurance premiums for loans with escrow accounts when the bill is due and available prior to purchasing by Planet. A copy of the check, bill, and pay history, including escrow balance, are also required prior to purchase. All penalties incurred by Planet as a result of delinquent payments of insurance prior to purchase dates of the loan are the responsibility of the Seller.

MI Premium Payments — Conventional

Planet will net all borrower paid monthly Mortgage Insurance (MI) premium payments due on or after the loan purchase date from the Purchase Advice. Additionally, Planet Servicing will remit the payment to the MI Company.

The Seller is responsible for remitting the payment to the MI Company when the MI payment is due prior to the loan purchase date.

Example of when the Seller is responsible for MI payment remittance:

Purchase Date	First Payment Due Date on the Note	First Payment Due Date to Planet	Escrow for Monthly MI
July 31st	August 1st	September 1st	Starting with August 1st
July 31st	July 1st	September 1st	Starting with August 1st — Seller to remit July payment
August 1st	August 1st	September 1st	Starting with August 1st
August 1st	July 1st	September 1st	Starting with August 1st — Seller to remit July payment

Property Insurance

Property insurance must protect against loss or damage from fire and other hazards covered by the standard extended coverage endorsement. The coverage must provide for claims to be settled on a replacement cost basis. Extended coverage must include, at a minimum, wind, civil commotion, smoke, hail, and damages caused by aircraft, vehicle, or explosion.

Policies that limit or exclude, in whole or in part, damage from a windstorm hurricane, hail damage, or any other perils normally included under an extended coverage endorsement are not eligible.

Single Family & Individual PUD Unit Policy

Amount of Coverage

The following coverage amounts are acceptable:

- The lesser of:
  - 100% of the insurable value as determined by the property insurer, or
  - The unpaid principal balance of the mortgage, as long as it equals 80% of the insurable value of the improvements

  -OR-

- Guaranteed Replacement Cost coverage provided it specifically guarantees replacement, regardless of cost. The declaration page must reflect "Full Replacement Cost Coverage or 100% Replacement Cost Coverage".

NOTE: If the appraisal is used to determine the insurable value, the value should be based on total estimate of cost-new.

Coverage for Construction-to-Permanent Transactions

Property insurance is not required on construction-to-perm loans if they are covered by builder's risk insurance during the construction period. Builder's risk insurance covers any losses during the construction period that result from theft, vandalism, and acts of nature (includes fire, flood, and wind damage).

The amount of builders risk insurance coverage must be equal to the original mortgage loan amount. Standard insurance policy requirements apply as soon as the borrower occupies the property.

Deductible Maximum

The maximum deductible is 5% of the face value of the policy.

Policy Period

Purchase transactions require the coverage to begin no later than the date of closing for a minimum of 12 months. Evidence of payment for 12 months is required.

Refinance transactions require the coverage to extend for a minimum of one month after the first payment is made. Documentation the policy is paid through the policy period is required.

Insured Names and Property Address

All individuals listed on the Note must be listed as insured parties on the Hazard Insurance Policy.

Individuals vested on title may be listed as insured parties on the Hazard Insurance Policy but are not required to be listed on the Hazard Insurance Policy.

The legal address of the property must match the appraisal and title.

NOTE: If an "also known as" ("AKA") is being used due to a mailing address, the zip code must match or the AKA cannot be used (e.g., if the property city according to the United States Postal Service is Newbury Park, but the legal description is City of Los Angeles, it is acceptable if the insurance reflects Los Angeles instead of Newbury Park provided the zip code is the same for both).

Condominium and PUD – Common Areas

Master Insurance Policy

The master insurance policy must cover all general and limited common elements including fixtures, building service equipment, and common personal property and supplies belonging to the Homeowners' Association ("HOA").

The policy must, at a minimum, protect against fire and all other hazards that are normally covered by the standard extended coverage endorsement, and all other perils customarily covered for similar types of projects, including those covered by the standard "all risk" endorsement.

The premiums must be paid as a common expense. The master policy must be paid through the policy period.

The policy must cover 100% insurable replacement cost of the project improvements, including the individual units in the project. The insurance policy that includes, either in the policy language or in a specific endorsement, any of the following is acceptable:

- Guaranteed Replacement Cost (the insurer agrees to replace the insurable property regardless of the cost), or
- Extended Replacement Cost (the insurer agrees to pay more than the property's insurable replacement cost),or
- Replacement Cost, (the insurer agrees to pay up to 100% of the property's insurable replacement cost, but no more).

NOTE: If the policy includes a coinsurance clause, an Agreed Amount Endorsement or selection of the Agreed Value Option (which waives the requirement for coinsurance) is acceptable evidence that the 100% insurable replacement cost requirement has been met.

HO-6 (Walls-in Coverage Policy)

HO-6 Insurance is required on all condominium units unless the interior of the unit is included in the HOA master insurance policy, known as a "Single Entity" or "All-In/All-Inclusive" policy. The HO-6 coverage amount is determined by the property insurer and must be sufficient to repair the condo unit to its condition prior to a loss claim event.

Special Endorsements

Required endorsements are as follows:

- Inflation Guard Endorsement, when it can be obtained.
- Building Ordinance or Law Endorsement: If the enforcement of any building, zoning, or land use law would result in loss or damage, increased cost of repairs or reconstruction, or additional demolition and removal costs to rebuild after a covered loss occurs, the endorsement must provide for contingent liability from the operation of building laws, demolition costs, and increased costs of reconstruction.

  The Building Ordinance endorsement is not required if it is not applicable or the coverage is not obtainable in the insurance market available to the association.

- Boiler and Machinery/Equipment Breakdown Endorsement: If the project has central heating or cooling, the endorsement should provide a minimum liability per accident of at least $2 million or the insurable value of the building(s) where the boiler or machinery is located.

NOTE: In lieu of obtaining the Boiler and Machinery/Equipment Breakdown endorsement, the project may purchase separate standalone boiler and machinery coverage.

Deductible Maximum

The maximum deductible is 5% of the face value of the policy.

Policy Period

For purchase and refinance transactions, the master policy cannot expire before loan disbursement date.

Paid Receipt

Purchase transactions require documentation that the policy was paid for a year. Acceptable documentation is a paid receipt or a copy of the check payable to the insurance company. If paid at closing, the payment must be indicated on the CD.

Refinance transactions require evidence of paid receipt through, at minimum, the policy period.

Insured Names and Property Address

The master policy must list the HOA as the insured. Individual unit certificates must reference all individuals on the title.

Flood Insurance

Single Family and Individual PUD Units

Amount of Coverage

The minimum amount of flood insurance required for 1-4 unit properties, including individual PUD units and specific types of condo units (i.e., detached condos, townhouses, rowhouses) is the lesser of:

- 100% replacement cost of insured value, or
- The maximum insurance available from the NFIP, which is currently $250,000 per dwelling, or
- The unpaid principal balance of the mortgage.

Policy Period

Purchase transactions require the coverage to begin no later than date of closing for a minimum of 12 months. Acceptable documentation is a paid receipt or a copy of the check payable to the insurance company. If paid at closing, the payment must be indicated on the CD .

Refinance transactions require the coverage to extend for a minimum of one month after the first payment is made. Evidence the policy is paid in full is required.

Maximum Deductible

Deductible must meet NFIP requirements for the type of improvement insured unless the applicable state law requires a higher deductible amount.

Insured Names and Property Address

All parties on title **must** be on the insurance policy. The legal address of the property must match the appraisal and title.

NOTE: If an AKA is being used due to a mailing address, the zip code must match or an AKA cannot be used.

Condominium and PUD Projects

Condominium Projects

Stand-alone flood insurance policies for individual units in an attached condominium project are not acceptable. A master condo flood insurance policy **must be maintained** by the HOA. The Seller must verify that the HOA maintains a Residential Condominium Building Association Policy or equivalent private flood insurance coverage for the **subject unit's building** if it is located in an SFHA.

The master policy must cover all of the common elements and property (including machinery and equipment that are part of the building), as well as each of the individual units in the building.

NOTE: Any machinery and equipment that are not part of the building are not required to be covered under a Residential Condominium Building Association Policy (RCBAP).

The master flood insurance policy must be at least equal to the lower of:

- 80% of the replacement cost, or
- The maximum insurance available from NFIP per unit, which is currently $250,000.

The contents coverage should equal 100% of the insurable value of all contents owned in common by association members.

If the condo project master policy meets the minimum coverage requirements above but does not meet the 1-4 unit coverage requirements, a supplemental policy may be obtained by the unit owner for the difference.

If the condo project has no master flood insurance policy or if the master flood insurance policy does not meet the requirements above, the loan is **ineligible** for purchase.

PUD Project Coverage

The amount of flood insurance coverage for the common areas of a PUD project should be at least equal to the lesser of:

- 100% of the insurable value of the facilities, or
- The maximum coverage available under the NFIP.

Maximum Allowable Deductibles

The deductible for the master project must meet NFIP requirements for the type of improvement insured unless the applicable state law requires a higher deductible amount.

Fidelity/Crime Insurance – Condominium Projects

Evidence of fidelity/crime insurance is required for condominium projects except for projects that qualify for a waiver of project review, projects under Limited Review method, less than 20 units or projects that would need fidelity insurance of $5,000 or less. In states that have statutory fidelity/crime insurance requirements, those requirements are acceptable in place of Fannie Mae requirements.

The HOA must have blanket fidelity insurance for any party that handles or is responsible for funds it holds or administers, even if the party is not compensated for their services. The policy must name the HOA as the insured, and the premiums should be paid as a common expense by the HOA. The policy must include a provision for ten (10) days' written notice before the policy can be canceled or modified for any reason.

If a management company handles the funds for the HOA, the management company must be covered by its own fidelity insurance.

The fidelity insurance must cover the maximum amount of funds that are in the custody of the HOA or its management agent at any time the policy is in force. Fidelity insurance is not required if the maximum estimated funds are less than or equal to $5,000.

The coverage amount may be less if the condominium's legal documents require the HOA or management company to have **one** of the following financial controls in place:

- Separate bank accounts are maintained for the working account and the reserve account and each have specific access controls and the bank in which the funds are deposited sends copies of the monthly bank statements directly to the HOA; or
- The management company maintains separate records and bank accounts for each HOA that provides services for and the management company does not have the authorization to draw checks on or transfer funds from the HOA's reserve account; or
- Two members of the Board of Directors must sign any checks written on the reserve account.

The fidelity insurance must, at minimum cover at least the sum of three months of assessments on all units in the project even with the above financial controls in place.

Liability Insurance – Condominium and PUD Projects

Evidence of liability insurance is required for condominium and PUD projects as follows:

- Liability insurance coverage must be verified as part of the project review.
- HOA must maintain a commercial general liability insurance policy for the entire project, including all common areas and elements, public ways, and any other areas that are under its supervision. The insurance must also cover commercial spaces that are owned by the HOA, even if they are leased to others. The commercial general liability insurance policy must provide coverage for bodily injury and property damage that result from the operation, maintenance, or use of the project's common areas and elements.
- The amount of coverage must be at least $1 million for bodily injury and property damage for any single occurrence. Higher amounts of coverage may be required if similar amounts are usually required by mortgage investors in other projects in the area.
- If the policy does not include "severability of interest" in its terms, a specific endorsement to preclude the insurer's denial of a unit owner's claim because of negligent acts of the HOA or of other unit owners is required.
- The policy must provide for at least ten (10) days written notice to the HOA before the insurer cancels or substantially modifies the policy.

Exceptions to Liability Insurance

- Projects that qualify for a waiver of project review.
- Condo Projects under the Limited Review method.

Title Insurance

The title insurance policy must ensure that the title is acceptable and that the mortgage constitutes a lien of the required priority on a fee simple or leasehold estate.

Acceptable Insurers

The title insurer must have a rating from at least one independent rating agency with the following rating:

Rating Agency	Rating Requirements
Demotech, Inc.	Financial Stability Rating of “S” (Substantial) or better or a Statutory Accounting Rating of “C” (Average or better
Duff & Phelps Credit Rating Company	“BBB” or better
Fitch, Inc.	“BBB” or better
LACE Financial Corporation	“C” or better
Moody’s Investors Service	“Baa” or better
Standard and Poor’s, Inc.	“BBB” or better

Coverage

Loans originated on or after January 1, 2008, require the title policy to be written on one of the following forms:

- 2006 American Land Title Association (“ALTA”) standard form, or
- ALTA short form (must provide coverage equivalent to the 2006 ALTA standard form), or
- ALTA form with amendments as required by state law in states in which standard ALTA forms of coverage are not used or in which the 2006 ALTA forms have not yet been adopted. The amendments cannot materially impair protection to Planet.

Loans originated prior to January 1, 2008, require the title policy to use either the appropriate 2006 ALTA form noted below or ensure the title coverage meets the requirements in place at the time of mortgage loan origination.

The amount of title insurance coverage must, at minimum, be equal to the original principal amount of the mortgage.

Effective Date of Coverage

The effective date of the title insurance coverage written on forms that do not provide the gap coverage included in the 2006 ALTA policies may be no earlier than the later of the date of the final disbursement of loan proceeds or the date the mortgage was recorded.

Because the 2006 ALTA forms provide protection for the time between loan closing and recordation of the mortgage, policies written on those forms may be effective as of loan closing.

Additional Title Insurance Requirements

If a mortgage is registered with MERS and is originated naming MERS as the original mortgagee of record, solely as nominee for the lender named in the security instrument and the note, and the lender's successors and assigns, then the "insured mortgage" covered by the title insurance policy must be identified in the title insurance policy as the security instrument given to MERS, solely as nominee for the lender and lender's successors and assigns. However, under no circumstances may MERS be named as "insured" of a title policy.

The title insurance coverage must include an environmental protection lien endorsement (ALTA Endorsement 8.1-06 or an equivalent state form that provides the required coverage).

References are to the ALTA 2006 form of endorsement, but state forms may be used in states in which standard ALTA forms of coverage are not used or in which the 2006 ALTA forms have not yet been adopted, provided that those amendments do not materially impair protection to Planet. As an alternative to endorsements, the requisite protections m ay be incorporated into the policy. For loans originated prior to January 1, 2008, endorsement forms that meet Fannie Mae requirements at the time of origination are acceptable.

Title policies may not include the creditors’ rights exclusion language that ALTA adopted in 1990.

Special Considerations

Condo and PUD Units

The title insurance policy for a condo or PUD unit mortgage must describe all components of the unit estate.

Condo unit mortgages require an ALTA Endorsement 4-06 or 4.1-06 or its equivalent. The endorsement must be attached to each policy or incorporated into the text of the policy.

PUD unit mortgages require an ALTA Endorsement 5-06 or 5.1-06 or its equivalent. The endorsement must be attached to each policy or incorporated into the text of the policy.

If the unit owners own the common areas of the project as tenants-in-common, the policy for each unit mortgage must reflect that ownership.

If the HOA owns the common elements areas or facilities of the project separately (or holds them in a leasehold estate), the title insurance on those areas must insure that ownership.

This title policy must show that title to the common elements, areas, or facilities are free and clear of any objectionable liens and encumbrances, including any statutory or mechanic’s liens for labor or materials related to improvements on the common areas that began before the title policy was issued.

The title policy must protect Planet by insuring:

- The mortgage is superior to any lien for unpaid common expense assessments. In jurisdictions that give these assessments a limited priority over a first or second mortgage lien, the policy must provide assurance that those assessments have been paid through the effective date of the policy.
- Against any impairment or loss of title of Planet's first lien caused by any past, present, or future violations of any covenants, conditions, or restrictions of the master deed for the project. It must specifically insure against any loss that results from a violation that existed as of the date of the policy.
- That the unit does not encroach on another unit or any of the common elements, areas, or facilities. The policy also must insure that there is no encroachment on the unit by another unit or by any of the common elements, areas, or facilities.
- That the mortgage loan is secured by a unit in a condo project that has been created in compliance with the applicable enabling statutes.
- That real estate taxes are assessable, and a lien may only be placed on the individual condo unit and its undivided interest in the common elements, rather than against the project as a whole.
- That the owner of a PUD unit is a member of the HOA and that the membership is transferable if the unit is sold.

Leasehold Estates

A mortgage that is subject to a leasehold estate must have an ALTA Endorsement 13.1-06. When a mortgage loan is secured by a property held by a community land trust, the lender's title insurance policy (or an endorsement to the policy) must expressly confirm the following:

- The recording of the complete community land trust ground lease or ground lease memorandum.
- The recording of the Community Land Trust Ground Lease Rider (Form 2100).
- The community land trust mortgage is a first lien on the leasehold estate and the improvements.
- There are no existing mortgage loans or other liens on the fee estate, except as maybe permitted under Form 2100.
- The ground lessor's reversionary interest is subordinate to the community land trust mortgage.
- There are no related community land trust ground lease occupancy and resale restrictions, covenants, or agreements that "run with the land" and have been recorded apart from the ground lease, except as may be permitted under Form 2100.

Manufactured Homes

Planet requires that manufactured homes have a title policy that includes the endorsement for manufactured homes, ALTA Endorsement 7. In 2006, ALTA adopted two additional manufactured home endorsements, Endorsement 7.1 and 7.2. Either of these new endorsements may be used in place of Endorsement 7 for loans delivered to Planet. The mortgage must be covered under a standard real property title insurance policy that insures that the manufactured home is part of the real property that secures the loan.

