

## NQM Bank Statement Program – Underwriting Guidelines

### Guideline Overview

Loans meeting the parameters outlined in these guidelines are consistent with the Dodd Frank Wall Street Reform and Consumer Protection Act's requirement that a borrower have the Ability to Repay the mortgage loan. Documentation standards are designed so that loans are made to borrowers who have demonstrated the ability and have the wherewithal to repay the debt. This program requires review and verification of documentation to ensure that the loan meets Ability-to-Repay (ATR) standards. In regard to any underwriting criteria not specifically addressed in this document, Fannie Mae standards apply.

### Program Qualifications

This program is designed for borrowers who are self-employed and would benefit from alternative loan qualification methods. Bank statements (personal and/or business) are used as an alternative to tax returns to document a self-employed borrower's income. In addition, a self-employed borrower may supplement bank statement income with additional income derived from an asset amortization formula.

**NOTE:** Loans that are eligible for sale to a government-sponsored enterprise (GSE) – the Federal National Mortgage Association (Fannie Mae) or the Federal Home Loan Mortgage Corporation (Freddie Mac) – are ineligible for any NQM Series programs.

Purchase & Rate/Term Refinance – Primary Residence <sup>1</sup>							
Units	FICO <sup>3</sup>	LTV <sup>3</sup>	Loan Amount	DTI	Reserves (mos)	Housing History <sup>4</sup>	Credit Event
SFR/PUD  1-4	740	85%	\$1,500,000	43%	Loan Amt ≤ \$1MM = 6 mos Loan Amt > \$1MM and ≤ \$2MM = 9 mos Loan Amt > \$2MM and/or LTV > 80% = 12 mos	0x30x12	48 mos
	720	80%		50%			
	700	75%					
	680	70%					
	660	65%	\$2,000,000				
	720	70%					
	700	65%					
	720			\$2,500,000			
740	60%	\$3,000,000					

Cash-Out Refinance – Primary Residence <sup>2</sup>							
Units	FICO	LTV	Loan Amount	DTI	Reserves (mos)	Housing History <sup>4</sup>	Credit Event
1-4	720	75%	\$1,500,000	50%	Loan Amt ≤ \$1MM = 9 mos Loan Amt > \$1MM = 12 mos	0x30x12	48 mos
	700	70%	\$2,000,000				
	720						
	700	65%					

Purchase & Rate/Term Refinance – Second Home & Investment Property							
Units	FICO	LTV	Loan Amount	DTI	Reserves (mos)	Housing History <sup>4</sup>	Credit Event
2nd: 1-unit	700	70%	\$1,500,000	50%	Loan Amt ≤ \$1MM = 6 mos Loan Amt > \$1MM = 9 mos	0x30x12	48 mos
NOO: 1-4	720		\$2,000,000				

Cash-Out Refinance – Second Home & Investment Property <sup>2</sup>							
Units	FICO	LTV	Loan Amount	DTI	Reserves (mos)	Housing History <sup>4</sup>	Credit Event
2nd: 1-unit	700	65%	\$1,500,000	50%	Loan Amt ≤ \$1MM = 9 mos Loan Amt > \$1MM = 12 mos	0x30x12	48 mos
NOO: 1-4	720		\$2,000,000				

**Footnotes:**

<sup>1</sup>Purchase and Rate/Term Refinance: If LTV > 80%, 24 months bank statements required

<sup>2</sup>Cash-Out Refinances: 1) LTV > 70% requires 24 months bank statements, 2) Maximum cash-out is \$500,000

<sup>3</sup>Interest Only: 1) Max 80% LTV, 2) Minimum 680 FICO

<sup>4</sup>Housing History must be 0x30x12, 0x60x24 and 0x120x48

### Product Codes

#### Fully Amortizing

Product Code	Hybrid ARM
IA71AD	NQM Bank Statement Program 7/1 LIBOR ARM
Product Code	Fixed
IF30AD	NQM Bank Statement Program 30 Year Fixed

#### Interest Only

Product Code	Hybrid ARM
IA71ADIO	NQM Bank Statement Program 7/1 LIBOR ARM Interest Only
Product Code	Fixed
Not Available	

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### Eligibility Requirements

