

# Delegated Correspondent

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Silver Hill Capital Jumbo AUS



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# Silver Hill Capital Jumbo AUS

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Silver Hill Capital Jumbo AUS Eligibility Matrix				
30 Year Fixed Rate				
Primary Residence   Purchase, Rate and Term Refinance				
Transaction Type	Units	FICO	Maximum LTV/CLTV/HCLTV	Maximum Loan Amount <sup>1</sup>
Purchase or Rate and Term Refinance	1	700	80%	\$1,500,000
		720	75%	\$2,000,000
		720	70%	\$2,500,000
		680	70%	\$1,000,000
		760	60%	\$3,000,000
	2	700	65%	\$1,000,000
		720	60%	\$1,500,000
Primary Residence   Cash-Out Refinance				
Transaction Type	Units	FICO	Maximum LTV/CLTV/HCLTV	Maximum Loan Amount
Cash-Out Refinance	1	700	70%	\$1,000,000
		720	70%	\$1,500,000
		720	60%	\$2,000,000
		720	50%	\$2,500,000
	2	720	60%	\$1,000,000
Second Home   Purchase, Rate and Term Refinance				
Transaction Type	Units	FICO	Maximum LTV/CLTV/HCLTV	Maximum Loan Amount
Purchase or Rate and Term Refinance	1	720	80%	\$1,000,000
			70%	\$1,500,000
			65%	\$2,000,000
			50%	\$2,500,000
Second Home   Cash-Out Refinance				
Transaction Type	Units	FICO	Maximum LTV/CLTV/HCLTV	Maximum Loan Amount
Cash-Out Refinance	1	720	60%	\$1,500,000
			50%	\$2,000,000

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Investment   Purchase   Rate and Term Refinance				
Transaction Type	Units	FICO	Maximum LTV/CLTV/HCLTV	Maximum Loan Amount
Purchase or Rate and Term Refinance	1-4	740	70%	\$1,500,000
Investment   Cash-Out Refinance				
Transaction Type	Units	FICO	Maximum LTV/CLTV/HCLTV	Maximum Loan Amount
Cash-Out Refinance	1-4	740	60%	\$1,500,000

<sup>1</sup>First-Time Homebuyer maximum loan amount: 30 Year Fixed = \$1,500,000

Silver Hill Capital Jumbo AUS Eligibility Matrix				
15 Year Fixed Rate and ARMs				
Primary Residence   Purchase, Rate and Term Refinance				
Transaction Type	Units	FICO <sup>5</sup>	Maximum LTV/CLTV/HCLTV	Maximum Loan Amount
Purchase, Rate and Term Refinance	1	700 <sup>2</sup>	70%	\$1,000,000
		720	80%	\$2,000,000 <sup>1</sup>
		740	80%	\$3,000,000 <sup>1</sup>
Primary Residence   Cash-Out Refinance				
Transaction Type	Units	FICO <sup>3</sup>	Maximum LTV/CLTV/HCLTV	Maximum Loan Amount <sup>1</sup>
Cash-Out Refinance	1	720	65%	\$1,000,000
		740	65%	\$2,000,000 <sup>1</sup>
		760	65%	\$3,000,000 <sup>1</sup>

<sup>1</sup>First-Time Homebuyer maximum loan amount: 15 Year Fixed and ARMs = \$1,250,000

<sup>2</sup>FICO ≥ 700 and < 720: Maximum 40% DTI

<sup>3</sup>First-Time Homebuyer minimum FICO 740

### Silver Hill Capital Jumbo AUS Notes:

- Single loan variances may be granted on a case-by-case basis (at purchasing entity's sole determination) for loans with terms or characteristics that are outside of Silver Hill Capital's Jumbo AUS Eligibility requirements. Approval of the single loan variance must be granted by purchasing entity prior to the delivery of the loan

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Loan Product	
<p>Seller must ensure that each loan delivered to the Silver Hill Capital is in compliance with the Ability to Repay (ATR) and the Safe Harbor Qualified Mortgage (QM) rules established by the Consumer Financial Protection Bureau (“CFPB”) with an APR not to exceed more than 1.5% above the average price offer rate (“APOR”). Seller shall deliver loans that were originated in accordance with the Special Products Seller Guide unless otherwise stated with this product matrix. Refer to Appendix A for a summary of overlays. For topics not specifically addressed in this product matrix or the Special Products Seller Guide, refer to the Fannie Mae Single Family Selling Guide</p>	
<b>Eligible Products   Terms</b>	<ul style="list-style-type: none"> <li>• PJF315 - Fixed 15 Year Term</li> <li>• PJF330 - Fixed 20, 25, 30 Year Terms</li> <li>• PJA500 - 5/6 SOFR ARM 30 YR 2/1/5</li> <li>• PJA700 - 7/6 SOFR ARM 30 YR 5/1/5</li> <li>• PJA100 - 10/6 SOFR ARM 30 YR 5/1/5</li> </ul>
<b>Ineligible Product Types</b>	<ul style="list-style-type: none"> <li>• Non-Standard to Standard Refinance Transactions (ATR Exempt)</li> <li>• Higher-Priced Mortgage Loans (HPML)</li> <li>• Higher-Priced Covered Transactions (HPCT QM-Rebuttable Presumption)</li> <li>• High-Cost Loans</li> <li>• Balloons</li> <li>• Graduated Payments</li> <li>• Interest Only Products</li> <li>• Temporary Buydowns</li> <li>• Loans with Prepayment Penalties</li> <li>• Single Close Construction to Permanent Transactions</li> </ul>
<b>Loan Purpose</b>	<ul style="list-style-type: none"> <li>• Purchase</li> <li>• Rate/Term Refinance</li> <li>• Cash-Out</li> </ul>
<b>Minimum Loan Amount</b>	<ul style="list-style-type: none"> <li>• 30 Year Fixed: Minimum loan amounts are \$1 above the current FHFA conforming loan limits. High balance loans are permitted</li> <li>• ARMS &amp; 15 year fixed rate: Minimum \$600,000 loan amount</li> </ul>
<b>Rate/Term Refinance Transactions</b>	<ul style="list-style-type: none"> <li>• The new loan amount is limited to pay off the current first lien mortgage, any seasoned non-first lien mortgages, closing costs and prepaid items                             <ul style="list-style-type: none"> <li>◦ If the first mortgage is a HELOC, evidence it was a purchase money HELOC or it is a seasoned HELOC that has been in place for twelve (12) months and total draws do not exceed \$2000 in the most recent twelve (12) months</li> <li>◦ A seasoned non-first lien mortgage is a purchase money mortgage or a mortgage that has been in place for twelve (12) months</li> <li>◦ A seasoned equity line is defined as not having draws totaling over \$2000 in the most recent twelve (12) months. Withdrawal activity must be documented with a transaction history</li> <li>◦ Max cash back at closing is limited to 1% of the new loan amount</li> </ul> </li> </ul>