ALTA Endorsement 7, 7.1, or 7.2 or any other endorsement required in the applicable jurisdiction for manufactured homes to be treated as real property must be included in the file.

Title Exceptions

Loans with title exceptions are not eligible for purchase by Planet, specifically, unpaid real estate taxes and survey exceptions.

A survey or ALTA 9 Endorsement if required. If surveys are not commonly required in particular jurisdictions, an ALTA 9 Endorsement is acceptable. If it is not customary in a particular area to supply either the survey or an endorsement, the title policy must not have a survey exception.

By delivering the loan to Planet, the lender warrants that any minor impediments do not materially affect the marketability of the property and agrees to indemnify Planet if Planet should later incur a loss that can be directly attributed to the impediment(s).

Title for a property that secures a conventional mortgage is acceptable even though it may be subject to the minor impediments.

Examples of minor impediments, include, but are not limited to:

- Customary public utility subsurface easements that were in place and completely covered when the mortgage was originated, as long as they do not extend under any buildings or other improvements.
- Above-surface public utility easements that extend along one or more of the property lines for distribution purposes or along the rear property line for drainage purposes, as long as they do not extend more than 12 feet from the property lines and do not interfere with any of the buildings or improvements or with the use of the property itself.
- Mutual easement agreements that establish joint driveways or party walls constructed on the security property and on an adjoining property, as long as all future owners have unlimited and unrestricted use of them.
- Restrictive covenants, conditions, cost, and minimum dwelling size or set back restrictions, as long as their violation will not result in forfeiture or reversion of title or a lien of any kind for damages, or have an adverse effect on the fair market value of the property.
- Encroachments of one foot or less on adjoining property by eaves or other overhanging projections or by driveways, as long as there is at least a ten-foot clearance between the buildings on the security property and the property line affected by the encroachment.
- Encroachments on adjoining properties, as long as those encroachments consist only of hedges or removable fences.
- Outstanding oil, water, or mineral rights that are customarily waived by other lenders, as long as they do not materially alter the contour of the property or impair its value or usefulness for its intended

purposes.
- Variations between the appraisal report and the records of possession regarding the length of the property lines, as long as the variations do not interfere with the current use of the improvements and are within an acceptable range. For front property lines, a 2% variation is acceptable; for all other property lines, 5% is acceptable.
- Rights of lawful parties in possession, as long as such rights do not include the right of first refusal to purchase the property. No rights of parties in possession, including the term of a tenant's lease, may have duration of more than two years.
- Minor discrepancies in the description of the area, as long as the lender provides a survey and affirmative title insurance against all loss or damage resulting from the discrepancies.
- Exceptions to Indian claims, as long as the lender is insured against all loss and damage from such claims.

Loans secured by properties with an unexpired redemption period are not eligible for purchase unless:

- The property is located in a state where it is common and customary to sell single-family residential properties during the redemption period.
- The mortgagee policy of title insurance must take specific exception to the unexpired right of redemption but also affirmatively insure the mortgagee against all loss arising out of the exercise of any outstanding right of redemption, without qualification.
- If any party exercises a right to redeem the mortgaged property, the mortgage must be paid off directly out of the redemption proceeds with no requirement for any further action or claim for repayment.
- By delivering the mortgage loan to Planet, the Seller warrants that Planet will not incur any loss due to the exercise of any party of a right to redeem the mortgaged property, including without limitation, a loss related to a borrower default due to a dispute with the redeeming party over the terms of the redemption. Additionally, the lender agrees to indemnify Planet if Planet should incur a loss that can be directly attributed to the impediment(s).

Compliance with Statutes and Regulations

The Seller must comply with all local, state, and federal statutes and regulations governing the transfer of servicing and notification to the borrower. All interim servicing performed on loans purchased by Planet must be serviced in accordance with this Seller Guide.

IRS Reporting

The Seller must comply with IRS reporting requirements for points and interest paid by the borrower, interest on escrow funds paid by the Seller, and tax disbursements as of the effective date of servicing transfer. It is the Seller's responsibility to prepare and deliver a change of servicer notification and a Servicing Transfer Letter to the borrower.

The Servicing Transfer Letter (aka Good-bye Letter) must comply with all applicable laws and statutes governing the transfer of servicing.

Notification of Change of Servicer

A Notification of Change of Servicer is required for all of the following, as applicable.

- Condominium Insurers
- Earthquake Insurers
- Flood Insurance Company
- Flood Zone Determination Company
- Property Insurance Company
- Private Mortgage Insurance Company
- PUD Insurers

Payments Received by Seller

If a Seller receives a payment due to Planet, it is the Seller's responsibility to endorse and forward the payment within 24 hours of receipt.

Payments should be mailed to the following address:

Planet Home Lending, LLC
321 Research Parkway, Suite 303
Meriden, CT 06450
Attn: Transfer Coordinator

Payment Endorsement

All payments must be endorsed as follows:

Pay to the Order of:

Planet Home Lending, LLC
Without Recourse [Seller]
[Signature of Officer]
[Officer's Name and Title]

The Planet servicing number must be included on all payments to ensure proper credit.

Escrow Reconciliation

If a Seller is due escrow funds from Planet, a written request must be submitted for reimbursement; funds will **not** be issued without a written request. The request must include documentation supporting the request. The Seller has 60 days after the date of purchase to request funds.

Federal law prohibits any reimbursement from the escrow account after an escrow analysis has been completed; therefore, all reimbursement requests received after 60 days will be denied.

Planet strongly recommends the Seller conduct a reconciliation of the escrow immediately after purchase. The borrower is allowed to request an early analysis or an escrow deletion on their loan.

To expedite the request for reimbursement of escrow funds, the Seller must submit the following documentation:

- A written request for reimbursement of escrow funds
- CD
- Loan history
- Loan submission summary

Tax Information

The Seller is responsible for providing Planet with complete and accurate tax information. This information is imperative to properly begin the administration of the tax escrow account for servicing.

The Seller is responsible for any tax penalties incurred due to incorrect information being provided to Planet.

A sample **Tax Record Information Sheet** is located on the CORE Seller Portal at www.phlcorrespondent.com under the **Forms and Resources** link. The Planet form is not required; Sellers may use their own form as long as all of the required information is provided.

Purchase Advice

When a loan has been approved for purchase, a Planet Sales Service Representative (“SSR”) posts the Purchase Advice in the CORE Seller Portal and notifies the Seller by phone and/or email of each scheduled purchase date. The Purchase Advice details the amount that is transmitted via wire transfer.

Wire Transfer

On the purchase date, Planet wires all transfer funds due to the depository institution that is identified on the wire transfer instructions or Bailee Letter. The funds include the principal balance adjusted for interest, premiums, discounts, escrow and any other applicable fees.

A sample **Wire Authorization** form is located on the CORE Seller Portal at www.phlcorrespondent.com under the **Forms and Resources** link.

Purchasing

On the date of purchase, the unpaid principal balance of the loan is calculated based on the effective servicing transfer date.

- Loans purchased **with > 14 calendar days** from the end of the month; the effective servicing transfer date will be the first day of the month following the month of purchase.
- Loans purchased **≤ 14 days** from the end of the month; the effective servicing transfer date will be the first day of the second month following the month of purchase.

If a loan payment is scheduled before the servicing transfer date, the principal portion of the scheduled payment is deducted from the principal balance of the loan.

Escrow Funds

Planet requires an impound/escrow account on all loans with an LTV of 80.01% or more unless prohibited by state law. Mortgage insurance must always be impounded unless prohibited by state law.

Planet strongly recommends that when an escrow account for taxes and insurance is established at closing, the taxes and insurance are calculated using the maximum cushion permitted by the mortgage loan documents or applicable law, whichever is lower. If a lesser amount is escrowed, the borrower may experience an unexpected increase in their monthly payment shortly after the transfer date. An escrow cushion is not collected for PMI or FHA's MI premium.

Borrowers have the option to request an impound account for taxes and insurance when impounds are not mandated by policy or state law. Loans with impounds are purchased with the impound balance.

Planet recommends two months escrow cushion unless otherwise mandated by state law as indicated below:

- Montana — One Month
- Nevada — Zero Cushion
- North Dakota — Zero Cushion

Escrowed Flood Insurance Premiums

Planet aligns with the Biggert-Waters Flood Insurance Reform Act of 2012 regarding escrowed flood insurance premiums. On all loans closed on or after January 1, 2016, including but not limited to, Higher-Priced Mortgage Loans (“HPML”), the Seller must provide the following prior to purchase by Planet:

- Evidence that all flood insurance premiums have been escrowed (regardless of any other fees and charges associated with the loan) prior to purchase.
- Seller must provide a Standard Flood Hazard Determination Form (“SFHDF”) on all properties prior to purchase by Planet.

NOTE: Planet will not waive the escrow for flood insurance premiums on loans secured by 1-4 unit properties (including PUDs and site condos). Loans closed on or after January 1, 2016, where flood insurance is required and no flood escrow has been established, are **not** eligible for purchase.

Planet will not purchase loans with negative escrow balances.

Purchase Reconciliation

The purchase amount is calculated by adjusting the principal balance, plus any applicable fees or penalties (based on the Transfer of Service) minus the following:

- Escrowed funds calculated by Planet.
- Fees and interest payments scheduled prior to, but not including, the purchase date.

The Seller is credited any interest not collected and accrued on the loan prior to, but not including, the purchase date.

The purchase price is adjusted accordingly when satisfactory evidence of payments is provided to Planet.

The Purchase Advice shows all figures. Calculation of purchase proceeds uses the unpaid principal balance of the loan and includes accrued interest based upon a 360-day year. Loans originated using a 365-day year are also eligible for purchase, but per diem used for the purchase is based upon a 360-day year. This period begins the 1st day of the month through the day prior to the purchase date.

If the purchase date is before the cut-off date, the loan is purchased based on the assumption that the interest is paid to the 1st day of the month.

Loans Purchased into the Month

Loans purchased **≤ 14 days** from the end of the month will amortize the principal balance forward. After purchase, the Seller will retain one scheduled P&I payment. All other excess principal or escrow payments received by the Seller must be forwarded to Planet.

The Seller is required to remit any payments received from a borrower after the transfer date to:

Planet Home Lending, LLC
321 Research Parkway, Suite 303
Meriden, CT 06450
Attn: Transfer Coordinator

The Planet servicing number must be clearly identified on the payment.

Notification Letters

Notification Letters must be sent for the following:

Property Insurance

All mortgage loans must have a hazard policy that insures the mortgaged property. The Seller must notify the borrower's insurance carrier that as of the date of transfer the mortgagee clause must read:

Planet Home Lending, LLC
Its Successors and/or Assigns, ATIMA
P. O. Box 5023
Troy, MI 48007-5023

The Seller must pay all insurance premiums when the bill is due and available prior to purchase by Planet.

Flood Insurance

If a property is located in a special flood hazard zone, the borrower must have a flood policy covering the mortgaged property. The Seller must notify the borrower's insurance carrier that as of the date of transfer the mortgagee clause must read:

Planet Home Lending, LLC
Its Successors and/or Assigns, ATIMA
P. O. Box 5023
Troy, MI 48007-5023

If the mortgaged property is **not** located in an SFHA but the borrower elects to secure flood insurance, Planet will **not** collect the escrow funds for disbursement for flood insurance.

If the mortgaged property is in an SFHA and is covered by flood insurance, Planet must also escrow the flood insurance if hazard insurance is being escrowed.

Flood Determination

Every mortgage loan must have a Life of Loan Flood Determination. The Seller is required to notify the Flood Determination Company that as of the transfer date the servicer is changed to the following:

Planet Home Lending, LLC
Its Successors and/or Assigns, ATIMA
P. O. Box 5023
Troy, MI 48007-5023

Private Mortgage Insurance

The Seller is responsible for making any PMI disbursements due on amortized loans prior to the transfer date on any mortgage loan requiring PMI. The Seller must notify the PMI Company that as of the transfer date the servicer is changed to the following:

Planet Home Lending, LLC
Its Successors and/or Assigns, ATIMA
P. O. Box 5023
Troy, MI 48007-5023

Taxes

All original tax bills must be forwarded to the following:

LERETA, LLC
1123 Parkview Dr.
Covina, CA 91724

If the property is located in the state of New Jersey, Planet's bank code "00597" must be included on the Authorization letter to the tax office.

The Seller must make every effort to accurately determine the amount of taxes on the property including contacting the appropriate taxing authority if required. Planet requires property taxes to be calculated based on Fannie Mae requirements, which require the calculation be based on no less than the current assessed value of the property.

For Purchase transactions involving an existing property, the tax calculation should be based on the effective rate for the tax rate area where the property is located if located in a state/jurisdiction that re- assesses the property after purchase/transfer. The effective rate and the timeline for the re-assessment may be obtained from the county/jurisdictional tax assessor's office which can be accessed online. If the information cannot be obtained, the tax calculation should be based on the preliminary title report. If the property is subject to Mello Roos or other special assessments, and the taxes are being taken directly from the preliminary title report, the amount of the Mello-Roos/special assessments must be added. If the tax calculation is lower than the current taxes, the calculation must be documented on the 1008/LT.

Refinance transactions should have the taxes calculated based on the preliminary title report unless the property was recently purchased and the taxes will be greater than the amount shown on the preliminary title.

In Purchase transactions, the taxes should be calculated based on 1.25% of the sales price plus any Mello-Roos and other special assessments unless there is documentation provided that lower calculations apply.

If a mortgage loan is secured by new construction or is an existing property where improvements to the property have been completed, taxes provided by the taxing authority may be under-assessed.

When a mortgage loan is closed on a newly built dwelling (previously unimproved land), a monthly impound will be assessed based on "Full Value" to avoid payment shock to the borrower. This assessment is based on the unimproved land and the newly built dwelling.

The Seller must pay all unpaid taxes when the bill is due and available prior to purchase by Planet. The Seller is responsible for identifying Multiple Tax Parcels. Planet will not be responsible for any loss, expenses or penalties associated with taxes not paid at closing or for Multiple Tax Parcels not identified at the time of purchase.

The Seller should not place a tax service; the servicer will **not** accept a tax service and the servicer will not be responsible for any transfer fee related to a tax service that has been placed by the Seller.

Loan Assignments

Planet recommends that Sellers use the Mortgage Electronic Registration Systems ("MERS") to transfer ownership and servicing of loans to Planet. No assignment is necessary if the Security Instrument is a MERS as the Original Mortgagee ("MOM") document.

Loans should be closed with MERS as the MOM or as the Assignee. Planet loans are registered in MERS as Planet Home Lending. The Planet Home Lending Organization ID is: 1006543

MOM Loans

Sellers that are MERS members should complete the loan closing on MOM documents; no assignments are required. The Mortgage Identification Number (MIN) is placed on the Security Instrument to the right of or below the form title (do not place within the recording margin of the document).

MERS as the Assignee

Sellers should designate MERS as the assignee on the Assignment of Mortgage as follows:

Mortgage Electronic Registration Systems, Inc.
Its Successors and/or Assigns
P.O. Box 2026
Flint, MI 48501-2026

The loan number and MIN number should be printed at the top of the Assignment, directly above the recorder information. The MERS phone number (888-679-6377) should also be included at the top of the page.

MERS Rider

A MERS Rider (Form 3158) is required for loans registered with MERS, with a Note dated on or after October 15, 2014, in the following states:

- Montana
- Oregon
- Washington

Post-closing assignment to MERS is prohibited in these states.

MERS Assignment Form — Maine

In the state of Maine, the Seller must use the MERS Mortgage Assignment (Form 3749) to assign loans to MERS at origination or post-closing, as applicable. Mortgage loans in which the Maine security instrument has been modified to name MERS as the original mortgagee of record, solely as nominee for the lender, are ineligible for delivery to Planet.

Non-MERS Loans

The Seller must prepare an assignment of mortgage f or each mortgage loan sold to Planet. The loan must be assigned to Planet Home Lending, LLC.

Prior to purchase the Seller must:

- Deliver the original Assignment from the Seller to Planet to:

  Planet Home Lending, LLC
  Attn: Sabrina Zerio
  321 Research Parkway, Suite 303
  Meridian, CT 06450

- Deliver a certified copy of the Assignment from Seller to Planet with the original Note to the custodian.
- Deliver a certified copy of the Assignment from Seller to Planet with the closing package.
- Provide recording information for the Mortgage/Deed of Trust for the subject loan.

Planet will generate the MIN number and Assignment from Planet to MERS and is responsible for the recording of both Assignments. For each loan delivered without being on the MOM documents, Planet will charge $50.00 to the Seller at purchase.

Transfer of MERS MIN

Within five (5) days of purchase, the Seller is responsible for transferring the MIN to Planet Home Lending as Planet Home Lending Financial Services, Inc., ID 1006543. Once a batch number has been obtained, the Seller is responsible for emailing the information to the Planet Purchasing Department at phlMers@Planethomelending.com.

Post Purchase Documents

Final Documents and Delivery Instructions

Government insuring documents must be uploaded into the CORE Seller Portal within 60 days of purchase.

All other final documents must be submitted to Planet within 120 days of the purchase date. An additional $100.00 fee will be accessed to the Seller for each final document not delivered within 270 days of purchase.