<b>Adjustable Rate Details</b>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;"><b>Interest Rate Adjustment Caps</b></td> <td>Initial: 2% up; Subsequent: 2% up/down; Lifetime: 5% up</td> </tr> <tr> <td><b>Margin</b></td> <td>See rate sheet</td> </tr> <tr> <td><b>Index</b></td> <td>1-Year LIBOR (London InterBank Offer Rate)</td> </tr> <tr> <td><b>Index Establish Date</b></td> <td>45 days prior to the change date (aka “look back period”)</td> </tr> <tr> <td><b>Interest Rate Floor</b></td> <td>Note Start Rate</td> </tr> <tr> <td><b>Conversion Option</b></td> <td>None</td> </tr> <tr> <td><b>Assumption</b></td> <td>ARM products are assumable to a qualified borrower after the fixed term, except for TX 50(a)(6)</td> </tr> <tr> <td><b>Negative Amortization</b></td> <td>None</td> </tr> <tr> <td><b>Interest Only Option</b></td> <td>Interest Only period is the first 10 years of the loan</td> </tr> <tr> <td><b>Notes / Riders</b></td> <td>Correspondent Sellers: See correspondent website “Forms and Resources/NQM Documents/Quick Reference Document Form Requirements” for specifics.</td> </tr> </table>	<b>Interest Rate Adjustment Caps</b>	Initial: 2% up; Subsequent: 2% up/down; Lifetime: 5% up	<b>Margin</b>	See rate sheet	<b>Index</b>	1-Year LIBOR (London InterBank Offer Rate)	<b>Index Establish Date</b>	45 days prior to the change date (aka “look back period”)	<b>Interest Rate Floor</b>	Note Start Rate	<b>Conversion Option</b>	None	<b>Assumption</b>	ARM products are assumable to a qualified borrower after the fixed term, except for TX 50(a)(6)	<b>Negative Amortization</b>	None	<b>Interest Only Option</b>	Interest Only period is the first 10 years of the loan	<b>Notes / Riders</b>	Correspondent Sellers: See correspondent website “Forms and Resources/NQM Documents/Quick Reference Document Form Requirements” for specifics.
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<b>Age of Documentation</b>	<p><b>Credit Report:</b> Within 90 days of the Note Date</p> <p><b>Income/Asset/Reserves Docs:</b> The most recent bank statement(s) used for income qualifying must be dated within the month preceding the Note Date. Statements used for assets/reserves must be dated within 60 days of the Note Date. When consecutive credit documents are in the loan file, the most recent document is used to determine whether it meets the age requirement.</p> <p><b>Title Report:</b> Within 120 days of the Note Date</p> <p><b>Appraisal:</b> Within 120 days of the Note Date. If older than 120 days from the Note Date, but within the preceding 180 days from the Note Date, the Appraisal Report may be used with an acceptable recertification of value completed on <a href="#">Appraisal Update and/or Completion Report (Form 1004D)</a>. An Appraisal Update and/or Completion Report must inspect the exterior of the property and review current market data to determine whether the property has declined in value since the date of the original appraisal.</p> <ul style="list-style-type: none"> <li>If the appraiser indicates on the Form 1004D that the property value has declined, a new appraisal for the property must be obtained.</li> <li>If the appraiser indicates on the Form 1004D that the property value has <i>not</i> declined, no additional fieldwork is required.</li> </ul> <p><b>Note:</b> The appraisal update must occur within the 120 days that precede the date of the note and mortgage</p> <p>The original appraiser should complete the appraisal update; however, lenders may use substitute appraisers. When updates are completed by substitute appraisers, the substitute appraiser must review the original appraisal and express an opinion about whether the original appraiser’s opinion of market value was reasonable on the date of the original appraisal report. The lender must note in the file why the original appraiser was not used.</p>																				
<b>Appraisal Requirements</b>	<table border="1" style="width: 100%; border-collapse: collapse; margin-bottom: 10px;"> <thead> <tr> <th style="width: 50%;">Loan Amount</th> <th style="width: 50%;">Appraisal Requirement</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">≤ \$1,500,000</td> <td style="text-align: center;">One Full Appraisal</td> </tr> <tr> <td style="text-align: center;">&gt; \$1,500,000</td> <td style="text-align: center;">Two Full Appraisals</td> </tr> </tbody> </table> <p><b>Additional Collateral Valuation Requirements (when a second appraisal is not obtained):</b></p> <ul style="list-style-type: none"> <li><b>Option 1:</b> A Fannie Mae Collateral Underwriter (CU) appraisal review that meets the following: <ul style="list-style-type: none"> <li>1-unit property only (this is a CU limitation)</li> <li>CU Risk Score ≤ 2.5</li> </ul> When the above requirements are met, an ARR or CDA in Option 2 below is not required.</li> <li><b>Option 2:</b> A Pro Teck Valuation Services Appraisal Risk Review (ARR) <b>OR</b> a Clear Capital Collateral Desktop Analysis (CDA) from an approved vendor is required and must support the value within no more than 10% below the appraised value.</li> </ul> <p>If the ARR/CDA is higher than the appraised value or less than 10% below the appraised value, use the appraised value for LTV purposes. If the ARR/CDA is more than 10% below the appraised value, then a second appraisal is required whereby the lower of the two values must be utilized for LTV purposes.</p> <p>When two full appraisals are obtained, use the lesser value for LTV purposes.</p>	Loan Amount	Appraisal Requirement	≤ \$1,500,000	One Full Appraisal	> \$1,500,000	Two Full Appraisals														
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	<p>For rate/term refinance transactions, the subject property must not be currently listed for sale. It must be taken off the market prior to the application date of the new mortgage loan. For cash-out refinance transactions, the subject property must not have been listed for sale for at least 6 months prior to the application date. For all refinance transactions, the borrower must confirm their intent to occupy the subject property (for primary residence transactions) and/or their intent to retain the property going forward.</p> <p>If an appraisal (either one when two are obtained) indicates the subject property is located in a declining market, reduce maximum LTV by 5%.</p> <p>Appraisals must be ordered through an Impac approved Appraisal Management Company (AMC).</p>		
<b>Assets/Reserves</b>	<b>Transaction Type</b>	<b>Loan Amount</b>	<b>Required Reserves (PITIA) for Subject Property</b>
	Purchase and Rate/Term Refinance	≤ \$1,000,000	6 months
		> \$1,000,000 and ≤ \$2,000,000	9 months
		> \$2,000,000 and/or LTV > 80%	12 months
	Cash-Out Refinance	≤ \$1,000,000	9 months
		> \$1,000,000	12 months
<p>The ARM Qualifying Rate is used to determine P&amp;I for subject property reserves purposes. See <b>Income/DTI</b> section for requirements.</p> <p><u>Marketable Securities</u>: Use 70% of value. Marketable Securities are defined as legitimate stocks, bonds or mutual funds that are publicly traded.</p> <p><u>Retirement Accounts</u>: Use 60% of the vested balance (net of any outstanding loans) for IRA/SEP/Keough/401(k) accounts if not retirement age, or 70% if retirement age and no early withdrawal tax penalty applies.</p> <p><u>Business Assets</u>: Business assets are an acceptable source for down payment, closing costs, and reserves for self-employed borrowers. Ownership percentage of at least 50% and authority to access funds must be documented via CPA Letter, Operating Agreement or equivalent. A third-party CPA/accountant/tax preparer statement is also required to confirm that the use of the funds in the transaction will not have a material impact on the business' operations. The balance of the business assets must be multiplied by the ownership percentage to determine the owner's portion of the business assets allowed for the transaction. Large deposits must be sourced to validate the funds are eligible.</p> <p><u>Cash-Out for Reserves</u>: Not allowed</p> <p><u>Gift Funds for Reserves</u>: Not allowed</p> <p><u>Waiver of Reserves</u>: Not allowed</p> <p><u>Additional Financed Properties Requirements</u>: 2 months PITIA for each additional financed property. PITIA calculated using the actual mortgage payment (PITIA) of the "other" property for each additional property.</p>			
<b>Borrower Eligibility</b>	<p><u>Eligible</u>:</p> <ul style="list-style-type: none"> <li>• U.S. Citizens</li> <li>• Permanent Resident Aliens</li> <li>• Inter Vivos Revocable Trust</li> <li>• First Time Home Buyer (subject to maximum payment shock of 250%)</li> <li>• Non-occupant co-borrower (reduce max LTV by 5%)</li> </ul> <p><u>Ineligible</u>:</p> <ul style="list-style-type: none"> <li>• Foreign Nationals</li> <li>• Non-Permanent Resident Aliens</li> <li>• Land Trusts</li> <li>• LLCs, Corporations and Partnerships</li> <li>• Nominee or Blind Trusts</li> </ul>		
<b>Credit</b>	<p><u>Credit Score</u>: The representative score for each borrower is:</p> <ul style="list-style-type: none"> <li>• The middle score when three scores are obtained, or</li> <li>• The lower score when two scores are obtained</li> <li>• If only one score is obtained, the borrower is ineligible</li> </ul> <p>The representative score for the loan is the lowest representative score of all borrowers.</p> <p><u>Tradeline Requirements (for borrowers who contribute income or assets in loan qualification)</u>:</p> <ul style="list-style-type: none"> <li>• Minimum of 3 trade lines.</li> <li>• At least one trade line must be active in the last 6 months.</li> </ul>		