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<b>Cash-Out Transactions</b>	<ul style="list-style-type: none"> <li>• 30 Year Fixed: No maximum cash-out limit</li> <li>• ARMS &amp; 15 year fixed rate: Maximum \$500,000 cash out</li> </ul>
<b>Delayed Financing</b>	<ul style="list-style-type: none"> <li>• Follow Fannie Mae Selling Guide requirements</li> <li>• LTV/CLTV/HCLTV for Rate and Term refinances must be met. The loan is treated as a Rate and Term refinance except for primary residence transactions in Texas.</li> </ul>
<b>LTV/CLTV/HCLTV Calculation for Refinance Transactions</b>	<ul style="list-style-type: none"> <li>• If subject property is owned more than twelve (12) months, the LTV/CLTV/HCLTV is based on the current appraised value. The twelve (12) month time frame may be based on subject transaction Note date</li> <li>• If subject property is owned less than twelve (12) months, the LTV/CLTV/HCLTV is based on the lesser of the original purchase price plus documented improvements made after the purchase of the property, or the appraised value. Documented improvements must be supported with receipts. The twelve (12) month time frame may be based on subject transaction Note date</li> </ul>
<b>Age of Documents</b>	<ul style="list-style-type: none"> <li>• Follow Fannie Mae Selling Guide Requirements</li> <li>• See Self-Employment section for restrictions</li> </ul>
<b>Higher Priced Mortgage Loans (HPML)</b>  <b>Higher Priced Covered Transactions (HPCT)</b>	<ul style="list-style-type: none"> <li>• Loans that are Higher Priced Mortgage Loans (HPML) or Higher Priced Covered Transactions (HPCT) are not permitted. All Jumbo AUS loans must be Qualified Mortgages (QM) and within the QM Safe Harbor protection</li> </ul>
<b>Documentation</b>	<ul style="list-style-type: none"> <li>• If subject property has a HELOC that is not included in the CLTV/HCLTV calculation, the loan file must contain evidence the HELOC has been closed</li> </ul>
<b>ARM Features</b>	<ul style="list-style-type: none"> <li>• 5YR/6M</li> <li>• 7YR/6M</li> <li>• 10YR/6M</li> </ul>
<b>ARM Index</b>	<ul style="list-style-type: none"> <li>• Index: 30 Day Average SOFR Index as published by the New York Federal Reserve</li> </ul>
<b>ARM Margin</b>	<ul style="list-style-type: none"> <li>• 2.75%</li> </ul>
<b>ARM Floor</b>	<ul style="list-style-type: none"> <li>• 2.75%</li> </ul>
<b>ARM Interest Rate Caps</b>	<ul style="list-style-type: none"> <li>• 5YR/6M: 2/1/5 (Initial, Periodic, Lifetime)</li> <li>• 7YR/6M: 5/1/5 (Initial, Periodic, Lifetime)</li> <li>• 10YR/6M: 5/1/5 (Initial, Periodic, Lifetime)</li> </ul>
<b>Conversion Option</b>	<ul style="list-style-type: none"> <li>• Not permitted on any product</li> </ul>
<b>ARM Assumability</b>	<ul style="list-style-type: none"> <li>• In accordance with Fannie Mae Selling Guide requirements</li> </ul>
<b>ARM Qualification</b>	<ul style="list-style-type: none"> <li>• 5YR/6M: Qualify at the higher of Note rate plus 2% or the fully indexed rate</li> <li>• 7YR/6M &amp; 10YR/6M: Qualify at the Note rate</li> </ul>
<b>15 Year Fixed Rate &amp; ARM Requirements</b>	<ul style="list-style-type: none"> <li>• See eligibility grid for 15 Year Fixed &amp; ARM loan amount, occupancy, LTV/CLTV/HCLTV and FICO requirements</li> <li>• Rate/Term Refinance transactions may have incidental cash back to the borrower up to \$5000</li> <li>• First Time Homebuyer</li> </ul>

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	<ul style="list-style-type: none"> <li>o Maximum loan amount \$1,250,000</li> <li>o Minimum FICO 740</li> <li>• Minimum Loan Amount: \$600,000</li> <li>• Maximum Cash Out: \$500,000</li> <li>• 2-4 units not eligible</li> <li>• 2<sup>nd</sup> home &amp; investment properties not eligible</li> <li>• Appraisal Review               <ul style="list-style-type: none"> <li>o CU not permitted to meet appraisal review requirement</li> <li>o CDA required for every loan</li> <li>o Field review required for any CDA variance greater than 5% with an LTV greater than 75%</li> </ul> </li> <li>• Cooperatives not eligible</li> <li>• Maximum number of residential properties owned by borrower(s) is five, which includes the subject property. For clarification purposes, the other residential properties owned by the borrower(s) includes those financed or unencumbered</li> <li>• Loans where borrower has had payments forborne or deferred on the subject property prior to loan purchase are not eligible</li> <li>• Declining Markets: If the qualifying appraisal indicates property values are declining, the maximum LTV/CLTV is reduced by 10%</li> </ul>
<b>Eligibility</b>	
<b>Texas 50(a)(6)</b>	<ul style="list-style-type: none"> <li>• See Special Products Seller Guide for additional requirements</li> </ul>
<b>Borrower Eligibility</b>	<ul style="list-style-type: none"> <li>• US Citizens</li> <li>• Permanent Resident Aliens with evidence of lawful residency               <ul style="list-style-type: none"> <li>o Must be employed in the US for the past twenty-four (24) months</li> </ul> </li> <li>• Non-Permanent Resident Aliens with evidence of lawful residency are eligible with the following restrictions:               <ul style="list-style-type: none"> <li>o Primary Residence Only</li> <li>o Borrower must have a current twenty-four (24) month employment history in the US</li> </ul> </li> <li>• Documentation evidencing lawful residency must be met (see Special Products Seller Guide for requirements)</li> <li>• Illinois Land Trust</li> <li>• Inter Vivos Revocable Trust</li> <li>• All borrowers must have a valid Social Security Number</li> <li>• Non-Occupant Borrower – Follow Fannie Mae Selling Guide requirements with exception of non-occupant relationship who must be a related family member of the borrower(s)</li> </ul>