Prior to delivery, the Seller must review all post-closing documents. Final documentation includes, but is not limited to:

- **Original** recorded security instrument
- Any additional documentation specified by Planet Home Lending

Upon completion of the review, the Seller must send the original recorded documents to Planet at the following address:

Planet Home Lending, LLC
Attn: Correspondent Trailing Document
10025 Governor Warfield Pkwy, Suite 301
Columbia, MD 21044

All other final documents including the final title policy with applicable endorsements m ay be mailed to the address above, uploaded into the CORE Seller Portal through the **Upload Documents** link **or** emailed to: corrtrailingdocuments@planethomelending.com.

Seller Repurchases

If the Seller fails to provide complete final documentation within 120 days of purchase date, the loan is subject to repurchase.

If the sole reason that the Seller did not meet the provision above is due to the fault of the public office where the documentation was recorded (i.e., failure to return the documentation back to the Seller) and the Seller made a diligent effort to obtain the documentation such failure shall not require repurchase.

Principal Curtailment with Recast Payment

Planet allows principal curtailment payments with re-amortization (recast) of payment on conventional loan products. Borrowers can request a payment recast directly through Planet servicing.

- Request must be made in writing
- The principal curtailment payment is a minimum of $10,000.00
- All checks must be received as "Certified Funds" with the exception of insurance loss checks
- The loan must be in good standing and payments current at time of request
- There will be a transaction processing fee of $150.00

Written request must be sent to the following address:

Planet Home Lending, LLC
321 Research Parkway, Suite 303
Meriden, CT 06450
Attn: Cash Management
Phone: (866) 882-8187
Hours: Monday – Friday, 8:30 A.M. to 9:00 P.M. Eastern Time

APPENDIX A

PURCHASE AGREEMENT SUPPLEMENT

SECTION A-1. DEFINED TERMS AND INTERPRETIVE PRINCIPLES.

Subsection A-1.01. Defined Terms.

Each capitalized term that is used but not defined in the Agreement shall have the meaning ascribed thereto in this Subsection A-1.01; provided however, each capitalized term that is not defined in this Subsection A-1.01 shall be defined in accordance with Exhibit 1 to the Agreement.

Accepted Practice: As to any Mortgage Loan, each loan origination and Servicing policy, practice, and procedure that (a) complies with (i) the Collateral Documents and all other contractual obligations of the Seller, the Originator, or any prior owner or servicer of the Mortgage Loan, (ii) all Applicable Laws, (iii) all Planet Requirements, (iv) if the Mortgage Loan is an Agency Loan or Government Loan, all applicable Agency Requirements, and (v) if the Mortgage Loan is a MERS Loan, all applicable MERS Requirements, and (b) to the extent not inconsistent with clause (a), customarily is followed by prudent financial institutions which regularly originate or service mortgage loans of the same type as the Mortgage Loan in the ordinary course of business and in the same jurisdiction where the Mortgaged Property is located.

Affiliate: As to any specified Person, each other Person that directly or indirectly Controls, is Controlled by, or is under common Control with the specified Person. For purposes hereof, the term "Control" (or any variant thereof) shall mean the direct or indirect possession by any Person of the power to direct or cause the direction of the management or policies of any other Person, whether by contract, the ownership of voting securities, or otherwise.

Agency Investor: Each of (a) the Federal Home Loan Mortgage Corporation ("FHLMC"), also known as Freddie Mac, (b) the Federal National Mortgage Association ("FNMA"), also known as Fannie Mae, and (c) the Government National Mortgage Association ("GNMA"), also known as Ginnie Mae.

Agency Issuer: Each of (a) the Federal Housing Administration, (b) the Rural Housing Service ("RHS"), an agency of the United States Department of Agriculture ("USDA"), (c) the United States Department of Housing and Urban Development ("HUD"), and (d) the United States Department of Veterans Affairs ("VA").

Agency Loan: Any Mortgage Loan that is (a) originated pursuant to a Loan Program classified as a "Conventional Program" pursuant to Chapter 5 of the Planet Guide, or (b) identified in any document or information provided by the Seller or any Representative thereof as purportedly being eligible for sale and delivery to, or for certification and pooling into mortgage-backed securities issued by or on behalf of, any Agency Investor.

Agency Requirement: As to any Agency Loan or Government Loan, each requirement imposed pursuant to (a) any announcement, circular, directive, guideline, handbook, instruction, manual, notice, policy, practice, procedure, process, regulation, or rule issued by the applicable Agency Investor or Agency Issuer, or (b) any covenant, representation, warranty, or other provision included or incorporated in any contract between the Seller or the Originator and such Agency Investor or Agency Issuer.

Agreement: That certain Loan Purchase Agreement, dated as of the Effective Date, by and between the Seller and Planet, together with (a) each attachment, exhibit, schedule, and supplement hereto or thereto, including without limitation each Applicable Addendum and each of Appendices A, B, and C to the Planet Guide, (b) each agreement, certificate, instrument, and other document executed by or provided to the Seller in connection herewith or therewith, including without limitation each Purchase Advice, and (c) each amendment, extension, modification, novation, and restatement hereof or thereof.

Applicable Law: Each requirement imposed pursuant to any common law, constitution, decree, demand, injunction, interpretation, judgment, order, ordinance, regulation, requirement, rule, statute, treaty, or writ issued by any Governmental Authority.

Applicable Requirement: Each requirement imposed pursuant to (a) the Agreement or any other contract by the Seller or the Originator relating to the origination, pledge, pooling, purchase, sale, securitization, or Servicing of any Mortgage Loan, (b) any Accepted Practice, Applicable Law, or Planet Requirement, (c) as to any Mortgage Loan, any Collateral Document or other document or instrument in the Loan File, (d) as to any Agency Loan or Government Loan, any applicable Agency Requirement, or (e) as to any MERS Loan, any applicable MERS Requirement.

Business Day: Any day other than (a) a Saturday or Sunday, or (b) a day on which branches of the Federal Reserve System are authorized or required to be closed, which days may be published by the Board of Governors at https://www.federalreserve.gov/aboutthefed/k8.htm. If the deadline for any Party to take or cause to be taken any action pursuant hereto occurs on a day that is not a Business Day, then such deadline shall be deemed extended until the next succeeding Business Day.

Collateral Document: As to any Mortgage Loan, each document and instrument specified in Appendix B to the Planet Guide.

Consumer Information: Any communication, document, or information that constitutes, contains, or is derived from any "consumer information," any "customer information," any "nonpublic personal information," any "personal identifier," or any "personally identifiable financial information," as those terms are defined pursuant to or for purposes of the Gramm-Leach-Bliley Act of 1999.

Correspondent Participant: Any Seller that is a Delegated Correspondent or a Non-Delegated Correspondent.

Default: As to any Mortgage Loan, (a) the occurrence or continuation of any circumstance that, with or without notice or the lapse of time or both, constitutes or reasonably could be expected to result in any non-monetary default under the Collateral Documents, or (b) the commencement or continuation of (i) any Claim relating to such Mortgage Loan, (ii) any Foreclosure Action relating to the Mortgaged Property, or (iii) any Insolvency Proceeding relating to the Mortgagor.

Defect: Either, (a) as to any Mortgage Loan, the failure of such Mortgage Loan to conform with any Loan Representation on or as of the applicable Determination Date, (b) as to any Agency Loan, the determination by the applicable Agency Investor that such Agency Loan is not eligible for sale and delivery to, or for certification and pooling into mortgage-backed securities issued by or on behalf of, such Agency Investor, or (c) as to any Government Loan, (i) the determination by the applicable Agency Issuer that such Government Loan is not eligible for coverage by a Government Backstop, or (ii) the failure by the applicable Agency Issuer to issue a Guarantee Certificate or Insurance Certificate within sixty (60) days after the related origination date.

Delegated Correspondent: Any Seller that has selected the "Delegated Correspondent" option in its signature block to the Agreement.

Delinquency: As to any Mortgage Loan, the mortgagee's failure to receive payment in full of any Monthly Payment before the scheduled due date of the next succeeding Monthly Payment.

Diligence Review: The credit, compliance, and collateral review processes contemplated by Chapter 7 of the Planet Guide.

Effective Date: The date specified as the "Effective Date" in Planet's signature block to the Agreement.

Eligible Loan: A Mortgage Loan that (a) is a whole loan rather than a participation or partial interest therein, (b) was originated by an Eligible Originator, and (c) conforms with all Loan Representations on and as of the applicable Determination Date.

Eligible Originator: As to any Mortgage Loan, (a) the Seller, or (b) a NMLS-registered mortgage lender that, on and as of the origination date of such Mortgage Loan, (i) possessed each license, permit, qualification, and registration appropriate or necessary to originate such Mortgage Loan, and (ii) originated mortgage loans of the same type as such Mortgage Loan in the ordinary course of business and in the jurisdiction where the Mortgaged Property is located.

Emerging Banker: Any Seller that has selected the "Emerging Banker" option in its signature block to the Agreement.

Escrow Payment: As to any Mortgage Loan, the aggregate amount of all association dues, ground rents, homeowner assessments, insurance premiums, municipal charges, property taxes, sewer rents, water rates, and other amounts (a) required to be escrowed by the Mortgagor each month pursuant to the Collateral Documents, or (b) which are or may become a lien upon the Mortgaged Property.

Foreclosure Action: As to any Mortgage Loan, any purchase, sale, or other transfer by either Party of any right, title, or interest in, to, or under the Mortgaged Property, irrespective of whether such purchase, sale, or transfer is accomplished by deed-in-lieu of foreclosure, judicial foreclosure, non-judicial foreclosure, short sale, or otherwise.

Government Backstop: As to any Government Loan, any Government Guaranty or Government Insurance that has been issued by (as evidenced by the related Guaranty Certificate or Insurance Certificate), or has been requested from, the applicable Agency Issuer in connection to such Government Loan.

Government Guaranty: As to any Government Loan, any guaranty available from the RHS or VA to cover certain losses incurred or sustained by the mortgagee in connection with such Government Loan.

Government Insurance: As to any Government Loan, any insurance available from the FHA to cover certain losses incurred or sustained by the mortgagee in connection with such Government Loan.

Government Loan: Any Mortgage Loan that is (a) originated pursuant to a Loan Program classified as a "Government Program" pursuant to Chapter 5 of the Planet Guide, or (b) identified in any document or information provided by the Seller or any Representative thereof as purportedly being covered or eligible for coverage by any Government Backstop.

Governmental Authority: Each of, (a) as to any Person, each administrative, executive, judicial, and legislative instrumentality of any commonwealth, district, municipality, nation, state, territory, or other political subdivision thereof to which such Person or its property is subject, (b) as to any Mortgage Loan, each governmental, non-governmental, and quasi-governmental authority empowered to regulate or supervise the activities of any Person involved in the origination, pledge, pooling, purchase, sale, securitization, or Servicing of such Mortgage Loan, and (c) as to any Agency Loan or Government Loan, each applicable Agency Investor and Agency Issuer.

Guaranty Certificate: As to any Government Loan covered by a Government Guaranty, the Loan Guaranty Certificate issued by the applicable Agency Issuer evidencing the existence and terms of such Government Guaranty.

Insolvency Proceeding: As to any Person, any voluntary or involuntary (a) legal proceeding or corporate action commenced by or against such Person (i) pursuant to the United States Bankruptcy Code or other Applicable Law affecting the rights of debtors and creditors generally, (ii) relating to the dissolution, liquidation, reorganization, suspension, termination, or winding-up of the affairs of such Person, or (iii) requesting the appointment of an administrator, conservator, custodian, liquidator, monitor, receiver, sequestrator, trustee, or similar official for such Person, or (b) assignment for the benefit of creditors, marshalling of assets, or similar arrangement affecting the rights of such Person's creditors.

Insurance Certificate: As to any Government Loan covered by Government Insurance, the Mortgage Insurance Certificate issued by the applicable Agency Issuer evidencing the existence and terms of such Government Insurance.

Insurance Proceeds: As to any Mortgage Loan, all proceeds due, payable, or received in connection with any Government Backstop or policy of flood insurance, hazard insurance, mortgage insurance, title insurance, or other type of insurance relating to such Mortgage Loan, the Mortgage, or the Mortgaged Property.

Investment Property Loan: Any Mortgage Loan that is originated with the stated purpose of being secured by lien upon a Mortgaged Property which is neither occupied nor used by the Mortgagor as its primary residence.

Liquidation Proceeds: As to any Mortgage Loan, all proceeds due, payable, or received in connection with (a) any Foreclosure Action, or the subsequent sale or use of any real or personal property acquired as a result thereof, (b) any legal proceeding by any Governmental Authority seeking the permanent or temporary condemnation, possession, or taking of the Mortgaged Property, or (c) any payoff, refinancing, sale, satisfaction, securitization, or other liquidation of such Mortgage Loan, including without limitation any Payoff Event or Reconstitution.

Loan File: As to any Mortgage Loan, the compilation of all documents and instruments specified in Appendix C to the Planet Guide.

Loan Proceeds: As to any Mortgage Loan, (a) all Monthly Payments, Principal Prepayments, Insurance Proceeds, and Liquidation Proceeds due, payable, or received in connection with such Mortgage Loan, and (b) all ancillary income, float benefit, and other charges, earnings, fees, income, penalties, premiums, proceeds, and other revenue attributable to or derived from such Mortgage Loan or the Servicing thereof.

Loan Program: Any loan program specified in Chapter 5 of the Planet Guide.

Lock Date: With respect to any Mortgage Loan, the date on which Planet issues to the Seller a written confirmation of a locked interest rate with respect to the application for such Mortgage Loan.

Loss Mitigation: As to any Mortgage Loan, any permanent or temporary cancellation, discharge, extension, forbearance, modification, release, subordination, waiver, or similar indulgence, in whole or in part, with respect to (a) any monetary or non-monetary obligation imposed upon the Mortgagor pursuant to the Collateral Documents, or (b) the lien created by the Mortgage.

Material Adverse Change: Any circumstance that, with or without notice or the lapse of time or both, reasonably could be expected (a) to impair (i) the ability of the Seller to perform the Agreement in accordance with all Applicable Requirements, (ii) the enforceability of the Agreement against the Seller, or (iii) the value of any Mortgage Loan or Planet's interest therein, (b) to have an adverse effect upon the business operations, commercial prospects, corporate existence, or financial condition of the Seller, or (c) to cause any representation or warranty made by the Seller in Section 5 not to be true and correct on or as of the applicable Determination Date.

MERS: Collectively and individually, MERSCorp, Inc. and Mortgage Electronic Registration System, Inc.

MERS Loan: Any Mortgage Loan that is registered on the MERS System.

MERS Requirement: As to any MERS Loan, each requirement imposed pursuant to any announcement, circular, guideline, handbook, instruction, manual, notice, procedure, process, regulation, or rule issued by MERS and applicable to such MERS Loan.

MERS System: The electronic registry maintained by MERS for purposes of registering and reporting changes in the ownership and Servicing of mortgage loans.

Monthly Payment: As to any Mortgage Loan, the scheduled amount of all principal, interest, Escrow Payments, and other charges, fees, interest, penalties, premiums, and other payments required to be paid by the Mortgagor each month or upon maturity pursuant to the Collateral Documents.

Mortgage: As to any Mortgage Loan, each deed of trust, mortgage, or other security instrument (including each subsequent assignment thereof) that purports to grant a lien upon any right, title, or interest in, to, or under all or any part of the Mortgaged Property as security for the indebtedness evidenced by the Promissory Note.

Mortgage Assignment: As to any Mortgage Loan, a duly executed, notarized, and recordable written instrument that (a) evidences an assignment of the Mortgage from the Seller to Planet on and as of the related Purchase Date, (b) includes a conspicuous statement that such instrument shall be returned to Planet upon recordation, and (c) complies, in both form and substance, with all Applicable Laws of the jurisdiction where the Mortgaged Property is located.

Mortgage Loan: Any mortgage loan offered for sale by the Seller and purchased by Planet pursuant to the Agreement, including without limitation the related Servicing Rights and the exclusive right (a) to receive and retain all Loan Proceeds due, payable, or recovered in connection with such mortgage loan at any time on or after the related Purchase Date, (b) to own and possess all Consumer Information, Collateral Documents, Loan Files, and Servicing Files relating to such mortgage loan at all times on and after the related Purchase Date, (c) to perform and delegate the Servicing of such mortgage loan at all times on and after the related Purchase Date, and (d) to enforce and exercise all other benefits, duties, obligations, powers, privileges, responsibilities, and rights arising under, incidental to, relating to, or resulting from any of the foregoing at all times on and after the related Purchase Date, including without limitation and (i) as to any Government Loan, the related Government Backstop, and (ii) as to any Premium Loan, the related Solicitation Rights.

Mortgaged Property: As to any Mortgage Loan, all real and personal property purportedly encumbered by the lien created by the Mortgage, including without limitation (a) all accessions and improvements thereon, (b) all replacements and substitutions thereof, and (c) all cash and non-cash proceeds therefrom.

Mortgagor: As to any Mortgage Loan, each Person who is (a) a borrower, guarantor, surety, or other obligor of the indebtedness evidenced by the Promissory Note, or (b) a grantor, mortgagor, or other provider of collateral as security for the indebtedness evidenced by the Promissory Note.