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	<ul style="list-style-type: none"> <li>• Trade lines may be open or closed, with one seasoned trade line having a minimum 24-month rating and one trade line with at least a \$5,000 high credit limit.</li> <li>• The activity, seasoning and high credit limit requirements may be met with the same trade line.</li> <li>• Authorized user trade lines are not eligible for any portion of the credit requirement.</li> <li>• When spouse is co-borrower only one borrower is required to have the credit depth listed above.</li> </ul> <p><u>Mortgage/Rental Lates:</u> Maximum 0x30 in the last 12 consecutive months. Additionally, a maximum of 0x60x24 and 0x120x48 is required.</p> <ul style="list-style-type: none"> <li>• Applies to all mortgages on all properties. Mortgages that do not appear on credit require a VOM from an institutional lender. Otherwise, private party VOM's must be substantiated by 12 months cancelled checks or bank statements.</li> <li>• When documenting rental payment history, a Verification of Rent (VOR) from a third party management company is required. If the VOR is from a private party, cancelled checks or bank statements are required to support the VOR. Rent free status is not allowed – borrowers must document a 12-month rent rating.</li> <li>• For borrowers who currently own all property free and clear there is no mortgage/rent history requirement provided any closed mortgages meet the 0x30x12, 0x60x24, 0x120x48 requirements.</li> <li>• Free and clear ownership counts as 0x30 for all months owned free and clear.</li> </ul> <p><u>Bankruptcy (Ch. 7, 11 and 13), Short Sale, Deed-in-Lieu, Charge-off of Mortgage Accounts and Foreclosure:</u> None in last 4 years.</p> <p><u>Prior Mortgage Modification:</u> Must have been completed at least 4 years from application date.</p> <p><u>Forbearance:</u> Borrower(s) must not be in forbearance on any mortgage. Borrower Attestation is required.</p> <p><u>Judgment/Tax Lien/Collections/Charge-Offs:</u></p> <ul style="list-style-type: none"> <li>• Judgments and Tax Liens on title must be paid. If there is evidence in the file of judgments and/or tax liens and they are not on title, they may remain open provided the borrower can demonstrate a 6-month satisfactory payment history and the debt is included in the DTI.</li> <li>• Medical collections are excluded regardless of amount</li> <li>• Any charge-offs or non-medical collections may remain unpaid if individually &lt; \$250 or &lt; \$1000 in aggregate. Otherwise, accounts must be paid in full prior to or at closing.</li> </ul> <p><u>Disputed Accounts:</u> Disputed accounts are reviewed to determine current balance and derogatory information (a 30-day or more delinquency) within 2 years prior to the credit report date:</p> <ul style="list-style-type: none"> <li>• If the disputed account(s) has no derogatory information – the underwriter must evaluate for acceptability and address their decision on the 1008.</li> <li>• If the disputed account(s) has derogatory information – the dispute must be removed and a new credit report must be pulled.</li> </ul> <p><u>Frozen Credit:</u> If the borrower's credit is frozen at one of the credit repositories, the credit report is still acceptable as long as:</p> <ul style="list-style-type: none"> <li>• Credit data is available from two repositories,</li> <li>• A credit score is obtained from at least one of those two repositories, and</li> <li>• A three in-file merged report was requested.</li> </ul> <p>Loans for borrowers with credit data frozen at two or more of the credit repositories are not eligible.</p> <p><u>Authorized User Accounts:</u> The underwriter may make the determination that an authorized user account(s) has an insignificant impact on the borrower's overall credit history and the information on the credit report is representative of the borrower's own credit reputation. The underwriter should base their determination on the number of the borrower's own tradelines, as well as their age, type, size and the payment history, as compared to the authorized user account(s). The underwriter must document their determination on the 1008.</p>
<b>Escrow Accounts / Impounds</b>	<p>Impounds are not required unless either of the following:</p> <ul style="list-style-type: none"> <li>• The loan is a higher-priced mortgage loan (HPML) transaction. HPML transactions require a minimum 5 year escrow period (CFPB TILA Escrow Rule).</li> <li>• Flood insurance is required (i.e. impounds for flood insurance are required if subject in a flood zone).</li> </ul>
<b>Escrow Holdbacks</b>	Not permitted
<b>Fraud Report</b>	Required
<b>Geographical Locations/Restrictions</b>	<p><u>Eligible States:</u> All states (including DC) are eligible for all channels except for:</p> <ul style="list-style-type: none"> <li>• <u>Correspondent:</u> None</li> <li>• <u>Retail:</u> CT, DE, MA, MD, ME, MO, NY, WY</li> <li>• <u>Wholesale:</u> DE, MA, ME, MO, WY</li> <li>• Interest Only loans are <u>not</u> allowed in Illinois (all channels)</li> </ul>