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<p><b>Ineligible Borrowers</b></p>	<ul style="list-style-type: none"> <li>• Foreign Nationals</li> <li>• Borrowers with Diplomatic Immunity status</li> <li>• Life Estates</li> <li>• Non-Revocable Trusts</li> <li>• Guardianships</li> <li>• LLCs, Corporations or Partnerships</li> <li>• Land Trusts, except for Illinois Land Trust</li> <li>• Borrowers with <b>any</b> ownership in a business that is Federally illegal, regardless if the income is not being considered for qualifying</li> </ul>
<p><b>First-Time Homebuyer</b></p>	<ul style="list-style-type: none"> <li>• First-Time Homebuyer is defined as a borrower who has not owned a home in the last three (3) years. For loans with more than one (1) borrower, where at least one (1) borrower has owned a home in the last three (3) years, First-Time Homebuyer requirements do not apply</li> <li>• Verification of rental history is not required</li> <li>• 30 Year Fixed: Maximum loan amount is \$1,500,000</li> <li>• 15 Year Fixed and ARMs: Maximum loan amount \$1,250,000</li> <li>• Not allowed on investment property transactions</li> <li>• See Reserve Section for additional requirements</li> </ul>
<p><b>Non-Arm's Length Transactions</b></p>	<p>A non-arm's length transaction exists whenever there is a personal or business relationship with any parties to the transaction which may include the seller, builder, real estate agent, appraiser, lender, title company or other interested party. The following non-arm's length transactions are eligible:</p> <ul style="list-style-type: none"> <li>• Family sales or transfers</li> <li>• Property seller acting as their own real estate agent</li> <li>• Relative of the property seller acting as the seller's real estate agent</li> <li>• Borrower acting as their own real estate agent</li> <li>• Relative of the borrower acting as the borrower's real estate agent</li> <li>• Borrower is the employee of the originating lender and the lender has an established employee loan program. Evidence of employee program to be included in loan file</li> <li>• Originator is related to the borrower</li> <li>• Borrower purchasing from their landlord (cancelled checks or bank statements required to verify satisfactory pay history between borrower and landlord)</li> </ul> <p>Gifts from relatives that are interested parties to the transaction are not allowed, unless it is a gift of equity. Real estate agents may apply their commission towards closing costs and/or prepaids if the amounts are within the interested party contribution limitations</p> <p>Investment property transactions must be arm's length</p> <p>Other non-arm's length transactions may be acceptable on an single loan variance basis</p>

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<b>Continuity of Obligation</b>	<p>When at least one (1) borrower on the existing mortgage is also a borrower on the new refinance transaction, continuity of obligation requirements have been met. If continuity of obligation is not met, the following permissible exceptions are allowed for the new refinance to be eligible:</p> <ul style="list-style-type: none"> <li>• The borrower has been on title for at least twelve (12) months but is not obligated on the existing mortgage that is being refinanced and the borrower meets the following requirements:             <ul style="list-style-type: none"> <li>◦ Has been making the mortgage payments (including any secondary financing) for the most recent twelve (12) months, or</li> <li>◦ Is related to the borrower on the mortgage being refinanced</li> </ul> </li> <li>• The borrower on the new refinance transaction was added to title twenty- four (24) months or more prior to the disbursement date of the new refinance transaction</li> <li>• The borrower on the refinance inherited or was legally awarded the property by a court in the case of divorce, separation or dissolution of a domestic partnership</li> <li>• The borrower on the new refinance transaction has been added to title through a transfer from a trust, LLC or partnership. The following requirements apply:             <ul style="list-style-type: none"> <li>◦ Borrower must have been a beneficiary/creator (trust) or 25% or more owner of the LLC or partnership prior to the transfer</li> <li>◦ The transferring entity and/or borrower has had a consecutive ownership (on title) for at least the most recent six (6) months prior to the disbursement of the new loan</li> </ul> </li> <li>• <b>NOTE:</b> Transfer of ownership from a corporation to an individual does not meet the continuity of obligation requirement</li> </ul>
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## Credit