Non-Delegated Correspondent: Any Seller that has selected the “Non-Delegated Correspondent” option in its signature block to the Agreement.

Non-MERS Loan: Any Mortgage Loan that is not a MERS Loan.

Originator: As to any Mortgage Loan, the Person who would be deemed the “originator” of such Mortgage Loan for purposes of 17 C.F.R. 229.110 upon the securitization thereof.

Payoff Event: As to any Mortgage Loan, the Mortgagor’s (a) request for or receipt of a payoff statement, or (b) payment in full of the Principal Balance.

Person: Any (a) natural person, (b) association, company, corporation, joint venture, partnership, syndicate, trust, or other type of juridical entity or non-juridical organization through which any commercial activity is conducted, or (c) Governmental Authority.

Planet Account: As to any payment due or payable to Planet pursuant to the Agreement, the depository account designated by Planet in writing for remittance of such payment.

Premium Loan: Any Mortgage Loan for which the related Purchase Price Percentage is greater than one hundred and 00/100 percent (100.00%).

Principal Balance: As to any Mortgage Loan, the unpaid principal balance that is outstanding as of the date of determination after giving effect to each Monthly Payment and Principal Prepayment received on or before such date.

Principal Prepayment: As to any Mortgage Loan, each payment and other recovery of principal received before the date such amount is due or payable pursuant to the Collateral Documents.

Promissory Note: As to any Mortgage Loan, the promissory note or other evidence of the indebtedness owed by the Mortgagor in connection with such Mortgage Loan.

Purchase Advice: As to any Mortgage Loan, the “Purchase Advice” (Form Planet-PA-V1) prepared and provided by Planet to the Seller in anticipation of the purchase and sale of such Mortgage Loan.

Purchase Date: As to any Mortgage Loan, the “Purchase Date” specified in the related Purchase Advice, or any other date as may be mutually agreed by both Parties in writing.

Purchase Premium: As to any Premium Loan, the sum of (a) the “Premium/Discount Paid By Purchaser” specified in the related Purchase Advice, plus (b) all out-of-pocket costs, damages, expenses, fees (including without limitation attorneys’ fees) fines, liabilities, and other losses expended by Planet in connection with the pledge, pooling, purchase, sale, securitization, or Servicing of such Mortgage Loan, including without limitation all amounts due or payable to any Agency Investor, Agency Issuer, or Subsequent Transferee in connection with such Mortgage Loan.

Purchase Price: As to any Mortgage Loan, the "Adjusted Purchase Amount" specified in the related Purchase Advice.

Purchase Price Percentage: As to any Mortgage Loan, the "price" specified in the related Purchase Advice.

Qualified Mortgage: Any Mortgage Loan for which the applicable Underwriting Guidelines require such Mortgage Loan to constitute a "qualified mortgage" pursuant to any Applicable Law.

Reconstitution: Any transaction whereby Planet assigns, conveys, or otherwise transfers to any Subsequent Transferee any right, title, or interest in, to, or under the Agreement or any Mortgage Loan.

Rejection Event: As to any Mortgage Loan, (a) the demand or request by any Agency Investor, Agency Issuer, or Subsequent Transferee for indemnification, repurchase, or other remedy with respect to such Mortgage Loan based upon any circumstance that occurred on or before the related Transfer Date, (b) the mandatory or voluntary buyout by Planet or any Subsequent Transferee of such Mortgage Loan from a pool of mortgage loans into which such Mortgage Loan has been or will be aggregated pursuant to applicable Agency Requirements for the purpose of backing, securing, or supporting payments on certain securities, participation certificates, or whole loan pools, (c) as to any Government Loan, the failure by the Seller to timely and fully perform its obligations pursuant to Subsection A-3.04 with respect to such Government Loan, or the failure of such Government Loan to become or remain eligible for the applicable Government Backstop.

Representative: As to any Person, each accountant, agent, attorney, banker, director, employee, manager, member, officer, owner, partner, shareholder, or trustee of such Person.

Repurchase Price: As to any Mortgage Loan, the sum of (a) the greater of (i) the Principal Balance as of the date the Seller repurchases such Mortgage Loan, or (ii) the Purchase Price of such Mortgage Loan less all payments of principal received by Planet in connection with such Mortgage Loan on or before the date the Seller repurchases such Mortgage Loan, plus (b) all unpaid interest that accrued through and including the date the Seller repurchases such Mortgage Loan, plus (c) all unrecovered Servicing Advances paid or reimbursed by Planet on or before the date the Seller repurchases such Mortgage Loan, plus (d) all out-of-pocket costs, damages, expenses, fees (including without limitation attorneys' fees) fines, liabilities, and other losses expended by Planet (i) in connection with (A) Planet's pledge, pooling, purchase, repurchase, sale, securitization, or Servicing of such Mortgage Loan, including without limitation all amounts due or payable by Planet to any Agency Investor, Agency Issuer, or Subsequent Transferee in connection with such Mortgage Loan, or (B) the Seller's repurchase of such Mortgage Loan, or (ii) as a result of the failure of such Mortgage Loan to conform with any Loan Representation.

Second Lien Loan: Any Mortgage Loan that is originated with the stated purpose of being secured by a second-priority lien upon the Mortgaged Property.

Servicing: As to any Mortgage Loan, the performance of any function permitted or required to be performed pursuant to any Applicable Requirement in connection with the administration, collection, or servicing of such Mortgage Loan.

Servicing Advance: As to any Mortgage Loan, each advancement or disbursement of funds made in connection with (a) the Servicing of such Mortgage Loan, (b) the management, marketing, preservation, protection, restoration, or sale of the Mortgaged Property, or (c) the investigation, prosecution, defense, or appeal of any Claim relating to such Mortgage Loan.

Servicing File: As to any Mortgage Loan, the compilation of all documents and information in the possession, custody, or control of the Seller or its subservicer relating to the Servicing of such Mortgage Loan before the related Transfer Date.

Servicing Rights: As to any Mortgage Loan, all benefits, duties, obligations, powers, privileges, proceeds, responsibilities, and rights arising under, incidental to, relating to, or resulting from the Servicing of such Mortgage Loan, including without limitation the exclusive right (a) to perform the Servicing and earn all servicing fees and ancillary income in exchange therefor, (b) to collect all Loan Proceeds and disburse all Escrow Payments, (c) to possess all Servicing Files and own all Consumer Information, and (d) to exercise all other benefits, duties, obligations, powers, privileges, responsibilities, and rights arising under, incidental to, relating to, or resulting from any of the foregoing.

Solicitation Rights: As to any Premium Loan, the exclusive right (a) to solicit the Mortgagor to modify or refinance such Mortgage Loan, and (b) to modify or refinance such Mortgage Loan.

Subsequent Transferee: Each Person that is an immediate or mediate transferee from Planet of any right, title, or interest in, to, or under the Agreement or one or more Mortgage Loans.

Transfer Date: As to any Mortgage Loan, the "1st Payment Date" specified in the related Purchase Advice, or any other date as may be mutually agreed by both Parties in writing.

Underwriting Guidelines: As to any Mortgage Loan, the underwriting guidelines set forth in the Planet Guide and applicable to the related Loan Program on the related Purchase Date.

Subsection A-1.02. Interpretive Principles.

Each provision contained in the Agreement shall be construed and interpreted in accordance with this Subsection A-1.02 as follows: (a) the Agreement shall be construed and interpreted (i) as if both Parties jointly drafted each provision herein, and (ii) without regard to any Applicable Law, legal rule, or equitable doctrine which may recommend or require a presumption against or in favor of any Party; (b) each exhibit to the Agreement and each appendix to the Planet Guide is incorporated herein and made a material part hereof; (c) the heading of each provision herein is used for convenience of reference and shall not affect the construction or interpretation hereof; (d) the word "any" shall be construed and interpreted to mean "any or all"; (e) the word "each" shall be construed and interpreted to mean "each and every"; (f) the words "hereby," "herein," "hereof," "hereto," and "hereunder" shall be construed and interpreted to refer to the Agreement in its entirety; (g) the word "or" shall be construed and interpreted as not exclusive; (h) the use of any plural noun shall be construed and interpreted to include the singular form thereof, and vice versa; (i) each reference to a specific Person shall be construed and interpreted to include each successor and assign thereof; (j) each reference to a specific document or instrument shall be construed and interpreted to include (i) each attachment, exhibit, rider, schedule, and supplement thereto, and (ii) each amendment, extension, modification, novation, and restatement thereof; and (k) each reference to a specific Applicable Law shall be construed and interpreted to include (i) each legislative amendment, replacement, and supplement thereto, (ii) each executive order and judicial decision relating thereto, and (iii) each administrative interpretation, regulation, requirement, and rule promulgated thereunder.

SECTION A-2. SELLER REPRESENTATIONS.

Subsection A-2.01. Corporate Representations.

The Seller hereby covenants, represents, and warrants, on and as of the Effective Date, each Purchase Date, each Transfer Date, and at all other times during the Term, that:

(a) the Agreement (i) has been duly authorized, executed, and delivered by the Seller, and (ii) constitutes a binding, enforceable, and valid obligation of the Seller;

(b) the Seller (i) is duly organized, in good standing, and validly existing in accordance with all Applicable Laws of the jurisdiction where the Seller is organized, (ii) possesses each license, permit, qualification, and registration appropriate or necessary for the Seller to execute, deliver, and perform the Agreement in accordance with all Applicable Requirements, (iii) has obtained each approval, authorization, or consent appropriate or necessary for the Seller to execute, deliver, and perform the Agreement in accordance with all Applicable Requirements, (iv) has not (A) admitted in writing its inability to pay any indebtedness as it becomes due, or (B) voluntarily suspended payment of any indebtedness that has become due, (v) is not insolvent or engaged in any business or a transaction for which any property remaining with the Seller is an unreasonably small capital, (vi) does not intend (A) to incur any indebtedness that would be beyond the ability of the Seller to pay upon maturity, or (B) to hinder, delay, or defraud any Person to which the Seller is indebted, and (vii) has determined that (A) the Purchase Price constitutes fair consideration and reasonably equivalent value for each Mortgage Loan, and (B) the disposition of each Mortgage Loan will be afforded sale treatment for accounting and tax purposes;

(c) the Seller's (i) execution, delivery, and performance of the Agreement will not (A) conflict with or contravene any organizational record or governing document of the Seller, or (B) constitute a breach or default of any contractual obligation to which the Seller or its property is subject, (ii) decision to originate each Mortgage Loan was made independent of Planet's decision to purchase such Mortgage Loan, (iii) selection of each Mortgage Loan offered for sale to Planet (A) was made from among the Seller's entire portfolio of residential mortgage loans for which the Loan Representations could be made, and (B) was not intended to identify mortgage loans that are less desirable than other mortgage loans owned by the Seller, and (iv) disposition of the Mortgage Loans (A) is made by the Seller in the ordinary course of its business, and (B) is not subject to any bulk-transfer law or similar restriction to which the Seller or its property is subject; and

(d) there is no pending or threatened (i) Insolvency Proceeding relating to the Seller, or (ii) legal proceeding or administrative action against the Seller (A) that, if adversely determined against the Seller, reasonably could be expected to result in a Material Adverse Change, or (B) relating to any alleged error, action, inaction, misstatement, or omission by the Seller or any Representative thereof (I) in connection with the origination, pledge, pooling, purchase, sale, securitization, or Servicing of any Mortgage Loan, or (II) that allegedly involves bad faith, breach of fiduciary duty, criminal activity, fraud, gross negligence, intentional misconduct, or a willful violation of any Applicable Requirement.

Subsection A-2.02. <u>Loan Representations</u>.

The Seller hereby covenants, represents, and warrants, on and as of the applicable Determination Date specified Below, that as to each Mortgage Loan:

(a) on and as of the related Purchase Date, (i) the Seller (A) is the sole beneficial, equitable, and legal owner and record holder of good, indefeasible, and marketable title — free and clear of any charges, claims, conditions, encumbrances, interests, liens, participations, pledges and other restrictions — to all rights, title, and interests in, to, and under the Mortgage Loan, and (B) has not previously assigned, conveyed, encumbered, hypothecated, pledged, sold, or otherwise transferred any right, title, or interest in, to, or under the Mortgage Loan, and (ii) Planet, immediately upon remittance of the Purchase Price, will become the sole beneficial, equitable, and legal owner and record holder of good, indefeasible, and marketable title — free and clear of any charges, claims, conditions, encumbrances, interests, liens, participations, pledges and other restrictions — to all rights, title, and interests in, to, and under the Mortgage Loan on and as of the related Purchase Date;

(b) on and as of the related Purchase Date and the related Transfer Date, the Mortgage Loan (i) is an Eligible Loan that is not (A) cross-collateralized or cross-defaulted with any mortgage loan, (B) secured by any collateral other than the lien created by the Mortgage, or (C) an "abusive," "covered," "high cost," "high risk," "predatory," "threshold," or similarly designated loan pursuant to any Applicable Law, (ii) is covered by a life-of-loan flood certification that is freely assignable and transferrable to Planet and its successors and assigns at no cost to Planet, (iii) is not and has not been the subject of (A) any Claim, Default, Defect, Delinquency, or Loss Mitigation, (B) any request by the Mortgagor for (I) Loss Mitigation, or (II) pursuant to the Home Affordable Modification Program, the Home Affordable Refinance Program, or the Servicemembers Civil Relief Act, (C) any adverse classification, designation, or determination by any Governmental Authority relating to the impermissibility, ineligibility, or unsuitability of an investment in or the securitization of the Mortgage Loan, (D) any claim under a policy of title insurance or mortgage insurance, (E) any demand for repurchase or indemnification, or (F) any error, action, inaction, misstatement, or omission by the Mortgagor, the Seller, or any other Person that (I) involves bad faith, breach of fiduciary duty, criminal activity, fraud, negligence, tortious misconduct, or a violation of any Applicable Requirement, or (II) reasonably could be expected to impair the benefits or coverage of any policy of flood insurance, hazard insurance, mortgage insurance, or title insurance relating to the Mortgage Loan, (iv) is not subject to complete or partial avoidance, cancellation, nullification, or rescission pursuant to any Applicable Law, (v) was underwritten in accordance with the applicable Underwriting Guidelines without regard to any underwriter discretion, and conforms with the loan-level characteristics required pursuant to the applicable Underwriting Guidelines, and (vi) complies with all Applicable Requirements;

(c) on and as of the related Purchase Date and the related Transfer Date, each Collateral Document (i) is duly executed and constitutes a binding, enforceable, and valid obligation of the Mortgagor without counterclaim, setoff, surcharge, or any other defense, (ii) is freely assignable and transferrable by the Seller to Planet without prior notice to or consent from the Mortgagor or any other Person, (iii) is complete, correct, and genuine in all respects, (iv) does not contain any provision that (A) has been altered, amended, cancelled, invalidated, modified, released, rescinded, subordinated, or waived in whole or in part, except by a written document included in the Loan File, (B) reasonably could be expected to render the Collateral Document void or voidable in whole or in part, (C) constitutes a buydown structure, a pick-a-payment option, or a contingent interest feature, (D) allows for dispute arbitration, graduated payments, negative amortization, rate conversion, or a term to maturity greater than thirty (30) years, or (E) misstates any material fact or omits to state any material fact necessary in order to make any representation, warranty, or statement therein not misleading, and (v) complies, in both form and substance, with all Applicable Requirements;

(d) on and as of the related Purchase Date and the related Transfer Date, the Mortgage (i) creates a binding, enforceable, and valid first-priority lien (or, as to any Second Lien Loan, a second-priority lien) for the benefit of the Seller and its successors and assigns in all rights, title, and interests, whether now existing or hereafter acquired, of the Mortgagor in, to, and under the Mortgaged Property as collateral for the payment and performance of all monetary and non-monetary obligation imposed upon the Mortgagor pursuant to the Collateral Documents, (ii) is publicly recorded, or has been submitted for recordation, in accordance with all Applicable Laws of the jurisdiction where the Mortgaged Property is located, (iii) contains customary and enforceable provisions that entitle the mortgagee to accelerate payment of the indebtedness evidenced by the Promissory Note, and to realize against the Mortgaged Property all benefits of the lien created by the Mortgage, in the event of (A) a monetary or non-monetary default pursuant to the Collateral Documents, or (B) a conveyance, encumbrance, or other transfer of any right, title, or interest of the Mortgagor in, to, or under the Mortgaged Property without the mortgagee's prior written consent, (iv) is insured by a loan policy of title insurance that (A) is written on the 2006 American Land Title Association ("ALTA") standard form or short form of Loan Policy Of Title Insurance or, in states where ALTA coverage is not available, the state-promulgated equivalent form, (B) is issued by a duly licensed insurance carrier that is generally acceptable to prudent financial institutions which originate mortgage loans of the same type as the Mortgage Loan in the ordinary course of business and in the jurisdiction where the Mortgaged Property is located, (C) is in full force and effect without any unpaid premium or other amount due or payable, (D) provides (I) "gap coverage" for the period of time between closing of the Mortgage Loan and recordation of the Mortgage, and (II) "extended coverage" that deletes the standard exceptions relating to matters that are not shown by the public records or that would be disclosed by a land survey, (E) includes all standard endorsements that are customarily requested, and does not include any special exceptions that are customarily rejected, by prudent financial institutions which originate mortgage loans of the same type as the Mortgage Loan in the ordinary course of business and in the jurisdiction where the Mortgaged Property is located, (F) contains a standard mortgagee clause (I) naming the Seller and its successors and assigns as the sole insured, loss payee, and mortgagee, and (II) requiring notice to the mortgagee in the event of cancellation or modification, and (G) insures, in an amount equal to or greater than the Principal Balance as of the related Purchase Date, (I) the enforceability, perfection, priority, and validity of the lien created by the Mortgage, and against any loss resulting from the invalidity or unenforceability thereof due to any provisions in the Collateral Documents that provide for adjustments to the interest rate or loan payments, and (II) ingress to and egress from the Mortgaged Property, and against any easements and encroachments thereby or thereupon, and (v) if the Mortgage is a deed of trust, then (A) a duly qualified trustee has been properly designated and currently serves in such capacity, and (B) no costs, expenses, or fees are or will become due or payable by Planet to such trustee;