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	<p><u>Texas 50(a)(6)</u>: Allowed for primary residence. Interest Only is prohibited on a Texas Section 50(a)(6) Equity Cash Out loan. Loan must be fully amortized.</p> <p><u>New York – Subprime Home Loans</u>          Impac will not purchase NQM loans in New York for primary residences (1-4 unit properties) that meet the Fannie Mae Conforming loan limits (to include High Balance loan amounts in certain high cost counties). In other words, loan amounts must be at least \$1 above the Conforming/High Balance loan limits. See FHFA Conforming Limits site: <a href="http://www.fhfa.gov/DataTools/Downloads/Pages/Conforming-Loan-Limits.aspx">http://www.fhfa.gov/DataTools/Downloads/Pages/Conforming-Loan-Limits.aspx</a></p> <p>State specific regulatory requirements supersede all underwriting guidelines set forth by Impac.</p>
<p><b>Gift Funds / Gifts of Equity</b></p>	<p><u>Gift Funds Eligibility:</u></p> <ul style="list-style-type: none"> <li>• Allowed for paying off debt, equity contribution refinances, and for closing costs and down payments.</li> </ul> <p><u>Gift Funds for Reserves:</u></p> <ul style="list-style-type: none"> <li>• Not allowed</li> </ul> <p><u>Gift Funds and Borrower Contributions:</u></p> <ul style="list-style-type: none"> <li>• The borrower must contribute at least 10% of their own funds for down payment.</li> </ul> <p><u>Gift of Equity:</u></p> <ul style="list-style-type: none"> <li>• Allowed at ≤ 75% LTV</li> <li>• Gifts of equity are allowed on sales between immediate family members for existing properties only.</li> <li>• A signed gift letter is required for all gift funds and gifts of equity. Transfer of funds or evidence of receipt must be documented prior to or at closing.</li> <li>• For an investment property, a 5% contribution must be made by the borrower.</li> </ul> <p><u>Acceptable Gift Fund and Gift of Equity Donors:</u></p> <ul style="list-style-type: none"> <li>• Borrower’s spouse, child, or other dependent</li> <li>• Any other individual who is related to the borrower by blood, marriage, adoption, or legal guardianship; or the borrower’s fiancé, fiancée, or domestic partner.</li> <li>• The donor may not be, or have any affiliation with, the builder, the developer, the real estate agent, or any other interested party to the transaction.</li> </ul>
<p><b>Income/DTI</b></p>	<p>At least one borrower must be self-employed to qualify. For a primary residence, the self-employed borrower must occupy the property. Bank statements are used to qualify income for self-employed borrowers. All borrowers must be qualified using current verifiable income, not projected income. Income from wage earning and retired co-borrowers is allowed.</p> <p><b>DTI:</b> Maximum DTI is 50%.</p> <p><b>Qualifying Rate:</b></p> <ul style="list-style-type: none"> <li>• <u>Fixed (fully amortized)</u>: Qualify at the Note Rate</li> <li>• <u>ARM (fully amortized)</u>: Qualify at the greater of the Note Rate or the fully-indexed rate</li> <li>• <u>ARM (interest only)</u>: Qualify at the greater of the Note Rate or the fully-indexed rate based on the scheduled remaining loan term at the time of recast after the interest only period has expired.</li> </ul> <p><b>Residual Income:</b> Minimum \$2500 is required.</p> <p><b>Self-Employment Income:</b> Any borrower who has a 25% or greater ownership interest in a business is considered to be self-employed and must be evaluated as such. Self-employed borrowers must be self-employed with the same business for a minimum of two consecutive years. A CPA/accountant/tax preparer letter or equivalent document (e.g. Operating Agreement) verifying self-employment/percentage of ownership must be provided in all cases.</p> <ul style="list-style-type: none"> <li>• <u>1099 Contractor</u>: A borrower who is a 1099 contractor is considered self-employed for this program with acceptable documented confirmation that the borrower is a 1099 contractor. An example is a letter from a tax preparer or CPA confirming the borrower files Schedule C or Schedule E with the IRS (personal tax returns).</li> <li>• <u>Service &amp; Tip Industry</u>: Due to the cash nature of the service and tip industry, these borrowers may participate in NQM Bank Statement. Full documentation is required for employment. Base salary is verified with pay stubs and W-2s. Previous 12 (or 24) months’ bank statement deposits will be utilized to calculate tip income. No P&amp;L is required. A business license is not required. At least two corporate reference letters are required. Current receipt of tip income must be verified within 30 days of closing.</li> <li>• <u>Ineligible Self-Employment Sources:</u> <ul style="list-style-type: none"> <li>○ Foreign businesses</li> <li>○ Businesses that function as a non-profit enterprise</li> </ul> </li> </ul>

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**Employment Income:** Employed borrowers must have 2 years' continuous employment in the same line of work. All gaps in employment are subject to review and underwriter discretion. Gaps of employment greater than 90 days must be documented and explained. Documentation requirements below:

- Most recent paystub dated no earlier than 30 days prior to the Note Date with YTD earnings (must cover minimum 30 days) + W-2s that cover the most recent 2-year period.
- Written VOE with YTD earnings is required to substantiate overtime, bonus or commission income.