<b>Underwriting</b>	<ul style="list-style-type: none"> <li>• All loans must have Fannie Mae DU Findings included in the loan file             <ul style="list-style-type: none"> <li>◦ The DU recommendation must be in accordance with the below table</li> </ul> </li> </ul> <table border="1" style="margin: 10px auto; width: 80%; border-collapse: collapse;"> <thead> <tr style="background-color: #004a5c; color: white;"> <th style="padding: 5px;">Approve/Ineligible Reasons</th> <th style="padding: 5px;">Approve/Eligible Reasons</th> </tr> </thead> <tbody> <tr> <td style="padding: 5px; vertical-align: top;"> <ul style="list-style-type: none"> <li>• Loan Amount</li> <li>• Maximum cash-out on a rate/term refinance transaction – see Rate/Term Refinance section of product matrix</li> </ul> </td> <td style="padding: 5px; vertical-align: top;"> <ul style="list-style-type: none"> <li>• 15 Year Fixed Rate and ARM term loan amounts down to \$600,000</li> <li>• High balance loan amount</li> </ul> </td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>◦ Lender is responsible for ensuring that all data and information provided in the final submission to DU matches the terms of the closed loan or is within the acceptable tolerances specified in the Fannie Mae Selling Guide</li> <li>◦ The loan delivery data must match the closed loan and the final data submitted to DU</li> <li>• Manual underwrite is not permitted</li> <li>• Delegated underwriting only</li> </ul>	Approve/Ineligible Reasons	Approve/Eligible Reasons	<ul style="list-style-type: none"> <li>• Loan Amount</li> <li>• Maximum cash-out on a rate/term refinance transaction – see Rate/Term Refinance section of product matrix</li> </ul>	<ul style="list-style-type: none"> <li>• 15 Year Fixed Rate and ARM term loan amounts down to \$600,000</li> <li>• High balance loan amount</li> </ul>
Approve/Ineligible Reasons	Approve/Eligible Reasons				
<ul style="list-style-type: none"> <li>• Loan Amount</li> <li>• Maximum cash-out on a rate/term refinance transaction – see Rate/Term Refinance section of product matrix</li> </ul>	<ul style="list-style-type: none"> <li>• 15 Year Fixed Rate and ARM term loan amounts down to \$600,000</li> <li>• High balance loan amount</li> </ul>				

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	<ul style="list-style-type: none"> <li>• Second Home Transactions: Prudent underwriting must be exercised to determine the reasonableness of considering the property a second home</li> </ul>
<p><b>Credit Requirements</b></p>	<ul style="list-style-type: none"> <li>• Non-traditional credit is not allowed</li> <li>• All borrowers must have a minimum of two (2) credit scores</li> <li>• <u>Disputed tradelines:</u> <ul style="list-style-type: none"> <li>◦ All disputed tradelines must be included in the DTI if the account belongs to the borrower unless documentation can be provided that authenticates the dispute</li> <li>◦ Derogatory accounts must be considered in analyzing the borrower’s willingness to repay. However, if a disputed account has a zero balance and no late payments, it can be disregarded</li> </ul> </li> <li>• <u>Frozen Credit:</u> Follow Fannie Mae Selling Guide requirements except as noted below           <ul style="list-style-type: none"> <li>◦ All borrowers must have a minimum of two (2) credit scores <u>that are generated from the unfrozen bureaus</u></li> </ul> </li> <li>• Rapid credit rescoring are permitted. A rapid rescore is a process that can quickly update a borrower’s credit score by submitting proof of positive account changes to the three major credit bureaus since the last reporting deadline in order to reflect the current credit status</li> </ul>
<p><b>Housing History</b></p>	<ul style="list-style-type: none"> <li>• Mortgage history requirements:           <ul style="list-style-type: none"> <li>◦ If the borrower(s) has a Mortgage in the most recent twenty-four (24) months, a mortgage rating must be obtained, reflecting 0x30 in the last twenty-four (24) months</li> <li>◦ The mortgage rating may be on the credit report or a VOM</li> <li>◦ Applicable to all borrowers on the loan</li> <li>◦ Sellers must review the borrower(s) credit report to determine status of all mortgage loans including verification mortgage is not subject to a loss mitigation program, repayment plan, loan modification or payment deferral plan If the mortgage holder is a party to the transaction or relative of the borrower, cancelled checks or bank statements to verify satisfactory mortgage history is required</li> </ul> </li> </ul>

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## Significant Derogatory Credit

- Bankruptcy, Chapter 7, 11, 13 - seven (7) years since discharge / dismissal date
- Foreclosure - seven (7) years since completion date
- Notice of Default - seven (7) years
- Short Sale/Deed-in-Lieu - seven (7) years since completion / sale date
- Forbearance resulting in subsequent loan modification - seven (7) years since exit from forbearance (See below Forbearance section for flexibilities available for loans with 20, 25 & 30 year fixed rate terms)
- Mortgage accounts that were settled for less, negotiated or short payoffs - seven (7) years since settlement date
- Loan modifications:
  - Lender initiated modification will not be considered a derogatory credit event if the modification did not include debt forgiveness and was not due to hardship as evidenced by supporting documentation. No seasoning requirement would apply
  - If the modification was due to hardship or included debt forgiveness - seven (7) years since modification
- Single loan variances for credit events will be considered on a case-by-case basis between four (4) and seven (7) years with extenuating circumstances subject to the following:
  - Extenuating circumstances are defined as non-recurring events that are beyond the borrower's control resulting in a sudden significant and prolonged reduction in income or catastrophic increase in financial obligations
    - Examples would include death or major illness of a spouse or child but would not include divorce or job loss
  - Documentation must be provided to support the claim of extenuating circumstances and confirm the nature of the event that led to the credit event and illustrate the borrower has no reasonable option other than to default on their obligations
  - If the defaulted debt was assigned to an ex-spouse and the default occurred after the borrower was relieved of the obligation, the event may be considered on a single loan variance basis
- Multiple derogatory credit events not allowed, regardless if seasoned over seven (7) years
  - A mortgage with a Notice of Default filed that is subsequently modified is not considered a multiple event
  - A mortgage with a Notice of Default filed that is subsequently foreclosed upon or sold as a short sale is not considered a multiple event
- Tax liens, judgments, charge-offs, and past-due accounts must be satisfied or brought current prior to or at closing
- Cash-Out proceeds from the subject transaction may not be used to satisfy judgments, tax liens, charge-offs or past-due accounts
- Payment plans on prior year tax liens/liabilities are not allowed, must be paid in full