(e) on and as of the related Purchase Date and the related Transfer Date, the Mortgaged Property (i) consists of (A) a fee-simple estate in a single parcel or contiguous parcels of real property located in the United States, with (B) a one-to-four family residential dwelling permanently erected thereon, that (C) is neither a cooperative unit, nor a mobile home, nor used for agricultural or commercial purposes, and (D) except as to any Investment Property Loan, is lawfully occupied and used by the Mortgagor as its primary residence, (ii) is in good repair and not affected by any physical damage or deferred maintenance that (A) is not reflected in the most recent appraisal included in the Loan File, or (B) reasonably could be expected to impair the habitability, use, or value of the Mortgaged Property, (ii) except as to any Second Lien Loan, is not encumbered by any lien or other security interest senior to or coordinate with the lien created by the Mortgage, (iii) is not (A) protected by any homestead or similar exemption that reasonably could be expected to impair the realization against the Mortgaged Property of all benefits of the lien created by the Mortgage, (B) affected by the presence of, or used for the purpose of disposing, generating, releasing, storing, or treating, any "hazardous material," "hazardous substance," "hazardous waste," "solid waste," or "toxic substance," as those terms are defined pursuant to any Applicable Law, or (C) the subject of (I) any covenant, easement, encumbrance, interest, lien, right, servitude, or other restriction that is not covered by the loan policy of title insurance referenced in Subsection A-2.02(d)(iv), (II) any option or right by any Person, other than the Mortgagor, to acquire any right, title, or interest therein, or to receive any proceeds from the conveyance, encumbrance, or other transfer of any right, title, or interest therein, or (III) any pending or threatened legal proceeding by any Governmental Authority seeking the permanent or temporary condemnation, possession, or taking of all or any part thereof, (iv) is insured by a policy of hazard insurance that (A) is issued by a duly licensed insurance carrier (I) selected by the Mortgagor, and (II) generally acceptable to prudent financial institutions which originate or service mortgage loans of the same type as the Mortgage Loan in the ordinary course of business and in the jurisdiction where the Mortgaged Property is located, (B) is in full force and effect without any unpaid premium or other amount due or payable, (C) includes all standard endorsements that are customarily requested, and does not include any special exceptions that are customarily rejected, by prudent financial institutions which originate or service mortgage loans of the same type as the Mortgage Loan in the ordinary course of business and in the jurisdiction where the Mortgaged Property is located, (D) contains a standard mortgagee clause (I) naming the Seller and its successors and assigns as the sole insured, loss payee, and mortgagee, and (II) requiring notice to the mortgagee in the event of cancellation or modification, and (E) insures, in an amount equal to or greater than the Principal Balance as of the related Purchase Date, against any loss resulting from fire, hail, hurricane, theft, smoke, vandalism, windstorm, and other perils that are customarily requested by prudent financial institutions which originate or service mortgage loans of the same type as the Mortgage Loan in the ordinary course of business and in the jurisdiction where the Mortgaged Property is located, (v) if all or any part of the Mortgaged Property is located in a "special flood hazard area" identified by the Federal Emergency Management Agency, then the Mortgaged Property is insured by a policy of flood insurance that (A) either (I) is written on the National Flood Insurance Program ("NFIP") dwelling form or general property form of Standard Flood Insurance Policy, or (II) is issued by a duly licensed insurance carrier generally acceptable to prudent financial institutions which originate or service mortgage loans of the same type as the Mortgage Loan in the ordinary course of business and in the jurisdiction where the Mortgaged Property is located, (B) is in full force and effect without any unpaid premium or other amount due or payable, (C) does not require payment of a deductible that exceeds the greater of the maximum amount permitted by the NFIP or Applicable Law, (D) contains a standard mortgagee clause (I) naming the Seller and its successors and assigns as the sole insured, loss payee, and mortgagee, and (II) requiring notice to the mortgagee in the event of cancellation or modification, and (E) insures, in an amount equal to or greater than the Principal Balance as of the related Purchase Date, against any loss resulting from the accumulation, overflow, penetration, or runoff of inland, surface, or tidal waters, or any collapse, erosion, mudflow, or subsidence of land caused thereby, and (vi) complies with all Applicable Requirements;

(f) on and as of the related Purchase Date and the related Transfer Date, the Mortgagor (i) is (A) a natural person who is a citizen or lawful resident alien of the United States, or (B) an inter vivos trust that conforms with all Agency Requirements, (ii) is not identified in the most recent list of Specifically Designated Nationals And Blocked Persons issued by the U.S. Department of the Treasury, Office of Foreign Assets Control, (iii) except as may permitted by applicable Agency Requirements, is not and has not been the subject of any Foreclosure Action or Insolvency Proceeding relating to the Mortgagor, (iv) has received all amounts required to be disbursed prior to the Purchase Date and, except to the extent permitted by the applicable Loan Program, is not entitled to receive any future advance or payment refund in connection with the Mortgage Loan, (v) is personally obligated to satisfy the indebtedness evidenced by the Promissory Note, and has not been released from or relieved of any liability therefor, and (vi) was provided, and has acknowledged receipt of, all disclosures and notices required by Applicable Law to be provided to the Mortgagor in connection with the origination, Servicing, and each prior purchase and sale of the Mortgage Loan;

(g) on and as of the related Purchase Date and the related Transfer Date, (i) all Escrow Payments (A) have been paid by the Mortgagor in an amount sufficient to satisfy all unpaid items that have been assessed but are not yet due or payable, and (B) have been disbursed by the Seller in an amount sufficient to satisfy all unpaid items that have been assessed and have become due or payable, (ii) the origination, Servicing, and each prior purchase and sale of the Mortgage Loan has strictly complied with all Applicable Requirements in all respects, (iii) no accrued liabilities of the Seller or any other Person will arise against Planet as the purchaser of the Mortgage Loan, the assignee of the Mortgage, or the transferee of the Servicing, (iv) the Seller has delivered to Planet a complete and legible Loan File for the Mortgage Loan, (v) all Seller Representations made by the Seller relating to the Mortgage Loan or in connection with the related Transaction are true and correct on and as of the applicable Determination Date, and (vi) no document or information provided by the Seller or any Representative thereof relating to the Mortgage Loan or in connection with the related Transaction, (A) contains any misstatement of material fact, or (B) omits to state any material fact necessary in order to make any representation, warranty, or statement therein not misleading;

(h) if the Mortgage Loan is not an Investment Property Loan, then (i) if the Mortgage Loan is not a Qualified Mortgage, then on and as of the related Purchase Date, the Mortgage Loan satisfies all "ability to repay" requirements specified in 12 C.F.R. 1026.43(c), or (ii) if the Mortgage Loan is a Qualified Mortgage, then on and as of the related Purchase Date, the Mortgage Loan (A) constitutes a "Qualified Mortgage," as that term is defined pursuant to 12 C.F.R. 1026.43(e)(2), and (B) either (I) satisfies all requirements necessary to qualify for the safe harbor in 12 C.F.R. 1026.43(e)(1)(i), or (II) is presumed to satisfy all “ability to repay” requirements specified in 12 C.F.R. 1026.43(c) for purposes of 12 C.F.R. 1026.43(e)(1)(ii);

(i) if the Mortgage Loan is an Agency Loan, then on and as of the related Purchase Date and the related Transfer Date, the Mortgage Loan (i) has been underwritten, originated, and serviced in accordance with all applicable Agency Requirements, (ii) is not and has not been affected by any error, action, inaction, misstatement, or omission by the Mortgagor, the Seller, or any other Person that reasonably could be expected to impair the eligibility of the Mortgage Loan for sale or delivery to, or for certification and pooling into mortgage-backed securities issued by or on behalf of, the applicable Agency Investor, and (iii) is eligible for sale and delivery to, and for certification and pooling into mortgage-backed securities issued by or on behalf of, the applicable Agency Investor;

(j) if the Mortgage Loan is a Government Loan, then on and as of the related Purchase Date and the related Transfer Date, the Mortgage Loan (i) has been underwritten, originated, and serviced in accordance with all applicable Agency Requirements, (ii) is not and has not been affected by any error, action, inaction, misstatement, or omission by the Mortgagor, the Seller, or any other Person that reasonably could be expected to impair the benefits or coverage of the Government Backstop, and (iii) either (A) currently is covered by a Government Backstop that (I) is in full force and effect without any unpaid fee, premium, or other amount due or payable to the applicable Agency Issuer, (II) covers the greatest extent of losses in the maximum amounts permitted by the applicable Agency Issuer, and (III) has not been tendered to or rejected by the applicable Agency Issuer for payment, or (B) will be, on and as of the date that is sixty (60) days after the related origination date, covered by a Government Backstop that satisfies the requirements set forth in clauses (iii)(A)(I), (iii)(A)(II), and (iii)(A)(III) of this Subsection A-2.02(j);

(k) if the Mortgage Loan is an Investment Property Loan, then on and as of the related Purchase Date and the related Transfer Date, (i) the Mortgage Loan (A) constitutes a “business purpose loan,” as that term is defined pursuant to 12 C.F.R. 1024.5(b)(2), and (B) does not constitute “consumer credit,” as that term is defined pursuant to 12 C.F.R. 1026.2(12), and (ii) the Mortgaged Property is neither occupied nor used by the Mortgagor as its primary residence; and

(l) if the Mortgage Loan is a Second Lien Loan, then on and as of the related Purchase Date and the related Transfer Date, the mortgage loan that is secured by a first-priority lien on the Mortgaged Property (i) does not prohibit the Mortgagor from granting a second-priority lien upon the Mortgaged Property, (ii) does not allow for graduated payments, negative amortization, rate conversion, or a term to maturity greater than thirty (30) years, and (iii) is not the subject of any monetary or non-monetary default by the Mortgagor pursuant to the related loan documents, and no circumstance has occurred or is continuing that, with or without notice or the lapse of time or both, constitutes or reasonably could be expected to result in any monetary or non-monetary default under the related loan documents.

Subsection A-2.03. Qualified Representations.

The Seller acknowledges and agrees that (a) any knowledge or materiality qualification of any Seller Representation has been included in the interest of full and fair disclosure without the intent of limiting any Planet Remedies conferred upon Planet pursuant hereto or any other rights and remedies available to Planet at law or in equity, and (b) if either Party subsequently discovers that the factual substance of any Seller Representation was inaccurate on or as of the date it was made, then such inaccuracy shall constitute a breach of such Seller Representation for all purposes hereof irrespective of any knowledge or materiality qualification thereof.

SECTION A-3. SELLER COVENANTS.

Subsection A-3.01. Delivery Of Collateral Documents.

On or before the related Purchase Date, the Seller shall deliver to Planet or its designee a genuine original of all Collateral Documents for each Mortgage Loan. If Planet receives an incomplete Loan File or a defective Collateral Document with respect to any Mortgage Loan, then the Parties shall proceed in accordance with Subsection A-4.01(f).

Subsection A-3.02. Assignments Of Mortgage.

(a) MERS Registration. Within five (5) Business Days after the related Purchase Date of any MERS Loan, the Seller shall (i) designate Planet as the "Investor" on the MERS System with respect to such MERS Loan, and (ii) remove each Person identified as an "Interim Funder" or "Warehouse Gestation Lender" on the MERS System with respect to such MERS Loan.

(b) Assignment Recordation. On or before the related Purchase Date of any Non-MERS Loan, the Seller shall prepare and deliver to Planet or its designee for recordation a Mortgage Assignment for such Non-MERS Loan. The Seller shall reimburse Planet for all costs, expenses, and fees incurred by Planet in connection with the recordation or rejection of any Mortgage Assignment. If Planet receives a Mortgage Assignment in accordance with this Subsection A-3.02 with respect to any Mortgage Loan, then the Parties shall proceed in accordance with Subsection A-4.01(f).

Subsection A-3.03. Transfer Notices And Payments.

(a) Transfer Notices. No later than fifteen (15) days before the related Transfer Date, the Seller shall prepare and deliver (i) the notice required to be provided by the transferor servicer to each Mortgagor pursuant to 12 C.F.R. 1024.33(b) as a result of the transfer of the Servicing of such Mortgage Loan, and (ii) any other notice required to be provided by the Seller to any Governmental Authority, Insurance Provider, Mortgagor, or Taxing Authority pursuant to any Applicable Requirement as a result of the purchase or sale of such Mortgage Loan or the transfer of the Servicing thereof.

(b) Transfer Payments. On or before the related Transfer Date of any Mortgage Loan that was originated more than forty-five days before the related Purchase Date, the Seller shall pay all Escrow Payments that (i) were delinquent on the related Purchase Date, or (ii) become due, payable, or delinquent during the period of time between the related Purchase Date and the related Transfer Date, but only to the extent of amounts for which a billing statement has been received by or made available to the Seller. All amounts payable by the Seller pursuant to this Subsection A-3.03(b) shall be paid at the Seller's sole cost and expense; provided however, all amounts paid by the Seller pursuant to clause (ii) of this Subsection A-3.03(b) shall be reimbursed by Planet within thirty (30) days after its approval of supporting documentation that is (x) delivered to Planet by the Seller within sixty (60) days after the related Transfer Date, and (y) determined by Planet to sufficiently evidence the stated purpose and actual payment of such amount.

Subsection A-3.04. Transfer Of Government Backstop.

Within five (5) Business Days after the related Purchase Date of any Government Loan, the Seller shall (a) either (i) transfer to Planet any Government Backstop previously issued with respect to such Government Loan, or (ii) submit such Government Loan to the applicable Agency Issuer for issuance of a Government Backstop, and (b) cause the applicable Agency Issuer to recognize and reflect Planet as the owner of such Government Loan and the beneficiary of such Government Backstop. At all times on and after the related origination date, the Seller shall not take or permit to be taken any action that reasonably could be expected to impair the benefits or coverage of any Government Backstop.

Subsection A-3.05. Notice Of Material Events.

Within five (5) Business Days after the Seller obtains Knowledge of the occurrence or continuation of any of the following circumstances, the Seller shall provide Notice thereof to Planet: (a) any breach by the Seller of any covenant, representation, warranty, or other provision herein; or (b) any anticipated, threatened, or pending (i) Insolvency Proceeding relating to the Seller, or (ii) legal proceeding or administrative action against the Seller (A) that, if adversely determined against the Seller, reasonably could be expected to result in a Material Adverse Change, or (B) relating to any alleged error, action, inaction, misstatement, or omission by the Seller or any Representative thereof (I) in connection with the origination, pledge, pooling, purchase, sale, securitization, or Servicing of any Mortgage Loan, or (II) that allegedly involves bad faith, breach of fiduciary duty, criminal activity, fraud, gross negligence, intentional misconduct, or a willful violation of any Applicable Requirement.

SECTION A-4. PLANET REMEDIES.

Subsection A-4.01. Investment Protection.

(a) Early Payment Default.

(i) Correspondent Participants. If any Mortgage Loan is the subject of a 90-day Delinquency as to any of the first four (4) Monthly Payments due or payable after the related Purchase Date and the Seller is a Correspondent Participant, then the Seller shall, within thirty (30) days after receipt of Notice thereof from Planet, repurchase such Mortgage Loan and remit payment of the Repurchase Price by wire transfer of immediately available funds to the Planet Account; provided however, if such Delinquency occurs before the related Transfer Date, then the Seller shall, without the requirement of prior notice from Planet, repurchase such Mortgage Loan and remit payment of the Repurchase Price within thirty (30) days after the occurrence of such Delinquency.

(ii) Emerging Bankers. If any Mortgage Loan is the subject of a 60-day Delinquency as to any of the first nine (9) Monthly Payments due or payable after the related Purchase Date and the Seller is an Emerging Banker, then the Seller shall, within thirty (30) days after receipt of Notice thereof from Planet, repurchase such Mortgage Loan and remit payment of the Repurchase Price by wire transfer of immediately available funds to the Planet Account; provided however, if such Delinquency occurs before the related Transfer Date, then the Seller shall, without the requirement of prior notice from Planet, repurchase such Mortgage Loan and remit payment of the Repurchase Price within thirty (30) days after the occurrence of such Delinquency.

(b) Early Payoff Protection.