**Verification of Employment and Self-Employment:**

- **Employment:** A Verbal VOE (VVOE) must be obtained on, or within 3 business days, prior to the Funding Date.
- **Self-Employment:** An independent written confirmation of self-employment is required to verify the existence of the borrower's business on, or within 5 business days prior to, the Funding Date:
  - From a third party, such as a CPA, regulatory agency, or the applicable licensing bureau, if possible; OR.
  - By verifying a phone listing and address for the borrower's business using a telephone book, the Internet, or directory assistance.
 The source of the information obtained and the name and title of the lender's employee who obtained the information must be documented.

**Rental Income:**

- **Purchase Transactions:** Obtain Appraisal Form 1007. Use 75% of the gross market rent in the rental income calculation.
- **Subject Property Refinances and Non-Subject Properties:** Rental income used for qualification must be documented with an executed lease agreement + the most recent 2 months' receipt of rental income ("most recent" month must be within 30 calendar days of the note date). The rental amount must be discounted by a 25% vacancy factor. An expired lease agreement that has verbiage stating the lease agreement becomes a month-to-month lease once the initial lease term expires is allowed with evidence of three months' receipt of rental income.
- **Converting a Primary Residence to an Investment Property:** If the borrower is converting a current principal residence to an investment property, a lease agreement and evidence of security deposit and/or first months' rent may be used to qualify rental income. The rental amount must be discounted by a 25% vacancy factor.
- **Converting a Primary Residence to a Second Home:** If the borrower is converting a current principal residence to a second home, both the current and proposed mortgage payments (PITIA) must be used to qualify the borrower for the new transaction.
- **Short-Term Rentals:** Short-term rentals are properties in which the rental term is less than 12 months, relatively variable in duration (e.g. short weekend, two weeks, several months, etc.), and may not be subject to a traditional lease agreement. Short-term rentals are permitted. Proof of receipt for the most recent 24 months is required. Use documented 24 months of payments to derive the monthly rental amount average. If no rent is received, use zero for that month. Most recent months must be consistent with receipt patterns over the last 24 months.

**Retirement and Other Income:**

- Retirement income and other fixed documentable income is allowed as qualifying income for both a self-employed borrower and for any non-self-employed or retired co-borrower.
- Other non-retirement income from the self-employed borrower (e.g., W-2 wage income) may be used. This other income must be fully documented (i.e., may not use the bank statement documentation).

**W2/1099 Transcripts:** W-2 only and/or 1099 transcripts from the IRS are required to validate income used to qualify for a wage earning or retirement income borrower and/or co-borrower.

**Bank Statement Income Documentation and Calculation Requirements for Self-Employed Borrowers:**

Depending on how a self-employed borrower operates their business, multiple bank statement options may be used as detailed below:

- All self-employed borrowers must provide a written business narrative inclusive of (but not limited to) a description of their business operations and number of full-time equivalents and/or contractors as well as any other pertinent information.
- Whether using personal or business bank statements, 24 months of bank statements are required. Otherwise, the borrower may provide 12 months of bank statements with the following restrictions:
  - Maximum \$1,500,000 loan amount
- **Personal Bank Accounts:** This option applies whenever a borrower maintains separate personal and business bank accounts – requirements below:
  - Obtain the most recent 12 or 24 months' consecutive personal bank statements and the most recent 3 months' business bank statements (to support the borrower does maintain separate accounts). The Personal Bank Account is used to qualify income.