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<p><b>Forbearance</b></p>	<p>Determining Eligibility for New Loan</p> <p><u>For 20, 25 &amp; 30 Year Fixed Rate Term Loans – Subject and Non-Subject Properties</u></p> <ul style="list-style-type: none"> <li>Any forbearance resulting in a subsequent loan modification/repayment plan is considered a significant derogatory credit event and subject to a 7 year waiting period</li> <li>Any loan(s) shown to be in <u>active</u> forbearance is considered a significant derogatory credit event and is ineligible</li> <li>If any loan was subject to a prior forbearance granted between 4/1/20 and 4/1/21, if such forbearance has been exited and all subsequent payments must have been made on time since the exit then such event will not be considered a significant derogatory credit event</li> <li>Loan file must contain a letter of explanation from the borrower/guarantor detailing the reason for forbearance and that the hardship no longer exists</li> </ul> <p><u>15 Year Fixed &amp; ARMs – Subject Property Only (Non-Subject Properties – follow above guidance)</u></p> <ul style="list-style-type: none"> <li>Loans where borrower has had payments forborne or deferred on the subject property prior to loan purchase are not eligible</li> </ul>
<p><b>DTI</b></p>	<p>30 Year Fixed Rate:</p> <ul style="list-style-type: none"> <li>Maximum 49.99%</li> </ul> <p>15 Year Fixed Rate &amp; ARMs:</p> <ul style="list-style-type: none"> <li>Maximum 43%</li> <li>FICO <math>\geq</math> 700 and <math>&lt;</math> 720: Maximum 40% DTI</li> </ul>
<p><b>Lawsuit/Pending Litigation</b></p>	<ul style="list-style-type: none"> <li>If the 1003, title commitment or credit documents indicate that the borrower is party to a lawsuit, additional documentation must be obtained to determine no negative impact on the borrower’s ability to repay, assets or collateral</li> </ul>
<p><b>Liabilities</b></p>	
<p><b>Liabilities</b></p>	<ul style="list-style-type: none"> <li>Tax liens and Payment Plans             <ul style="list-style-type: none"> <li>If the most recent tax return or tax extension indicate a borrower owes money to the IRS or State Tax Authority, evidence of sufficient liquid assets to pay the debt must be documented if the amount due is within ninety (90) days of loan application date or if the tax transcripts show an outstanding balance due:                 <ul style="list-style-type: none"> <li>A payment plan for the most recent tax year is allowed if the following requirements are met:                     <ul style="list-style-type: none"> <li>Payment plan was setup at the time the taxes were due. Copy of the payment plan must be included in the loan file</li> </ul> </li> </ul> </li> </ul> </li> </ul>

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	<ul style="list-style-type: none"> <li>• Payment is included in the DTI</li> <li>• Satisfactory pay history based on terms of payment plan is provided</li> <li>• Payment plan is only allowed for taxes due for the most recent tax year, prior years not allowed. For example, borrower files their 2019 return or extension in April 2020 A payment plan would be allowed for taxes due for 2019 tax year. Payment plans for 2018 or prior years would not be allowed</li> <li>• Borrower does not have a prior history of tax liens</li> <li>• Alimony Payments             <ul style="list-style-type: none"> <li>◦ Follow Fannie Mae Selling Guide requirements</li> </ul> </li> </ul>
<b>Employment/Income</b>	
<b>Employment/Income</b>	<ul style="list-style-type: none"> <li>• A two-year employment history is generally required</li> <li>• If the borrower(s) have less than a two-year employment and income history, the lender must provide a written analysis to justify the determination that the income used to qualify the borrower is stable</li> <li>• Short-term rentals: All loans must be originated in accordance with federal, state and local regulations and restrictions pertaining to short-term rentals             <ul style="list-style-type: none"> <li>◦ New York City short-term rental qualifying income not permitted</li> </ul> </li> <li>• <b>Declining Income:</b> When the borrower has declining income, the most recent twelve (12) months should be used or the most conservative income calculation if the declining period is shorter than 12 months. Income must be stabilized and not subject to further decline in order to be considered for qualifying purposes</li> <li>• The employer or the borrower should provide an explanation for the decline and the underwriter should provide a written justification for including the declining income in qualifying</li> </ul>
<b>General Documentation Requirements</b>	<ul style="list-style-type: none"> <li>• Borrower(s) must have a minimum of two (2) years employment and income history</li> <li>• Tax transcripts for personal tax returns are required when tax returns are used to document borrower's income or any loss and must match the documentation in the loan file. Tax transcripts must be obtained directly from the IRS via a third party except as indicated below:             <ul style="list-style-type: none"> <li>◦ In the instance where there is an indication of possible identity theft or fraud and the transcript request has been rejected by the IRS with a Code 10 indicating that "Due to limitations, the IRS is unable to process this request", online borrower obtained tax transcripts are permitted to validate income used for qualifying purposes. Evidence of the IRS transcript request rejection is required. Borrower obtained transcripts are not permitted due to IRS rejection because of missing, incomplete or altered information on the Form 4506-C (Codes 1-9)</li> </ul> </li> <li>• Social Security Income: Secondary validation is required when income is documented via either a Social Security Benefit Award Letter or a 1099. Acceptable validation can be in the form of tax transcripts/1099 transcripts or a bank statement showing evidence of the SSI deposit and dated within 30 days of</li> </ul>