(i) Correspondent Participants. If any Premium Loan is the subject of a Payoff Event within one hundred twenty (120) days after the related Purchase Date and the Seller is a Correspondent Participant, then the Seller shall, within thirty (30) days after receipt of Notice thereof from Planet, remit payment of the Purchase Premium by wire transfer of immediately available funds to the Planet Account; provided however, if such Payoff Event occurs before the related Transfer Date, then the Seller shall, without the requirement of prior notice from Planet, remit payment of the Purchase Premium by wire transfer of immediately available funds to the Planet Account within thirty (30) days after the Mortgagor’s payment in full of the Principal Balance.

(ii) Emerging Bankers. If any Premium Loan is the subject of a Payoff Event within one hundred eighty (180) days after the related Purchase Date and the Seller is an Emerging Banker, then the Seller shall, within thirty (30) days after receipt of Notice thereof from Planet, remit payment of the Purchase Premium by wire transfer of immediately available funds to the Planet Account; provided however, if such Payoff Event occurs before the related Transfer Date, then the Seller shall, without the requirement of prior notice from Planet, remit payment of the Purchase Premium by wire transfer of immediately available funds to the Planet Account within thirty (30) days after the Mortgagor's payment in full of the Principal Balance.

(c) Defective Mortgage Loan. If any Party discovers that any Mortgage Loan was the subject of a Defect on or as of the applicable Determination Date, then (i) such Party shall promptly provide Notice thereof to the other Party, and (ii) the Seller shall use best efforts to cure such Defect to Planet's satisfaction within thirty (30) days after the earlier of the Seller's discovery thereof or receipt of Notice thereof from Planet (the "Cure Period"). If the Seller fails to cure such Defect to Planet's satisfaction before the expiration of the Cure Period, then the Seller shall, within thirty (30) days after receipt of subsequent Notice from Planet, repurchase such Mortgage Loan and remit payment of the Repurchase Price by wire transfer of immediately available funds to the Planet Account; provided however, if such Defect is of a type that cannot be cured, then the Seller shall, without regard to the Cure Period or the requirement of subsequent Notice from Planet, repurchase such Mortgage Loan and remit payment of the Repurchase Price within thirty (30) days after receipt of initial Notice thereof from Planet.

(d) Rejected Mortgage Loan. If any Agency Loan or Government Loan is the subject of a Rejection Event at any time on or after the related Closing Date, then the Seller shall, within thirty (30) days after receipt of Notice thereof from Planet, repurchase such Mortgage Loan and remit payment of the Repurchase Price by wire transfer of immediately available funds to the Planet Account.

(e) Solicited Mortgage Loan. At all times on and after the related Purchase Date, neither the Seller, nor any Affiliate thereof, nor any Representative of the Seller or any Affiliate thereof shall encourage, entice, or solicit any Mortgagor to refinance any Premium Loan except in connection with a broadcast, online, or printed advertisement that is directed to the general public at large. If the Seller, any Affiliate thereof, or any Representative of the Seller or any Affiliate thereof refinances any Premium Loan at any time before the one (1) year anniversary of the related Purchase Date, then the Seller shall, within thirty (30) days after the closing date of such refinancing, (i) provide Notice thereof to Planet, and (ii) remit payment by wire transfer of immediately available funds to the Planet Account in an amount equal to (A) one hundred and 00/100 percent (100.00%) of the Purchase Premium, in the event the closing date of such refinancing occurs within one hundred twenty (120) days after the related Purchase Date, (B) sixty six and 66/100 percent (66.66%) of the Purchase Premium, in the event the closing date of such refinancing occurs between one hundred twenty one (121) and two hundred forty (240) days after the related Purchase Date, or (C) thirty three and 33/100 percent (33.33%) of the Purchase Premium, in the event the closing date of such refinancing occurs between two hundred forty one (241) and three hundred sixty five (365) days after the related Purchase Date.

(f) Document Non-Delivery. If Planet receives an incomplete Loan File or a defective Collateral Document with respect to any Mortgage Loan, then the Seller shall use best efforts to deliver all missing and corrected Collateral Documents to Planet's satisfaction within thirty (30) days after receipt of Notice thereof from Planet (the "Delivery Period"). If the Seller fails to deliver any missing or corrected Collateral Document to Planet's satisfaction before the expiration of the Delivery Period, then the Seller shall, within thirty (30) days after receipt of subsequent Notice from Planet, repurchase such Mortgage Loan and remit payment of the Repurchase Price by wire transfer of immediately available funds to the Planet Account; provided however, if the Seller is unable to deliver any missing or corrected Collateral Document before the expiration of the Delivery Period solely as a result of a delay by the public recording office (each a "Delayed Document"), then, before the expiration of the Delivery Period, the Seller shall deliver to Planet a written certification executed by a senior officer of the Seller (x) attesting that such Delayed Document has been accepted for recordation and will be delivered to Planet within one (1) Business Day after the Seller's receipt thereof, and (y) appending a receipt certified by such recording office confirming that such Delayed Document has been accepted for recordation. If the Seller fails to deliver any Delayed Document to Planet's satisfaction within one hundred twenty (120) days after the related Purchase Date, then the Seller shall, within thirty (30) days after receipt of subsequent Notice from Planet, repurchase such Mortgage Loan and remit payment of the Repurchase Price by wire transfer of immediately available funds to the Planet Account.

Subsection A-4.02. Indemnification By The Seller.

In addition to the Planet Remedies conferred upon Planet pursuant to Subsection A-4.01, the Seller also shall indemnify and hold harmless Planet, each Affiliate thereof, and each Representative of Planet or any Affiliate thereof (each a "Planet Indemnitee") against all claims, costs, damages, fees (including without limitation attorneys' fees), fines, forfeitures, judgments, liabilities, losses, and other obligations incurred or sustained by such Planet Indemnitee as a result of or relating to (a) any actual or alleged breach (i) by the Seller of any Planet Requirement, or (ii) by such Planet Indemnitee of any covenant, representation, warranty, or other obligation made or incurred in favor of any other Person in reliance upon any Planet Requirement that is breached by the Seller, (b) any actual or alleged error, action, inaction, misstatement, or omission by the Seller or any Representative thereof that allegedly involves bad faith, breach of fiduciary duty, criminal activity, fraud, gross negligence, intentional misconduct, or a willful violation of any Applicable Requirement with respect to any Mortgage Loan, (c) any Mortgage Loan the Seller is obligated to cure or repurchase pursuant to Subsection A-4.01, or (d) the investigation, prosecution, defense, or appeal of (i) any Claim based, in whole or in part, upon any circumstances that occurred before the related Transfer Date, or (ii) any Action in which Planet is the prevailing party with respect to one or more claims, counter-claims, or cross-claims asserted by any party thereto (collectively "Indemnified Losses"). Within thirty (30) days after receipt of Notice from Planet, the Seller shall remit payment for the advancement or reimbursement of all Indemnified Losses by wire transfer of immediately available funds to the Planet Account.

Subsection A-4.03. Setoff And Recoupment.

The Seller hereby authorizes Planet, at any time and from time to time without prior demand or notice, to recoup and setoff (a) all monetary liabilities and obligations now or hereafter owing by the Seller to Planet, against (b) all monetary liabilities and obligations now or hereafter owing by Planet to the Seller.

Subsection A-4.04. Delayed Remittance.

If the Seller fails to remit any payment due or payable to Planet pursuant hereto on or before the date such payment is due (the "Due Date"), then the entire amount of such payment shall accrue daily interest at an annual rate (prorated based upon a 360-day year) equal to the sum of (a) the prime lending rate published in the Wall Street Journal on the Due Date, plus (b) two and 00/100 percent (2.00%).

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APPENDIX B

COLLATERAL DOCUMENTS

For purposes hereof, each document and instrument specified below shall constitute a Collateral Document with respect to each Mortgage Loan:

1. A wet-ink original of the Promissory Note, including a wet-ink original of each indorsement necessary to evidence a complete and unbroken chain of valid negotiations of the Promissory Note from the Originator to Planet.

2. A certified copy of the recorded Mortgage, including (a) as to each MERS Loan, a certified copy of each assignment necessary to evidence a complete and unbroken chain of recorded assignments of the Mortgage from the Originator to MERS, as nominee for the Originator, and (b) as to each Non-MERS Loan, (i) a wet-ink original of the Mortgage Assignment, and (ii) a certified copy of each other assignment necessary to evidence a complete and unbroken chain of recorded assignments of the Mortgage from the Originator to Planet.

3. A certified copy of each power of attorney executed by the Mortgagor in connection with the origination or modification of such Mortgage Loan, evidencing proper recordation on or before the origination or modification date.

4. As to each Government Loan, a physical copy of the Guaranty Certificate or Insurance Certificate issued by the applicable Agency Issuer in connection with such Government Loan.

5. A genuine original of each assumption, consolidation, extension, modification, or similar agreement relating to such Mortgage Loan.

6. A genuine original of each guarantee, surety, or similar agreement relating to such Mortgage Loan.

7. A genuine original of each chattel mortgage, financing statement, pledge agreement, or similar instrument relating to such Mortgage Loan.

8. As to each of the foregoing, (a) each agreement, certificate, instrument, and other document executed in connection therewith, (b) each amendment, extension, modification, novation, and restatement thereof, and (c) each attachment, exhibit, rider, schedule, and supplement thereto.

APPENDIX C

LOAN FILE

For purposes hereof, the compilation of all documents and instruments specified below shall constitute a complete Loan File with respect to each Mortgage Loan:

1. Each Collateral Document specified in Appendix B to the Planet Guide.

2. An electronic copy of each application form, borrower correspondence, commitment letter, credit memorandum, disclosure statement, fee estimate, settlement statement, underwriting report, and other document relating to such Mortgage Loan.

3. An electronic copy of each bank statement, credit report, tax return, tax transcript, verification of assets, verification of employment, verification of income, and other document relating to the Mortgagor.

4. An electronic copy of each appraisal report, certificate of occupancy, contract of sale, engineer report, environmental assessment, land survey, property photograph, site inspection, title report, and other document relating to the Mortgaged Property.

5. An electronic copy of all evidence necessary to verify that the discount points, escrow impounds, interest prepayments, origination fees, and other amounts paid by the Mortgagor in connection with the origination of such Mortgage Loan complies with all Applicable Requirements.

6. An electronic copy of each policy of flood insurance, hazard insurance, mortgage insurance, title insurance, and other type of insurance relating to such Mortgage Loan, the Mortgage, or the Mortgaged Property.

7. An electronic copy of each flood certification and real estate tax service contract relating to such Mortgage Loan, including without limitation evidence necessary to verify that such certifications and contracts have been assigned to Planet.

8. An electronic copy of the Servicing File as of the related Transfer Date.

9. All other documents and instruments relating to such Mortgage Loan that are required to be delivered to Planet pursuant to any Planet Requirement.

APPENDIX B

COLLATERAL DOCUMENTS

For purposes hereof, each document and instrument specified below shall constitute a Collateral Document with respect to each Mortgage Loan:

1. A wet-ink original of the Promissory Note, including a wet-ink original of each indorsement necessary to evidence a complete and unbroken chain of valid negotiations of the Promissory Note from the Originator to Planet.

2. A certified copy of the recorded Mortgage, including (a) as to each MERS Loan, a certified copy of each assignment necessary to evidence a complete and unbroken chain of recorded assignments of the Mortgage from the Originator to MERS, as nominee for the Originator, and (b) as to each Non-MERS Loan, (i) a wet-ink original of the Mortgage Assignment, and (ii) a certified copy of each other assignment necessary to evidence a complete and unbroken chain of recorded assignments of the Mortgage from the Originator to Planet.

3. A certified copy of each power of attorney executed by the Mortgagor in connection with the origination or modification of such Mortgage Loan, evidencing proper recordation on or before the origination or modification date.

4. As to each Government Loan, a physical copy of the Guaranty Certificate or Insurance Certificate issued by the applicable Agency Issuer in connection with such Government Loan.

5. A genuine original of each assumption, consolidation, extension, modification, or similar agreement relating to such Mortgage Loan.

6. A genuine original of each guarantee, surety, or similar agreement relating to such Mortgage Loan.

7. A genuine original of each chattel mortgage, financing statement, pledge agreement, or similar instrument relating to such Mortgage Loan.

8. As to each of the foregoing, (a) each agreement, certificate, instrument, and other document executed in connection therewith, (b) each amendment, extension, modification, novation, and restatement thereof, and (c) each attachment, exhibit, rider, schedule, and supplement thereto.

APPENDIX C

LOAN FILE

For purposes hereof, the compilation of all documents and instruments specified below shall constitute a complete Loan File with respect to each Mortgage Loan:

1. Each Collateral Document specified in Appendix B to the Planet Guide.

2. An electronic copy of each application form, borrower correspondence, commitment letter, credit memorandum, disclosure statement, fee estimate, settlement statement, underwriting report, and other document relating to such Mortgage Loan.

3. An electronic copy of each bank statement, credit report, tax return, tax transcript, verification of assets, verification of employment, verification of income, and other document relating to the Mortgagor.

4. An electronic copy of each appraisal report, certificate of occupancy, contract of sale, engineer report, environmental assessment, land survey, property photograph, site inspection, title report, and other document relating to the Mortgaged Property.

5. An electronic copy of all evidence necessary to verify that the discount points, escrow impounds, interest prepayments, origination fees, and other amounts paid by the Mortgagor in connection with the origination of such Mortgage Loan complies with all Applicable Requirements.

6. An electronic copy of each policy of flood insurance, hazard insurance, mortgage insurance, title insurance, and other type of insurance relating to such Mortgage Loan, the Mortgage, or the Mortgaged Property.

7. An electronic copy of each flood certification and real estate tax service contract relating to such Mortgage Loan, including without limitation evidence necessary to verify that such certifications and contracts have been assigned to Planet.

8. An electronic copy of the Servicing File as of the related Transfer Date.

9. All other documents and instruments relating to such Mortgage Loan that are required to be delivered to Planet pursuant to any Planet Requirement.

Forms

Forms are posted on the CORE Seller Portal at www.phlcorrespondent.com. Login to CORE and select **Forms and Resources** to view.

Announcements

Announcements are posted on the CORE Seller Portal at www.phlcorrespondent.com. Login to CORE and select **Announcements** to view.

Revision History

<table>
<tr><th>Update/Description of Change</th><th>Section</th></tr>
<tr><td colspan="2">Seller Guide Release January 2018</td></tr>
<tr><td>Fannie Mae Loan Limits updated to reflect 2018 limits.
Credit Installment/Revolving Accounts
Student Loans

Two options available for dealing with borrower. If a payment amount is provided on the credit report, that amount can be used for qualifying purposes. If the credit report does not identify a payment amount (or reflects $0), the lender can use either 1% of the outstanding student loan balance, or a calculated payment that will fully amortize the loan based on the documented repayment terms.</td><td>Chapter 5:
Fannie Mae Conforming Program Guidelines
Fannie Mae High Balance Program Guidelines
Fannie Mae HomeReady Program Guidelines</td></tr>
<tr><td>Loan limits updated to reflect 2018 limits.</td><td>Chapter 5:
Fannie Mae DU Refi Plus Program Guidelines
Freddie Mac Program Guidelines
VA Conforming and High Balance Program Guidelines</td></tr>
<tr><td>Updated LTV/CLTV for Manufactured housing to 96.50%.
Added to Temporary buydowns: not permitted on refinance Transactions</td><td>Chapter 5:
FHA Conforming and High Balance Program Guidelines</td></tr>
</table>

<table>
<tr><th>Update/Description of Change</th><th>Section</th></tr>
<tr><td>Revised the minimum loan amount to $453,101 for 1-unit properties with LTVs 80% or below.
Added a revised the version date for the 4506-T form (Select QM / Underwriting Guidelines / Income/Employment / General Documentation) to the Forms & Resources" Section of the CORR website.
Revised the language for ineligible Properties "Properties located on Tribal Lands" to "Properties located in areas where a valid security interest in the property cannot be obtained".</td><td>Chapter 5: Prime Jumbo Program Guidelines</td></tr>
<tr><td colspan="2">Seller Guide Release April 2018</td></tr>
<tr><td>Added Texas 50(a)(6) ratios to the Matrix Grid
Updated 4506-T requirements
Added Texas 50 (a)(6) requirements
Property Flips < 90% LTV do no longer require prior approval.
Eligible properties added:
Texas 50(a)(6)
Agricultural properties (allowed for Texas 50(a)(6) transactions only)
Transaction Type: added MCC allowed with Credit officer approval
Removed Texas 50 from the Ineligible property type list.
Added Student Loan cash-out requirements.
Added Employment and Contract income update.</td><td>Chapter 5: Fannie Mae Conforming Program Guidelines</td></tr>
<tr><td>Updated 4506-T section requirements
Added mortgage seasoning requirements</td><td>Chapter 5: USDA Streamlined Refinance Program Guidelines</td></tr>
<tr><td>Updated 4506-T requirements
Property Flips < 90% LTV do no longer require prior approval.
Transaction Type: added MCC allowed with Credit officer approval
Added Student Loan cash-out requirements
Added Employment and Contract income update</td><td>Chapter 5: Fannie Mae High Balance Program Guidelines</td></tr>
</table>