## NQM Bank Statement Program – Underwriting Guidelines

	<ul style="list-style-type: none"> <li>○ Deposits will be analyzed and averaged to determine monthly income. Unacceptable deposits as identified further below must be excluded from the income calculation. If 12 months of statements are provided and the analysis is inconclusive (e.g. large fluctuations in deposits), the borrower must provide an additional 12 months' personal bank statements showing the same activity levels. A P&amp;L is not required, however, when a P&amp;L is provided, monthly income will be determined from the P&amp;L and verified by the bank statements.</li> <li>○ When the borrower is an inter vivos trust, personal bank statements in the name of the trust are allowed for qualification.</li> </ul> <ul style="list-style-type: none"> <li>• <b><u>Business Bank Accounts OR Comingled Bank Accounts:</u></b> These options apply whenever a borrower maintains separate personal and business bank accounts (Business Bank Accounts) or whenever a borrower utilizes the same bank account for personal and business purposes (Comingled Bank Accounts) – requirements below: <ul style="list-style-type: none"> <li>○ Obtain the most recent 12 or 24 months' consecutive bank statements</li> <li>○ Deposits will be analyzed and averaged to determine monthly income. Unacceptable/Excluded Deposits as identified further below must be excluded from the income calculation. If 12 months of statements are provided and the analysis is inconclusive (e.g. large fluctuations in deposits), the borrower must provide an additional 12 months' personal bank statements showing the same activity levels. A P&amp;L is not required, however, when a P&amp;L is provided, monthly income will be determined from the P&amp;L and verified by the bank statements.</li> <li>○ Total deposits (after excluding any unacceptable deposits) must be multiplied by the borrower's ownership interest in the business. In order to determine a borrower's ownership interest in the business, documentation such as an Operating Agreement (LLC) or Articles of Incorporation (S-Corp) is required.</li> <li>○ Total deposits (after applying ownership percentage) must be further reduced by one of the following options: <ul style="list-style-type: none"> <li>• A third-party CPA/accountant/tax preparer produced Profit and Loss (P&amp;L) statement accompanied by a written statement that the CPA or tax preparer has reviewed the P&amp;L. The P&amp;L and accompanying statement must not have unacceptable disclaimer or exculpatory language regarding its preparation. Net income from the P&amp;L will be used for qualifying provided revenue is supported by the bank statements provided (i.e. the deposits on the bank statements must be at least 75% of the Gross Receipts on the P&amp;L); <b>OR</b>,</li> <li>• A third-party CPA/accountant/tax preparer produced written statement specifying the actual expense ratio of the business (including cost of goods sold and all other business expenses) based on the most recent year's filed tax returns. Such statement must not include unacceptable disclaimer or exculpatory language regarding its preparation. The minimum allowable expense ratio for qualifying is 30% (even if the third-party statement shows a lesser ratio).</li> </ul> </li> </ul> </li> </ul> <p><b><u>Unacceptable/Excluded Deposits – not limited to the following:</u></b></p> <ul style="list-style-type: none"> <li>• Cash advances from credit cards</li> <li>• Income sources already taken into account</li> <li>• Non-business related account transfers</li> <li>• Tax refunds</li> <li>• Product returns/credits</li> <li>• Gift funds</li> <li>• Credit line deposits/business financing</li> </ul> <p><b><u>Bank Statement Analysis:</u></b></p> <ul style="list-style-type: none"> <li>• <b><u>Ending Balances:</u></b> The bank statements should show a trend of ending balances that are stable or increasing over the 12 month (or other examination) period. Low ending balances must be explained; additional documentation may be required.</li> <li>• <b><u>Income Trends:</u></b> When 12 months of statements are provided, a decline in deposits 6 months over 6 months of up to 10% is allowed. Beyond 10%, an additional 12 months of statements are required. When 24 months of statements are required, a maximum decline in deposits of 10% is allowed from the prior 12 months to the current 12 months. Otherwise, the income is ineligible. If deposits are declining year over year but within the 10% tolerance, use the current 12 month average income for qualifying. In the event a P&amp;L is used to qualify, a revised P&amp;L should be provided covering only the most recent 12 month period and used for determining the borrower's income. If the income is increasing, use the 24 month average income for qualifying.</li> <li>• <b><u>Deposits:</u></b> Net deposits must not reflect any other income sources already taken into consideration (i.e. deduct SS payments, W-2 wage earnings, etc., that have already been used for income calculation).</li> <li>• <b><u>Non-Sufficient Funds (NSF):</u></b> NSF is a term used to indicate that a demand for payment (a check) cannot be honored because insufficient funds are available in the account on which the instrument</li> </ul>
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	<p>was drawn. In simplified terms, a check has been presented for clearance, but the amount written on the check exceeds the available balance in the account.</p> <ul style="list-style-type: none"> <li>○ An NSF is viewed adversely and may affect qualification. This is the same for “non-sufficient funds” such as “over-drafting,” whether or not such “overdraft protection” is enabled.</li> <li>○ Returned check situations (e.g., from borrower’s accounts receivable) that cause NSFs will be considered separately. Returned checks that do not result in a negative balance are not considered NSFs.</li> <li>○ A distinction is made between overdrafts and NSFs covered with borrower’s own funds (e.g., savings accounts, “sweep” accounts) versus use of a line of credit or credit card accounts to cover NSFs. In order to use this treatment there cannot be a fee associated with curing an overdraft.</li> <li>○ Excessive NSFs are defined as more than 3 instances in a 12-month period and render the income ineligible.</li> </ul> <ul style="list-style-type: none"> <li>• <b>Additional Bank Statements:</b> Up to 24 months of bank statements may be required at the underwriter’s discretion. Income situations that may require additional bank statements for review include but are not limited to inconsistencies in cash flows consistent with occupation type or seasonal types of self-employment.             <ul style="list-style-type: none"> <li>○ Examples include seasonal income such as that received by a tax accountant whose primary income occurs in the first half of a year, or large isolated payments such as those received by political consultants or promoters who are paid for a specific events or contracts and have a history of similar types of payments.</li> </ul> </li> </ul> <p><b><u>Borrower Affirmation:</u></b> The borrower must acknowledge their ability to repay the loan by signing a <i>Borrower Affirmation</i> document at closing.</p>
<b>Loan Purpose</b>	<p><b><u>Purchase:</u></b> Use lesser of purchase price or appraised value for LTV calculation.</p> <p><b><u>Refinances:</u></b> If owned less than 6 months for a rate/term refinance or 12 months for a cash-out refinance, use lesser of purchase price plus documented improvements or appraised value for LTV calculation. Otherwise, use appraised value for LTV calculation. Seasoning is measured from date of deed transfer to application date.</p> <p><b><u>Rate/Term Refinance:</u></b> The following are acceptable in conjunction with a rate/term refinance transaction:</p> <ul style="list-style-type: none"> <li>• Paying off the unpaid principal balance of the existing first mortgage</li> <li>• Paying off a purchase money 2<sup>nd</sup> mortgage (closed end or HELOC)</li> <li>• Paying off a non-purchase money 2<sup>nd</sup> mortgage seasoned at least 12 months (note date to note date):             <ul style="list-style-type: none"> <li>○ HELOC (Home Equity Line of Credit) must not have cumulative withdrawals exceeding \$2,000 in the last twelve (12) months</li> </ul> </li> <li>• Paying off a PACE (aka HERO) loan</li> <li>• Receiving cash back not to exceed the lesser of 2% of the balance of the new refinance mortgage loan, or \$5,000.</li> </ul> <p><b><u>Cash-Out Refinance:</u></b> A cash-out refinance transaction must be used to pay off existing mortgages by obtaining a new first mortgage secured by the same property or be a new mortgage on a property that does not have a mortgage lien against it. At least one borrower must have been on title for 6 months or have made payments on the existing mortgage for 6 months to be eligible for a cash-out refinance.</p> <ul style="list-style-type: none"> <li>• If a property is owned by an LLC where the borrower(s) are 100% owners of the LLC, the time it was held by the LLC may be counted towards meeting the borrower’s 6 month ownership requirement. If the LLC has more than one member and only one member will be on the new loan, the time it was held by the LLC may <u>not</u> be counted towards meeting the borrower’s 6 month ownership requirement.</li> <li>• Subject property purchased within the past 6 months is only eligible for a cash-out refinance provided Fannie Mae Delayed Financing Exception is met.</li> </ul> <p>Maximum cash-out is \$500,000.</p> <p><b><u>New York Consolidation, Extension &amp; Modification Agreement (NY CEMA)</u></b> For all Impac refinance products, property located in the state of New York may be structured as a Consolidation, Extension, and Modification Agreement (CEMA) transaction.</p> <ul style="list-style-type: none"> <li>• <b>Exclusion:</b> CEMA transactions are not allowed for interest only refinance loans. (Impac overlay)</li> </ul> <p>The most current version of Fannie Mae/Freddie Mac Uniform Instrument (Form 3172) must be used. The following documentation must be provided:</p> <ul style="list-style-type: none"> <li>• NY Consolidation, Extension and Modification Agreement (Form 3172)</li> <li>• Original Note(s) – Original documents signed by the borrower</li> <li>• Gap Note and Gap Mortgage, if applicable</li> </ul>