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	<p>the application date</p> <ul style="list-style-type: none"> <li>• A 4506-C form is required to be signed at closing by all borrowers for all transactions</li> <li>• Taxpayer consent form signed by all borrowers</li> <li>• Verification of the existence of borrower's self-employment must be verified through a third-party source and no more than twenty (20) business days prior to the Note date. In addition, confirmation that the business is currently operating must be provided. Below are acceptable examples of documentation to confirm the business is currently operating:             <ul style="list-style-type: none"> <li>◦ Evidence of current work (executed contracts or signed invoices) that indicate the business is operating on the day the lender verifies self-employment;</li> <li>◦ Evidence of current business receipts within 10 days of the Note date (payment for services performed);</li> <li>◦ Lender certification the business is open and operating (lender confirmed through a phone call or other means); or</li> <li>◦ Business website demonstrating activity supporting current business operations (timely appointments for estimates or service can be scheduled</li> </ul> </li> <li>• Aggregate secondary and separate sources of self-employment losses reporting on 1040 tax transcripts greater than 5% of borrower's total qualifying income must be deducted from qualifying income. Additional self-employment documentation is not required             <ul style="list-style-type: none"> <li>◦ K-1 losses where borrower owns less than 25% must be deducted from qualifying income when the aggregate loss is greater than 5% of borrowers total qualifying income</li> <li>◦ Passive losses shown on K-1s, such as publicly traded companies or where ownership is under 5%, can be excluded from income on a case-by-case basis. Any passive K-1 losses excluded will not count toward the aggregate secondary and separate sources of self-employment losses and the 5% threshold for deducting the loss from income</li> </ul> </li> </ul>
<p><b>Unacceptable Sources of Income</b></p>	<ul style="list-style-type: none"> <li>• Deferred compensation</li> <li>• Retained earnings</li> <li>• Education benefits</li> <li>• Trailing spouse income</li> <li>• Rental income from a departing residence (not eligible for 15 year fixed or ARMs transactions)</li> <li>• New York City short-term rental qualifying income not permitted</li> <li>• Any income that is not legal in accordance with all applicable federal, state and local laws, rules and regulations. Federal law restricts the following activities and therefore the income from these sources are <b>not allowed</b> for qualifying:             <ul style="list-style-type: none"> <li>◦ Foreign shell banks</li> <li>◦ Medical marijuana dispensaries if borrower has any ownership</li> <li>◦ Any income resulting from ownership in a business related to recreational</li> </ul> </li> </ul>

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	<p>marijuana use, growing, selling or supplying of marijuana, even if legally permitted under state or local law</p>						
<p><b>Salaried, Bonus &amp; Commission Income</b></p>	<ul style="list-style-type: none"> <li>• Salaried Borrowers:             <ul style="list-style-type: none"> <li>◦ Income and Employment must be documented per the DU findings and all income sources and methods of income calculation must meet the requirements in chapters B3-3 through B3-6 of the Fannie Mae Single Family Selling Guide, published June 3, 2020 and the requirements below</li> <li>◦ Secondary verification of the income documentation is required via W-2 transcripts or via Fannie Mae approved third party vendors (i.e., The Work Number) with separation of income types (base, bonus, OT, etc.). The number of years provided will be based on the DU findings                 <ul style="list-style-type: none"> <li>▪ Manual verification of employment, even if through a 3<sup>rd</sup> party are not permitted</li> <li>▪ The IRS transcripts and the supporting income documentation must be consistent</li> <li>▪ If Fannie Mae approved 3<sup>rd</sup> party supplier or distributor (i.e., The Work Number) is the source used to verify income, then W-2 transcripts are also required as the secondary verification of the income – see below table                     <ul style="list-style-type: none"> <li>◦ <u>Fannie Mae approved third party suppliers and distributors that generate asset verification reports are not permitted for the purpose of verifying employment or income</u></li> </ul> </li> </ul> </li> </ul> </li> </ul> <table border="1" data-bbox="509 1150 1490 1325"> <thead> <tr> <th data-bbox="509 1150 976 1182">Income Documentation Source</th> <th data-bbox="980 1150 1490 1182">Allowable Secondary Verification</th> </tr> </thead> <tbody> <tr> <td data-bbox="509 1188 976 1247">Paystub and W-2(s)</td> <td data-bbox="980 1188 1490 1247">W-2 transcript(s) or Fannie approved 3<sup>rd</sup> party vendor (i.e., The Work Number)</td> </tr> <tr> <td data-bbox="509 1253 976 1325">Fannie approved 3<sup>rd</sup> party vendor (i.e., The Work Number)</td> <td data-bbox="980 1253 1490 1325">W-2 transcript(s)</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>• Commission/Bonus Income:             <ul style="list-style-type: none"> <li>◦ Follow requirements above for salaried borrowers, and</li> <li>◦ Commission/Bonus income must be documented for the most recent 2 (two) years with a year-to-date paystub and W-2s</li> </ul> </li> </ul>	Income Documentation Source	Allowable Secondary Verification	Paystub and W-2(s)	W-2 transcript(s) or Fannie approved 3 <sup>rd</sup> party vendor (i.e., The Work Number)	Fannie approved 3 <sup>rd</sup> party vendor (i.e., The Work Number)	W-2 transcript(s)
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Fannie approved 3 <sup>rd</sup> party vendor (i.e., The Work Number)	W-2 transcript(s)						
<p><b>Retirement Income (Pension, Annuity, 401(k), IRA Distributions)</b></p>	<ul style="list-style-type: none"> <li>• Existing distribution of assets from an IRA, 401(k) or similar retirement asset must be sufficient to continue for a minimum of three (3) years</li> <li>• If any retirement income will cease within the first three (3) years of the loan, the income may not be used</li> </ul>						