Update/Description of Change	Section
• Added footnotes 7,8 • Updated 4506-T requirements • Removed reference to the Tax Transcript reference document • Added simple Refinance requirements to the Refinance Transaction section. • Added: Simple Refinance and MCC (Mortgage Credit Certificates) on case basis with Planet Credit Risk Officer approval as eligible transactions • Update MCC ineligible transaction • Removed the Properties listed for sale . . . verb in the refinance transaction section • Added Simple Refinance header to Transaction type section • Updated Refinance Transaction section: Cash-out • Added mortgage seasoning section.	Chapter 5: FHA Conforming and High Balance Program Guidelines
• Updated 4506-T requirements • Added Mortgage Seasoning requirements • Updated credit history section mortgage seasoning statement	Chapter 5: USDA Streamlined Assist Refinance Program Guidelines
• Updated 4506-T requirements • Transaction Type: added MCC allowed with Credit officer approval • Update subordinate financing section	Chapter 5: USDA Purchase and Non-Streamlined Refinance Program Guidelines
• Updated 4506-T requirements • Property Flips < 90% LTV do no longer require prior approval • Transaction Type: added MCC allowed with Credit officer approval	Chapter 5: Fannie Mae HomeReady Program Guidelines
• Updated 4506-T requirements.	Chapter 5: Fannie Mae DU Refi Plus Program Guidelines
• Revised FHA Streamline requirements	Chapter 5: FHA Streamline Program Guidelines

Update/Description of Change	Section
• Updated Grid to include Texas 50(a)(6) data • Added Texas 50(a)(6) guidelines • Removed Texas 50(a)(6) from ineligible properties • Added Texas 50(a)(6) and 50(f) to eligible properties • Added Agricultural properties to eligible Properties • Replaced HUD-1/ with the word Settlement where applicable in some instances • Added MCC to transaction types • Updated 4506-T requirements • Added SAM link to the LDP section • Removed GSA link • Update Transaction ineligible content • Added LPMI table to mortgage insurance section.	Chapter 5: Freddie Mac Program Guidelines
• Updated footnote 3: project review not required for detached condos. • Replaced all instances of “PHL” with “Planet.” • Replaced all instances of “HUD-1” with “Settlement.” • Added detached condos to the construction to perm section. • Added frozen credit update to the credit report/sections. • Added project review to the note in properties eligible. • Removed site condo from condominium statement in properties eligible. • Added Litigation topic to properties eligible section. • Added premium credit statement to reserves section. • Removed Field review requirement from appraisal section.	Chapter 5: • Fannie Mae Conforming Program Guidelines • Fannie Mae High Balance Program Guidelines
• Updated 4506-T requirements • Transaction Type: added MCC allowed with Credit officer approval • Removed Property flips (property being re-sold ≤ 90 days from acquisition) are ineligible • Replaced PHL with Planet • Removed all instances of non-del content • Added Mortgage Seasoning	Chapter 5: VA Conforming and High Balance Program Guidelines

Update/Description of Change	Section
Seller Guide Release May 2018	
• Added Federal Tax Installment requirement to Credit Installments section. • Added debt pd by others in the DTI section. • Removed Planet financed property requirement and added to Chapter 5. • Removed prior approval requirement from POA section	Chapter 5: • Fannie Mae Conforming Program Guidelines • Fannie Mae High Balance Program Guidelines • Fannie Mae HomeReady Program Guidelines
• Updated Purchase and No- cash out 2 unit and 2nd home LTV's in the matrix above • Added income commencing after the note date in the income section • Removed PIA statement from the appraisal section • Updated the Contingent Liability section • Added student Loan in repayment • Updated the Deferred Student Loans • Removed prior approval statement from POA section.	Chapter 5: Freddie Mac Program Guidelines
Seller Guide Release July 2018	
• Updated the credit inquire statement in the credit report/scores section. • Added a note to the income section.	Chapter 5: Freddie Mac Program Guidelines
• Removed DTI overlays	Chapter 5: FHA Conforming and High Balance Program Guidelines
• Updated Properties-Eligible section. • Updated the 210-day statement in the mortgage seasoning section (first payment to Note date).	Chapter 5: VA Conforming and High Balance Program Guidelines

Update/Description of Change	Section

• Changed first payment date to Note date in the Mortgage Seasoning section.
  ◦ Deleted the document section and added content to VA IRRRL Document and Forms section.
  ◦ Added new Protecting Veterans from Predatory Lending Act 2018 requirements in the Appraisal section.
	Chapter 5:
	VA IRRRL Program Guidelines

Seller Guide Release August 2018	
• Updated the available markets section.	Chapter 5: Non-QM Program Guidelines
• Added ACE condo statement in the appraisal section. • Updated the Comparable sales content in the appraisal section. • Add 2 new attorneys to the Texas 50 section. • Updated the Properties - Eligible Condominiums to refer the reader to the project review types in the Freddie Mac Guide. Also added a note referring back to the comparable sales topic. • Updated the financed property section • Updated the reference 2 (financed properties) on the matrix page. • Added Transient Housing in the ineligible property list. • Updated Refi Transactions section bullet 7: application vs. disbursement. • Removed Funds held jointly statement from the Asset Section (bullet 4).	Chapter 5: Freddie Mac Program Guidelines
• Added road side access properties to the Properties-Eligible section. • Added road side access properties to the Properties-Ineligible section. • Added a new Properties-Eligible Condo/PUDs section. • Added 2 new attorneys to the Texas 50 section. • Updated the income section - option 2 under Employment offers or contracts. • Updated Available markets section bullet 2. • Removed bullet 5 (business joint accounts) in the Asset section. • Updated product section: 5/1 ARM Caps: 2/2/5	Chapter 5: Fannie Mae Conforming Program Guidelines

Update/Description of Change	Section
• Updated footnote 3 on the matrix page (investment project review). • Update the income section – employment offers, option 2. • Added LPMI Adjustment chart to the mortgage insurance section. • Added a new eligible properties • Added a new Properties- Eligible Condo/PUDs section. • Added new ineligible properties section. • Added 4 new ineligible properties. • Removed bullet 5 in the asset section (if account is jointly held . . .) • Updated the Product section with the new 5/1 Caps (2/2/5). • Updated the Refinance section: with the prior to application date vs. disbursement date	Chapter 5: Fannie Mae High Balance Program Guidelines
• Added one new eligible property. • Added 3 new ineligible properties. • Updated Income section – Employment offers- Option 2. • Added new Properties-Eligible Section-Condo/PUDs. • Removed bullet 5 (funds held jointly) from asset section. • Revised bullet 2 of the Refinance Transactions: switched disbursement to application.	Chapter 5: Fannie Mae Home Ready Program Guidelines
• Removed cash-out from bullet 2 in the eligible properties section. • Added cash-out to the reserves chart in the Reserves section. • Update the Expanded DTI tables to include the > 43-50 & >50.01	Chapter 5: Non-QM Program Guidelines
• Added Manufactured Homes and REOs as eligible property. • Removed Manufactured Homes from ineligible properties. • Updated REO content in the ineligible property section.	Chapter 5: • FHA Standard 203 (k) Program Guidelines • FHA Limited 203 (k) Program Guidelines

Update/Description of Change	Section
Seller Guide Release September 2018	
• Update MLS section: Properties listed for sale etc.	Chapter 5: Fannie Mae DU Refi Plus Program Guidelines
• Added New DTI verbiage for Credit scores 580-619- and 620-639 in the Credit Score 580-619 and DTI sections. • Added the properties listed for sale statement back to the Refinance Transaction section.	Chapter 5: FHA Conforming and High Balance Program Guidelines
• Revised bullet 1 in the Credit Score 580-619 section- Per Total Scorecard. • Revised bullet 1 in the DTI section - Per Total Scorecard	Chapter 5: FHA Streamline Program Guidelines
• Removed loan exposure statement from the Financed Property section. • Revised DTI statement in the Credit score 580-619 section. • Revised bullet 2 in DTI section: 580-639 credit score- per AUS Findings. • Removed II/NY overlay from the DTI section	Chapter 5: VA Conforming and High Balance Program Guidelines
• Updated bullet 7 in the Credit score 580-619 section: Per AUS Findings.	Chapter 5: VA IRRRL Program Guidelines
• Revised bullet 1 in the DTI section	Chapter 5: USDA Purchase and Non-Streamlined Refinance Program Guidelines
• Added MH Advantage to the Transaction - Ineligible section.	Chapter 5: • Fannie Mae Conforming Program Guidelines • Fannie Mae High Balance Program Guidelines

Update/Description of Change	Section
• Updated matrix Removing credit score overlays. • Update footnote section. • Revised purchase transaction statement in assets section. • Revised bullet 1 in the AUS section. • Revised bullet 4 in the Credit History section. • Removed credit score overlay s form the credit score/repots section. • Revised the Down payment Assistance section. • Updated the DTI section. • Revised rental income topic in the Employment section. • Removed bullet 2 from the Gift Funds section. • Added ARM to Manufactured homes section. • Removed 580-619 overlay from mortgage/rental history, mortgage seasoning section • Removed manufactured housing overlay from Product section. • Updated properties eligible section. • Revised the reserves section. • Revised subordinate financing and transactions eligible section	Chapter 5: FHA Conforming and High Balance Program Guidelines
• Removed credit score from matrix and added Per AUS. • Removed bullet 2 from credit score/reports (580-619 requirements. • Removed credit score 580-619 section. • Removed credit score from the mortgage payment history section. • Removed credit score from mortgage payment/mortgage seasoning section.	Chapter 5: FHA Streamline Conforming and High Balance Program Guidelines
• Revised Matrix and, footnotes. • Added properties listed for sale section. • Revised bullet 7 in the improvements eligible section. • Revised pools requirement from properties ineligible. • Removed credit score requirements. • Updated bullet in properties eligible 5 with 51% GBA. • Removed manual underwrite restriction from the AUS section. • Removed footnote 2 • Revised Credit score section. Revised DTI section. • Added new contractor validation section.	Chapter 5: FHA Limited 203(k) Conforming and High Balance Program Guidelines

Update/Description of Change	Section
• Added new requirements to the asset section. • Removed bullet 3 from contingent liability mortgage section (borrower does not have to be on title). • Updated applicable instances of Freddie Mac Seller/Servicing Guide to: Selling Guide. • Deleted the Note in the Borrower Type section.	Chapter 5: Freddie Mac Program Guidelines
• Added Warrantable and Non-Warrantable Condo footnotes. • Added Warrantable and Non-Warrantable Condo requirements to the eligible properties section. • Updated the Reserve section to include Condos in the property type section.	Chapter 5: Non-QM Program Guidelines
• Added premium pricing note to Temporary Buydown section	Chapter 5: • VA Conforming and High Balance Program Guidelines • VA Conforming and High Balance Program Guidelines
• Remove Puerto Rico from the Available markets section. • Removed "well inspection required statement from the inspections topic.	Chapter 5: • USDA Purchase and Non-Streamlined Refinance Program Guidelines • USDA Streamlined Assist Refinance Program Guidelines • USDA Streamlined Refinance Program Guidelines

Update/Description of Change	Section
• Parents and developmentally disabled Individuals added as Eligible borrowers. • Other Source of income: new self-employment requirements (No additional documentation is required). • Project review must be completed within 1 year prior to Note Date. • Maximum LTV for Condo Project investment properties is 70%;75% in Florida. • Authorized user accounts are allowed per LPA with proper documentation.	Chapter 5: Freddie Mac Program Guidelines
Seller Guide Release November 2018	
• Added 3 new attorneys in the Texas 50(a)(6) section	Chapter 5: • Fannie Conforming Program Guidelines • Fannie Mae High Balance Program Guidelines
• Added Net Tangible Benefit Section • Clarified mortgage seasoning requirements	Chapter 5: USDA Streamlined Assist Refinance Program Guidelines
• New Manufactured Home now eligible for Fannie and Freddie Conforming and High Balance/Super Conforming programs.	Chapter 5: • Fannie Conforming • Fannie High Balance • Freddie Mac Program Guidelines
Seller Guide Release January 10, 2018	
• Employment related assets use to qualify now allowed.	Chapter 5: Fannie Mae programs
• Added Float Down Policy Requirements	Chapter 6: Lock Loan Changes
• USDA-related guidelines per Announcement 2018 - 59	Chapter 5: USDA

Update/Description of Change	Section
• Project review must be completed within 1 year prior to Note Date • Maximum LTV for Condo Project investment properties is 70%;75% in Florida.	Chapter 5: Freddie Mac Program Guidelines
• Cash back to the borrower up to the greater of 1% of the mortgage amount or $2,000 for FHLMC rate/term refinances.	Chapter 8: Cash Back Limitations
• New escrow cushion guidance • Manufactured Home endorsement requirements • New MERS Assignment Form for Maine requirements	Chapter 8: Escrow Cushion update Manufactured Home endorsements
• Non-QM guideline updates to LTV, FICO Score, etc.	Chapter 5: Non-QM Program Guidelines
• Added new MI Premium Payment (conventional) requirements	Chapter 8: New section
• Manufactured Homes now an eligible property type for Conventional loans	Chapter 5: Fannie Mae and Freddie Programs Guidelines
• Retirement Income (Social Security, Pension, Annuity), Survivor and dependent benefit income and Long-term disability require evidence of source, benefit type, payment amount, payment frequency and documented receipt. • New Condominium Flood Insurance requirements.	Chapter 5: Freddie Mac Program Guidelines
• Update to Lock Loan Change table	Chapter 6: Lock Loan Changes
• Cash-out refinance transactions with Borrower DTI over 45%, six (6) months reserves required.	Chapter 5: Fannie Mae programs
• General and High Cost Loan Limits for 2019 updated.	Chapter 5: Fannie Mae and Freddie Mac Program Guidelines
• Removed the requirement for form 1004MC from Fannie and Freddie guidelines.	Chapter 5: Fannie Mae and Freddie Mac Program Guidelines
• The minimum Loan Amount for the Prime Jumbo loan product has increased to $484,351; or $1 above the new conforming loan amount.	Chapter 5: Prime Jumbo
• Updated Points & Fees Thresholds	Chapter 2: QM APR Threshold Points & Fees QM Loans

Update/Description of Change	Section
Seller Guide Release January 30, 2019	
• Prepayment Penalties guidelines have been added.	Chapter 5: Non-QM Program Guidelines
• Maximum rent back timeframe increased from 30 to 60 days after closing. • Inter Vivos Trust Investment properties are now permitted.	Chapter 5: Fannie Mae Program Guidelines
• HomeOne loan program now available. • Home Possible loan program now available.	Chapter 5: • Products and Programs Overview • Freddie Mac Program Guidelines
• $100.00 fee will be accessed to the Seller for each final document not delivered within 270 of purchase.	Chapter 8: Final Documents and Delivery
• 1004MC requirement removed from VA guidelines. • Updated VA Cash-out Refinance requirements.	Chapter 5: VA Program Guidelines
Seller Guide Release March 06, 2019	
• New SSRs added to the Directory	Directory
• Purchase of conventional loans from approved Sellers allowed in Puerto Rico	Chapter 1: Seller Eligibility
• FNMA High LTV Refinance option now available.	Chapter 5: Fannie Mae Program Guidelines
• Revised Eligible Property Type note	Chapter 5: Fannie Mae Conforming/HB Program Guidelines
• FNMA High LTV Refi Option parameters added	Chapter 5: Products and Programs Overview

Update/Description of Change	Section
• Planet's new minimum loan amount decreased to $40,000	Chapter 5: • Fannie Mae FHA, USDA and VA Program Guidelines • Chapter 2: Compliance (ATR/QM > Points and Fees)
• Updated 203(k) disbursement made by Seller	Chapter 5: FHA 203(k) Limited/Standard Program Guidelines
• Updated employment self-employment calendar due date	Chapter 5: Freddie Mac Program Guidelines
• Product highlights revised	Chapter 5: USDA Purchase and Non-Streamlined Refinance Program Guidelines

Update/Description of Change	Section
Seller Guide Release March 18, 2019	
• Third Party Verification (TPV) is acceptable on Assets, Employment & income verifications when authorized by the borrower	Chapter 5: • FHA Conforming and High Balance Program Guidelines • FHA Streamline Conforming and High Balance Program Guidelines
• Updated the Seller Draw Disbursements Made by the Seller prior to purchase topic	Chapter 5: FHA 203(k) Limited/Standard Program Guidelines
• Borrowers with any disability is an acceptable eligible borrower (Borrowers - Eligible) • Updated Investment property topic bullet 2. (Investment Property Requirements)	Chapter 5: Freddie Mac Program Guidelines
• Revised Chapter to only include Correspondent requirements • Sellers may now deliver Manufactured Homes on a non-delegated basis with prior approval. • Sellers may manage the 203(k) draw disbursements with prior approval. • Planet accepts Supervised and Non-Supervised Agents with prior approval.	Chapter 3: Prior Approval
Seller Guide Release April 5, 2019	
• Added new products to Planet Programs	Introduction
• Updated Non-Delegated Seller section	Chapter 3: Prior Approval
• MH Advantage is permitted	Chapter 5: Fannie Mae Conforming, High Balance and HomeReady Program Guidelines
• Updated MI content	Chapter 5: Freddie Mac Home Possible Program Guidelines