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	<ul style="list-style-type: none"> <li>Consolidated Note – Original documents signed by the borrower</li> <li>Exhibit A – Listing of all Notes &amp; Mortgages being consolidated, extended and modified</li> <li>Exhibit B – Legal description of the subject property</li> <li>Exhibit C – Copy of the consolidated Note</li> <li>Exhibit D – Copy of the consolidated Mortgage</li> </ul> <p>Lost Note Affidavits are not an acceptable substitute for any of the required documents. If original documentation cannot be provided per above, then a CEMA is not allowed.</p>
<b>Minimum Loan Amount</b>	\$100,000
<b>Mortgage Insurance</b>	Not required
<b>Multiple Financed Properties and Impac Exposure</b>	There is no limitation on the number of financed properties whenever the subject property is a primary residence. When the subject property is a second home or investment property, borrowers may have a maximum of 15 financed properties. Borrowers are limited to five (5) loans with Impac not to exceed \$3,000,000.
<b>Non-Arm's Length Transactions</b>	Non-arm's length transactions are purchase transactions in which there is a relationship or business affiliation between the seller and the buyer of the property. Non-arm's length transactions for all occupancy types are allowed for the purchase of <u>existing</u> property. For the purchase of <u>newly constructed</u> properties, if the borrower has a relationship or business affiliation (any ownership interest, or employment) with the builder, developer, or seller of the property, only <u>primary residence</u> is allowed. Mortgage loans on newly constructed homes secured by a second home or investment property where there is a non-arm's length relationship are prohibited.
<b>Payment Shock</b>	<ul style="list-style-type: none"> <li>Non-First Time Home Buyer: Maximum 350%</li> <li>First Time Home Buyer: Maximum 250%</li> </ul>
<b>Prepayment Penalty</b>	Not allowed
<b>Properties Affected by a Disaster</b>	<p>When the Federal Emergency Management Agency (FEMA) releases a disaster declaration announcement whereby <b>individual assistance</b> is made available to an area containing the subject property, the property will require a re-inspection as follows based on the "incident start date" and the "incident end date."</p> <ul style="list-style-type: none"> <li>Loan files containing appraisal reports with an effective date prior to the "incident start date" are <i>ineligible</i> for funding and investor delivery without an accompanying property inspection product dated after the "incident end date."</li> <li>Loan files containing appraisal reports with an effective date on or after the "incident start date" are <i>ineligible</i> for funding and investor delivery without an accompanying property inspection product dated after the "incident end date."</li> <li>Appraisal reports with an effective date after the published "incident end date" require <i>no action</i> and may fund and be delivered to the investor provided there is no indication from the appraiser that there is an adverse impact on the property's value, condition, or marketability as a result of the disaster.</li> <li>All property inspection products must be dated after the published "incident end date" to allow loan file funding and investor delivery.</li> </ul> <p><b>Required Inspection Product:</b> An Exterior DAIR is required for inspections, including, but not limited to, earthquake, fire, landslide, and tornado. When the disaster is a flood, hurricane and/or water related disaster, and Interior inspection is also required. Regardless, all DAIR's must affirmatively indicate there is no adverse impact to value, condition, or marketability as a result of the disaster.</p> <p><b>Condo Requirements:</b> In addition to the subject unit itself, the DAIR must also assess the condition of the building in which the condo unit is located and assess any damage to the condo project's common elements.</p> <p><b>Damage Indicated on the DAIR:</b></p> <ul style="list-style-type: none"> <li>If damage exists but does not impact the safety, soundness, or structural integrity of the property, the following is required in order to be eligible for delivery: <ul style="list-style-type: none"> <li>The repair items are covered by insurance, <b>AND</b></li> <li>Documentation of the professional estimates of the repair costs must be obtained and the lender must ensure that sufficient funds are available for the borrower's benefit to guarantee the completion of the repairs (i.e. borrower must document funds required to meet any applicable insurance deductible).</li> </ul> </li> <li>If the property was damaged and the damage is uninsured or the damage affects the safety, soundness, or structural integrity of the property, the property must be repaired before the loan is eligible to be delivered.</li> <li>Where damage exists to the building of a condo unit and/or the condo project's common elements, escalate to Enterprise Credit Policy.</li> </ul>
<b>Property Types</b>	<p><b>Eligible:</b></p> <ul style="list-style-type: none"> <li>1 unit attached and detached SFR and PUDs</li> <li>Condominiums</li> <li>2-4 units</li> </ul>