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<p><b>Trust income</b></p>	<ul style="list-style-type: none"> <li>Income from trusts may be used if guaranteed and regular payments will continue for at least three (3) years</li> <li>Regular receipt of trust income for the past twelve (12) months must be documented</li> <li>Copy of trust agreement or trustee statement showing:             <ul style="list-style-type: none"> <li>Total amount of borrower designated trust funds</li> <li>Terms of payment</li> <li>Duration of trust</li> <li>Evidence the trust is irrevocable</li> </ul> </li> <li>If trust fund assets are being used for down payment or closing costs, the loan file must contain adequate documentation to indicate the withdrawal of the assets will not negatively affect income</li> </ul>
<p><b>Restricted Stock and Stock Options</b></p>	<ul style="list-style-type: none"> <li>May only be used as qualifying income if the income has been consistently received for two (2) years and is identified on the paystubs, W-2s and tax returns as income and the vesting schedule indicates the income will continue for a minimum of two (2) years at a similar level as prior two (2) years</li> <li>A two (2) year average of prior income received from RSUs or stock options should be used to calculate the income, with the continuance based on the vesting schedule using a stock price based on the lower of the current stock price or the 52-week average for the most recent twelve (12) months reporting at the time of application. The income used for qualifying must be supported by future vesting based on the stock price used for qualifying and vesting schedule.</li> <li>Additional awards must be similar to the qualifying income and awarded on a consistent basis</li> <li>There must be no indication the borrower will not continue to receive future awards consistent with historical awards received</li> <li>Borrower must be currently employed by the employer issuing the RSUs/stock options for the RSUs/stock options to be considered in qualifying income</li> <li>Stock must be a publicly traded stock</li> <li>Vested restricted stock units and stock options cannot be used for reserves if using for income to qualify</li> <li>Incentive sign on income and future RSU's are limited to 50% of total qualifying income. Income calculation results may be reduced to meet the 50% restriction</li> <li>RSU income must be entered into DU as bonus income</li> </ul>
<p><b>Projected Income</b></p>	<p>Paystub (once borrower has started with new employer) must be provided prior to purchase of the loan by Silver Hill Capital</p>
<p><b>Asset Depletion</b></p>	<ul style="list-style-type: none"> <li>Primary residence 1-2 units only and Second Homes are eligible</li> <li>Primary residence 3-4 units are not eligible</li> <li>Investment properties are not eligible</li> <li>Purchase, Rate/Term and Cash-Out transactions are eligible</li> <li>Eligible assets must be held in a US account</li> </ul>

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- There are no age restrictions for the use of Asset Depletion as a source of qualifying income
- Qualifying Asset Income = Net Eligible Assets divided by 240
- Asset Depletion may not be combined with employment related income to qualify (i.e., salaried income, self-employment income, etc.) for any Borrower that is an account holder of the assets used for Asset Depletion. If there is employment related income from a Borrower that is not a joint account holder of the account used for Asset Depletion, then this income may be eligible to be used for qualifying purposes
- Pension, Social Security or other annuity type income streams may be used and combined with Asset Depletion income as long as the assets generating that income are not used in the Asset Depletion income calculations
- Assets used as income can only be sourced from one income stream. As an example, an asset cannot be used as both capital gains income and asset depletion income
- Net Eligible Assets
  - Minimum Net Eligible Assets: Borrowers must have at least \$1,000,000 of Net Eligible Assets
  - Net Eligible Assets equals Total Eligible Assets as defined in the below table (after any haircuts required for retirement assets per the Asset Requirements section of this product matrix) minus:
    - Funds required to be paid by borrower for closing (i.e., down payment, closing costs)
    - Gift and/or borrowed funds
    - Reserves
    - Any portion of assets pledged as collateral for a loan
  - Cash Out proceeds are not allowed to be used in the Asset Depletion calculation and are not an Eligible Asset
- Business funds not permitted to be included in net eligible asset amount
- Most recent two years of tax returns and corresponding tax transcripts are required
- Assets must meet the eligibility and documentation requirements outlined in the below table:

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Asset Type	Asset Eligibility Requirements	Documentation Requirements
<b>Retirement Assets</b>	<ul style="list-style-type: none"> <li>The retirement assets must be in a retirement account recognized by the Internal Revenue Service (IRS) (e.g., 401(k), IRA)</li> <li>Borrower must be the sole owner</li> <li><b>The asset must not currently be used as a source of income by the Borrower, i.e. retirement distributions</b></li> <li>The Borrower's rights to the funds in the account must be fully vested</li> </ul>	<ul style="list-style-type: none"> <li>Most recent retirement asset account statement</li> <li>Documentation evidencing asset eligibility requirements are met</li> <li>Most recent two years tax returns and corresponding tax transcripts</li> </ul>
<b>Lump-sum distribution funds not deposited to an eligible retirement asset</b>	<ul style="list-style-type: none"> <li>If the lump-sum distribution funds have been deposited to an eligible retirement asset, follow the requirements for retirement assets described above, otherwise:               <ul style="list-style-type: none"> <li>Lump-sum distribution funds must be derived from a retirement account recognized by the IRS (e.g., 401(k), IRA) and must be deposited to a depository or non-retirement securities account</li> <li>A Borrower must have been the recipient of the lump-sum distribution funds</li> <li>Parties not obligated on the Mortgage may not have an ownership interest in the account that holds the funds from the lump-sum distribution</li> <li>The proceeds from the lump-sum distribution must be immediately accessible in their entirety</li> <li>The proceeds from the lump-sum distribution must not have been or currently be subject to a penalty or early distribution tax</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Employer distribution letter(s) and/or check-stub(s) evidencing receipt and type of lump-sum distribution funds; IRS 1099-R (if it has been received)</li> <li>Satisfactorily documented evidence of the following:               <ul style="list-style-type: none"> <li>Funds verified in the non-retirement account and used for qualification must have been derived from eligible retirement assets</li> <li>Lump-sum distribution funds must not have been or currently be subject to a penalty or early distribution tax</li> </ul> </li> <li>Most recent two years tax returns and corresponding tax transcripts</li> </ul>
<b>Depository accounts and Securities</b>	<ul style="list-style-type: none"> <li>The Borrower must solely own assets or, if asset is owned jointly, each asset owner must be a Borrower on the Mortgage and /or on the title to the subject property</li> <li>As of the Note Date, the Borrower must have access to withdraw the funds in their entirety, less any portion pledged as collateral for a loan or otherwise encumbered, without being subject to a penalty</li> <li>Account funds must be located in a United States- or State-regulated financial institution and verified in U.S. dollars</li> </ul>	<ul style="list-style-type: none"> <li>Provide account statement(s) covering a two-month period</li> <li>For securities only, if the Borrower does not receive a stock/security account statement               <ul style="list-style-type: none"> <li>Provide evidence the security is owned by the Borrower, and</li> <li>Verify value using stock prices from a financial publication or web site</li> </ul> </li> <li>Documentation evidencing asset eligibility requirements are met</li> <li>Sourcing deposits:               <ul style="list-style-type: none"> <li>The Seller must document the source of funds for any deposit exceeding 10% of the Borrower's total eligible assets in depository accounts and securities, and verify the deposit does not include gifts or borrowed funds, or reduce the eligible assets used to qualify the Borrower by the amount of the deposit</li> </ul> </li> </ul>