Update/Description of Change	Section
• Updated the CLTV for cash-out • Updated bullet 4 in the Credit Score 580-599 section • Removed the Unreimbursed Business expense content from the Employment/Income section	Chapter 5: VA Program Guidelines
Seller Guide Release May 1, 2019	
• Net eligible assets must be divided by 240 months	Chapter 5: Freddie Mac Conforming & Super Conforming Program Guidelines
• Special HUD REO Sales incentives permitted.	Chapter 5: FHA Conforming and High Balance Program Guidelines
• Exceptions added to the Tax Lien section • Documentation must include copy of the donor's bank statement when transferring gifts to the borrower. • Properties under construction or in existence for less than 1 year (100% complete) require a 1-year warranty or an ICC , RCI or CI.	Chapter 5: • FHA Conforming and High Balance Program Guidelines • FHA Streamline Program Guidelines
• Updated the REO Bullet in the Properties-Eligible section • Added a Sales Contract section	Chapter 5: FHA 203(k) Limited/Standard Program Guidelines
• Original Note Endorsement or Allonge: Updated Collateral Custodian Address	Chapter 7: Planet CORE Seller Portal - Loan Submissions
Seller Guide Release June 4, 2019	
• New requirements added to General Parameters	Chapter 5: FHA 203(k) Limited/Standard Program Grid

Update/Description of Change	Section

• Age of Documents section: for New construction (180 days)
• Appraisal section:
  ▪ New photograph and comparable sales requirements added
  ▪ MLS requirements removed
• AUS updated
• Derogatory Credit section:
  ▪ Chapter 7 and foreclosure discharge must be 2 years from closing on purchase and refinance
  ▪ Consumer Credit Counseling revised
  ▪ Restructured/Modified removed
• Employment Income section:
  ▪ Commissioned Income requirements added
  ▪ Rental Income: new property analysis requirements added
  ▪ Social Security Income Documentation revised
  ▪ Disability Income requirements added
	Chapter 5: VA Conforming & High Balance Program Guidelines

• Appraisals section: MLS requirements removed	Chapter 5: VA IRRRL Program Guidelines
Seller Guide Release July 5, 2019	
• Income Limits section: The income may not exceed 80% of the annual AMI	Chapter 5: Fannie Mae HomeReady Program Guidelines
• New options for income commencing after the note • If a comparable sale with an accessory unit is not available in the subject neighborhood, the appraiser can use a comparable sale in the subject neighborhood without an accessory unit as long as the appraiser can justify and support such use in the appraisal report • The waiting period for Chapter 12 bankruptcy is 24 months • Mortgages secured by Manufactured Homes using proceeds to pay the outstanding balance of a land contract or contract for deed are permitted	Chapter 5: Freddie Mac Conforming and Super Conforming Program Guidelines
Non-Planet to Planet IRRRL transactions require a FICO score determination and an AVM value for pricing purposes	Chapter 5: FHA Streamline Program Guidelines

Update/Description of Change	Section
• The value of any leased mechanical systems or any other leased equipment in the estimated market value as leased items are not suitable security for a loan must not be included in the appraisal • Post construction inspections are required • New appraisal disaster process • Properties located in a FEMA Special Flood Hazard Area (SFHA) must be covered by a flood insurance policy	Chapter 5: VA Conforming and High Balance Program Guidelines
• Non-Planet to Planet IRRRL transactions require a Fico score determination and an AVM value for pricing purposes • Recoupment periods greater than 36 months are not eligible. This includes ARM to Fixed transactions or transactions with a reduction in loan term. These transactions are not exempt from the recoupment requirement	Chapter 5: VA IRRRL Program Guidelines
Seller Guide Release September 17, 2019	
• Added Non-QM Plus to the list of Planet programs	Introduction
• Management Team and Sales Service Representatives updates	Directory
• Remove DU Refi Plus content	Chapter 2: Compliance
• Added Non-QM Plus program parameters	Chapter 5: Products and Programs Overview
• Planet does not require a signed 4506-T for borrowers whose income is not used to qualify	Chapter 5: Fannie Conforming Program Guidelines
• 4506-T is required no later than the Note Date	Chapter 5: Freddie Program Guidelines
• Appraisals section: LTV determination when discount points are charged when moving from a Fixed to ARM	Chapter 5: VA IRRRL Program Guidelines

Update/Description of Change	Section
• New Attorney added to the Texas 50(a)(6) program	Chapter 5: • Fannie Conforming Program Guidelines • Freddie Conforming & Super Conforming Program Guidelines
• Revised to reflect new SG Capital Changes	Chapter 5: Non-QM Program Guidelines
• Non-QM Plus now available	Chapter 5: Non-QM Plus Program Guidelines
• Updates made to Grid • Construction-To-Perm now available • Cash-Out Refi changed to 80% LTV	Chapter 5: FHA Conforming and High Balance Program Guidelines
• Construction-To-Perm now available	Chapter 5: USDA Purchase & Non-Streamlined Program Guidelines
• Remove DU Refi Plus content • Remove Doing Business As requirements	Chapter 8: Loan Purchasing
Seller Guide Release October 31, 2019	
• Added new product to Planet Programs	Introduction
• Non-QM Plus Program: Margin Floor update • VA Alterations and Repair loan program now available	Chapter 5: Products and Programs Overview
• Updates made to qualification grid and Bank Statement income documentation guidelines	Chapter 5: Non-QM Program Guidelines

<table>
<tr><th>Update/Description of Change</th><th>Section</th></tr>
<tr><td>Updates made to qualification grid, Bank Statement income documentation, Asset Utilization, Miscellaneous Employment and Income
Updated when a departing residence obligation may be excluded in Liabilities topic
Added that 3-4 unit properties are not eligible for primary residence transactions in the Occupancy topic.
Added Theme Park Resort Properties as an ineligible property type.
Added Lease Option as an ineligible transaction type.</td><td>Chapter 5: Non-QM Plus Program Guidelines</td></tr>
<tr><td>Grid: Cash-Out LTV's to 80% on 1-4 units updated</td><td>Chapter 5:
FHA Conforming and High Balance Program Guidelines</td></tr>
<tr><td>Grid: CLTV ON Cash-out Refi is 100%
Fees and Charges: Added guidance for determining the VA Funding Fee</td><td>Chapter 5 – VA Conforming and High Balance Program Guidelines</td></tr>
<tr><td>Added VA Alterations and Repair program parameters</td><td>Chapter 5: VA Alterations and Repair Program Guidelines</td></tr>
<tr><td>Servicing Letters: Servicer Payment Address update</td><td>Chapter 8: Loan Purchasing</td></tr>
<tr><td colspan="2">Seller Guide Release December 02, 2019</td></tr>
<tr><td>Non-Delegated: USDA Non-delegated Sellers have been removed from the SG</td><td>Chapter 3: Prior Approval</td></tr>
<tr><td>Property Inspection Waivers (PIW): permitted on refinance loans</td><td>Chapter 5:
Fannie Mae Conforming Program Guidelines
Fannie Mae High Balance Program Guidelines</td></tr>
<tr><td>Homeownership Education: Additional requirements added for Purchase Only Transactions</td><td>Chapter 5: Fannie Mae HomeReady Program Guidelines</td></tr>
</table>

Update/Description of Change	Section
• Credit - Installment/Revolving Accounts: Additional requirements added to the Student Loans, monthly housing expense/DTI topics • Secondary Finance: Additional requirement added to the affordable seconds and existing secondary topic	Chapter 5: Freddie Mac Conforming and Super Conforming Program Guidelines
• Condominiums: Requirements added to the program • Condominium Project Approval: Requirements added to the program • Manufactured Homes: Properties located in 100-yr flood zone are now eligible	Chapter 5: FHA Conforming and High Balance Program Guidelines
• Grid and Eligible Alteration and/or Repairs: Renovation cost increased to 50k	Chapter 5: VA Alterations and Repair Program Guidelines
• Purchase Agreements Escape Clause: added requirements to the program	Chapter 5: VA Conforming and High Balance Program Guidelines
• Liabilities: Updates made to Student Loan	Chapter 5: • USDA Purchase and Non-Streamline Program Guidelines • USDA Streamlined Refinance Program Guidelines
Seller Guide Release January 03, 2020	
• Management Team and Sales Service Representative updates	Directory
• Overview > Invoices: new requirements added	Chapter 2: Compliance
• Non-Delegated Seller: USDA permitted	Chapter 3: Prior Approval

Update/Description of Change	Section
• Grid: 2020 Loan Limited updated	Chapter 5: • Fannie Mae Conforming Program Guidelines • Fannie Mae High Balance Program Guidelines • Fannie Mae High LTV Program Guidelines • Freddie Mac Conforming & Super Conforming Program Guidelines • Freddie Mac Home Possible Program Guidelines • Freddie Mac HomeOne Program Guidelines • Prime Jumbo Program Guidelines
• Texas 50(a)(f): New requirements for eligible borrowers	Chapter 5: • Fannie Mae Conforming Program Guidelines • Freddie Mac Conforming & Super Conforming Program Guidelines

Update/Description of Change	Section
• 203(k) Forms and Documents	Chapter 5: • FHA Standard 203 (k) Program Guidelines • FHA Limited 203 (k) Program Guidelines
• Available Markets: Non-Delegated Sellers permitted	Chapter 5: • USDA Purchase and Non-Streamlined Refinance Program Guidelines • USDA Streamlined Assist Refinance Program Guidelines • USDA Streamlined Refinance Program Guidelines
• Grid > General Parameters: Draw disbursements increased to four (4) • Inspections and Draw Disbursements: Draw disbursements increased to four (4)	Chapter 5: VA Alterations and Repair Program Guidelines
• VA Loan Limits: Maximum total loan limits increased from $1M to $1.5M • Additional requirements added to the programs: ■ Minimum FICO of 700 on loans exceeding total loan amount of $1M. ■ AUS Approval/Eligible required on VA loan exceeding total loan amount of $1M (VA only). ■ Funding Fee waived for Active Duty Purple Heart Recipients. ■ Blue Water Navy Vietnam Veterans Act of 2019 requirements added ■ Revised VA Funding Fee	Chapter 5: • VA Conforming and High Balance Program Guidelines • VA IRRRL Program Guidelines

Update/Description of Change	Section
• Condo Analytics: Loan submissions cost increase added	Chapter 7: Planet CORE Seller Portal - Loan Submissions
• Non-MERS Loans: Revised requirements • Post Purchase Documents > Final Documents: New requirements added	Chapter 8: Loan Purchasing
• Appendix A, B and C added to the Seller Guide	Appendix
Seller Guide Release February 03, 2020	
• 4506-T: A signed consent is required prior to tax return release • Credit Reports/Scores: Borrowers with frozen credit may have no more than one national credit repository's information frozen.	Chapter 5: • Freddie Mac Conforming & Super Conforming Program Guidelines • Freddie Mac Home Possible Program Guidelines • Freddie Mac HomeOne Program Guidelines
• Homeownership: Additional name added – Homeownership (CreditSmart Homebuyer U).	Chapter 5: • Freddie Mac Home Possible Program Guidelines • Freddie Mac HomeOne Program Guidelines
• Transactions - Ineligible: Texas 50 (f)(4) is not eligible an transaction.	Chapter 5: Prime Jumbo Program Guidelines
• Transactions Type: Cash-out refinance — Seasoning requirements revised	Chapter 5: VA Conforming and High Balance Program Guidelines

Update/Description of Change	Section
Seller Guide Release March 03, 2020	
• Grid: Revised program requirements: Footnotes • Manufactured Homes > Eligible Properties: removed Second Homes • Transaction - Ineligible: removed Second Homes	Chapter 5: Fannie Mae HomeReady Program Guidelines
• Income > Income Commencing after the Note Date: Option 1 documentation requirements updated	Chapter 5: FHLMC Conforming & Super Conforming Program Guidelines
• Employment: Re-verification is required with 10 calendar days of the Note Date • Mortgage/Rental History: new payment history requirement revised.	Chapter 5: FHA Conforming & High Balance Program Guidelines
• Employment: Re-verification is required with 10 calendar days of the Note Date • Properties - Eligible: Condominiums Permitted in FHA approved Condominium Projects	Chapter 5: FHA Streamline Conforming & High Balance Program Guidelines
Seller Guide Release April 01, 2020	
• Planet's Non-QM and Prime Jumbo Guidelines temporarily removed from the Seller Guide	• Introduction • Chapter 2: Compliance • Chapter 3: Prior Approval • Chapter 6: Lock Registration and Commitment • Chapter 5: Products & Program; Non-QM & Non-QM Plus Program Guidelines, Prime Jumbo Program Guidelines • Chapter 8: Loan Purchasing

Update/Description of Change	Section
• DTI: New requirements added	Chapter 5: Fannie Mae Conforming, High Balance and HomeReady Guidelines
• Texas 50(a)(6): New Attorney added	Chapter 5: • Fannie Mae Conforming Program Guidelines • Freddie Mac Conforming and Super Conforming Guidelines
• Grid: Update made to Maximum LTV/CLTV for purchase transactions with a FICO score	Chapter 5: FHA Conforming & High Balance Program Guidelines
• Liabilities > Installment Debt • Payment Shock: requirements removed	Chapter 5: USDA Purchase and Non-Streamlined Refinance Program Guidelines
• Maximum Loan Amount > Maximum Base Loan Amount > VA Conforming Loan Limits	Chapter 5: VA IRRRL Program Guidelines

Update/Description of Change	Section
Seller Guide Release May 08, 2020	
• Age of documents: changed from 4 months to 2 months as of the note date; Self-employed borrower: from 30 to within 60 calendar days prior to the note date. • Construction-to-Perm > Single-Closing Transaction: Additional due diligence is required. • Employment: must be verified within 120 days prior to the note date, must be operational and verified within 10 calendar days prior to delivery. • Reserves > Acceptable Sources of Reserves: new requirements added • Transaction-Ineligible: removed Third Party TPOs	Chapter 5: • Fannie Mae Conforming, High Balance, and HomeReady Program Guidelines • Freddie Mac Conforming and Super Conforming, HomeOne and Home Possible Program Guidelines
• Age of documents: changed from 4 months to 2 months as of the note date; Self-employed borrower: from 30 to within 60 calendar days prior to the note date. • Construction-to-Perm > Single-Closing Transaction: Additional due diligence is required. • Employment: must be verified within 120 days prior to the note date, must be operational and verified within 10 calendar days prior to delivery. • Transaction-Ineligible: removed Third Party TPOs	Chapter 5: Freddie Mac HomeOne Program Guidelines
• Texas 50 (a)(6): New attorneys added	Chapter 5: • Fannie Mae Conforming Program Guidelines • Freddie Mac Conforming and Super Conforming Program Guidelines

Update/Description of Change	Section
• FICO Scores: change from Per DU or Per GUS to 620 for Non-delegated Sellers • Manual Underwriting: New requirements added for the Non-delegated Seller	Chapter 5: • FHA Conforming and High Balance, Streamline, 203(k) Standard and Limited Program Guidelines • VA Conforming and High Balance and VA Alterations and Repairs Program Guidelines • USDA Purchase and Non-Streamline Refi; Streamline Refi, Streamline Assist Refi Program Guidelines
• Mortgage Seasoning: Updated requirements for refinance transactions	Chapter 5: FHA Conforming and High Balance Program Guidelines
• FICO Scores: change from Per DU or Per GUS to 620 for Non-delegated Sellers	Chapter 5: • FHA Streamline Program Guidelines • VA IRRRL Program Guidelines
• Requirement update	Chapter 5: USDA Rural Development Guaranteed Housing Programs Overview
• Appendix A updated	Appendix A

Update/Description of Change	Section
Seller Guide Release June 10, 2020	
• Texas 50(a)(6) > Transaction Details: Full appraisal required • Texas 50(f) or Rate/Term Refinance > Transaction Details: Full appraisal required	Chapter 5: • Fannie Mae Conforming Program Guidelines • Freddie Mac Conforming and Super Conforming Program Guidelines
• LDP/SAM: Requirements updated	Chapter 5: • Fannie Mae Conforming, High Balance and HomeReady Program Guidelines • Freddie Mac Conforming and Super Conforming, HomeOne and Home Possible Program Guidelines • FHA Streamline Conforming and High Balance Program Guidelines • VA IRRRL Program Guidelines

Update/Description of Change	Section
• CAIVRS/LDP/SAM: Requirements updated	Chapter 5: • FHA Conforming and High Balance Program Guidelines • VA Conforming and High Balance Program Guidelines • USDA Purchase and Non-Streamlined, Streamlined Refi and Streamline Assist Refi Program Guidelines,
• Escrow Reconciliation: Revised requirements	Chapter 8: Loan Purchasing
Seller Guide Release July 01, 2020	
• Grid: Clarified the maximum LTV when financing the guarantee fee.	Chapter 5: USDA Streamlined Refinance Program Guidelines
• Texas 50(f) Rate/Term Refinance: Clarified verbiage	Chapter 5: • Fannie Mae Conforming Program Guidelines • Freddie Mac Conforming and Super Conforming Program Guidelines
Seller Guide Release July 10, 2020	

Update/Description of Change	Section
• Added FNMA HomeStyle Renovation as an eligible product	• Introduction • Chapter 5: Products and Programs
• New loan program added	Chapter 5: Fannie Mae HomeStyle Renovation Program Guidelines