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	<ul style="list-style-type: none"> <li>• Leasehold Estates (must meet Fannie Mae Guidelines)</li> </ul> <p><u>Ineligible:</u></p> <ul style="list-style-type: none"> <li>• Condo hotel</li> <li>• Non-warrantable condo</li> <li>• Co-ops</li> <li>• Income producing properties with acreage</li> <li>• Manufactured housing</li> <li>• Modular homes</li> <li>• Working farms, ranches or orchards</li> <li>• Vacant land or land development properties</li> <li>• Properties that are not readily accessible by roads that meet local standards</li> <li>• Properties that are not secured by real estate such as, houseboats, boat slips, timeshares, and other forms of property that are not real estate</li> <li>• Boarding houses</li> <li>• Bed and breakfast properties</li> <li>• Properties that are not suitable for year-round occupancy regardless of location</li> <li>• Properties located in Hawaiian lava zones 1 and 2</li> </ul> <p><u>Unique Properties:</u> May be considered on a case-by-case basis whereby additional restrictions may apply (e.g. max LTV of 80%). In all cases, the appraisal must provide similar comparable sales and address any marketability concerns. Following are unique properties that may be considered on a case-by-case basis:</p> <ul style="list-style-type: none"> <li>• Acreage greater than 10 acres.</li> <li>• Agricultural zoned property.</li> <li>• Log Homes.</li> <li>• Mixed Use</li> <li>• Properties subject to oil and/or gas leases</li> </ul> <p><u>Condo Project Reviews:</u> Follow Fannie Mae guidelines for Project Review Waivers, Limited Reviews, Full Reviews (with or without CPM) and PERS Final Approvals. FHA approved condos are not permitted. Co-op and manufactured housing projects are ineligible. Non-warrantable condos are not allowed.</p>
<b>Subordinate Financing</b>	Not allowed
<b>Title Vesting</b>	<p><u>Eligible Vesting:</u> Vesting in the name of an individual(s) or an Inter Vivos Revocable Trust is allowed provided it meets the following requirements:</p> <ul style="list-style-type: none"> <li>• Inter Vivos Revocable Trust: <ul style="list-style-type: none"> <li>○ Must meet Fannie Mae requirements</li> <li>○ Only trusts with natural person members are allowed</li> </ul> </li> </ul> <p><u>Ineligible Vesting:</u></p> <ul style="list-style-type: none"> <li>• LLCs</li> <li>• Corporations</li> <li>• Partnerships</li> <li>• 501(c)(3) organizations</li> <li>• Trusts or LLCs whose members include other LLCs, corporations, partnerships, or trusts.</li> <li>• Trusts or LLCs where a Power of Attorney is used.</li> </ul>
<b>Underwriting</b>	<p>Loans must be manually underwritten and fully documented. All loans must be underwritten in compliance with the Ability to Repay standards set forth in 12 C.F.R. §1026.43. For additional topics not specifically or fully addressed by 12 C.F.R. §1026.43 guidance or herein, Fannie Mae underwriting guidelines should be followed</p> <p>The underwriter must be comfortable that the borrower is able to repay the loan and that belief must be supported by information from independent third parties. All factors in the loan file must be viewed in totality to reach this conclusion.</p>

### Borrower Affirmation – Bank Statements Used to Qualify

Date:

Loan No

Borrower Name:

- I understand that my monthly payment on this loan will be as follows:  
 Fixed Mortgage  
For \_\_\_\_\_ years  
My monthly payment is \$ \_\_\_\_\_  
 Adjustable Rate Mortgage  
For the first \_\_\_\_\_ years  
My monthly payment is \$ \_\_\_\_\_  
I understand my payment may adjust (more than once) after the first \_\_\_\_\_ years.
- I understand the checked items below on this property will be approximately this amount per month \$  
 Property taxes  
 Hazard Insurance  
 Flood Insurance  
 Mortgage Insurance  
  
The checked items above will be impounded.  
  
The items not checked will not be impounded; and if not impounded I am responsible to pay them directly.
- I believe I can afford to make the monthly payment on the loan.
- I am not aware of anything in the future that will affect my ability to make this loan payment.
- If my loan program did not require that I submit my prior tax returns, I understand that if I had provided additional verifiable documentation of my income, such as my tax returns or W-2 wage statements or other documentation deemed necessary to support my income, I may have been able to qualify for a loan with different loan terms or conditions such as a lower interest rate.

NOTE: If there is a discrepancy between the terms in this document and the actual loan documents, the terms of the loan documents prevail.

I certify that the above information and the information on the final Uniform Residential Loan Application (Form 1003) is true and correct as of this day and that it represents an accurate picture of my financial status.

\_\_\_\_\_  
Borrower name

\_\_\_\_\_  
Borrower name

\_\_\_\_\_  
Borrower name

\_\_\_\_\_  
Borrower name