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				<ul style="list-style-type: none"> <li>o 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, the Seller is not required to obtain additional documentation</li> <li>• Most recent two years tax returns and corresponding tax transcripts</li> </ul>	
		<p><b>Assets from the sale of the Borrower's business</b></p>	<ul style="list-style-type: none"> <li>• The Borrower(s) must be the sole owner(s) of the proceeds from the sale of the business that were deposited to the depository or non-retirement securities account</li> <li>• 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</li> <li>• The proceeds from the sale of the business must be immediately accessible in their entirety</li> <li>• The sale of the business must not have resulted in the following: retention of business assets, existing secured or unsecured debt, ownership interest or seller-held notes to buyer of business</li> </ul>	<ul style="list-style-type: none"> <li>• Most recent three months' depository or securities account statements</li> <li>• Fully executed closing documents evidencing final sale of business to include sales price and net proceeds</li> <li>• Contract for sale of business</li> <li>• Most recent business tax return prior to sale of business</li> <li>• Satisfactorily documented evidence of the following:             <ul style="list-style-type: none"> <li>o Funds verified in the non-retirement account and used for qualification must have been derived from the sale of the Borrower's business</li> </ul> </li> <li>• Most recent two years tax returns and corresponding tax transcripts</li> </ul>	

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<b>Self-Employment</b>	<p>Self-Employed borrowers are defined as having 25% or greater ownership</p> <ul style="list-style-type: none"><li>• In order to use self-employment income for qualifying purposes, the underwriter must consider economic impacts to the business and determine the stability of income</li><li>• Aggregate secondary and separate sources of self-employment losses reporting on 1040 tax transcripts greater than 5% of borrower's total qualifying income must be deducted from qualifying income. Additional self-employment documentation is not required<ul style="list-style-type: none"><li>◦ K-1 losses where borrower owns less than 25% must be deducted from qualifying income when the aggregate loss is greater than 5% of borrowers total qualifying income</li><li>◦ Passive losses shown on K-1s, such as publicly traded companies or where ownership is under 5%, can be excluded from income on a case-by-case basis. Any passive K-1 losses excluded will not count toward the aggregate secondary and separate sources of self-employment losses and the 5% threshold for deducting the loss from income</li></ul></li></ul> <p><u>Documentation Requirements</u></p> <p>The requirements below apply for Self-Employed Borrowers with Self-Employment income used for qualifying:</p> <ul style="list-style-type: none"><li>• Follow the requirements per the DU findings and the requirements in chapters B3-3 through B3-6 of the Fannie Mae Single Family Selling Guide, published June 3, 2020 except as detailed below:<ul style="list-style-type: none"><li>◦ If DU returns a recommendation for one (1) year of tax returns, the most recent year's tax return must be provided. IRS extensions are not permitted<ul style="list-style-type: none"><li>▪ If borrower has filed an extension, the most recent prior two (2) years tax returns are required</li></ul></li></ul></li><li>• YTD profit and loss statement (<u>audited or unaudited</u>) is required up to and including the most recent month preceding the loan application date and must not be more than 90 days aged prior to the Note date<ul style="list-style-type: none"><li>◦ Unaudited P&amp;L<ul style="list-style-type: none"><li>▪ An unaudited year-to-date profit and loss statement <u>signed by the borrower</u> reporting business revenue, expenses, and net income; <b>OR</b></li></ul></li><li>◦ Audited P&amp;L<ul style="list-style-type: none"><li>▪ An audited year-to-date profit and loss statement reporting business revenue, expenses, and net income</li></ul></li><li>◦ If the borrower has filed an extension for the current tax year, the year-to-date profit and loss statement must be provided to cover the full year</li><li>◦ If the year-to-date business income is less than the historically calculated income derived from the tax returns, the borrower may qualify by reducing the historical income to no more than the current level of stable monthly income using details from the year-to-date profit and loss statement</li></ul></li></ul>
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## Assets/Reserves

### Asset Requirements

- Beyond the minimum reserve requirements and to fully document the borrower's ability to meet their obligations, borrowers should disclose all liquid assets
- Eligible assets must be held in a US account
- Large deposits inconsistent with monthly income or deposits must be verified if using for down payment, reserves or closing costs
- Lender is responsible for verifying large deposits did not result in any new undisclosed debt
- Fannie Mae approved third party suppliers and distributors that generate asset verification reports are permitted for the purpose of verifying assets
- Follow the DU and the requirements in chapters B3-3 through B3-6 of the Fannie Mae Single Family Selling Guide, published June 3, 2020 except as detailed below
- A written VOD as a stand-alone document is not acceptable
  - A system generated automated VOD may be used as a stand-alone documentation if provided by a verifiable institutional bank
- Gift Funds
  - Gift funds may be used once borrower has contributed 5% of their own funds
  - Not permitted for reserves
- Business Funds
  - Not permitted for reserves
  - Cash flow analysis required using most recent three (3) months business bank statements to determine no negative impact to business. Business bank statements must be no older than the latest three months represented on the year-to-date profit and loss statement
  - Business bank statements must not reflect any NSF's (non- sufficient funds) or overdrafts
  - If borrower(s) ownership in the business is less than 100%, the following requirements must be met:
    - Borrower(s) must have majority ownership of 51% or greater
    - The other owners of the business must provide an access letter to the business funds
    - Borrower(s) % of ownership must be applied to the balance of business funds for use by borrower(s)
- Retirement Accounts
  - Eligibility Percentage to meet reserve requirements
    - If borrower is  $\geq 59 \frac{1}{2}$ , then 70% of the vested value after the reduction of any outstanding loans
    - If borrower is  $< 59 \frac{1}{2}$ , then 60% of the vested value after the reduction of any outstanding loans
  - Refer to Fannie Mae Selling Guide for liquidation of funds requirements

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	<ul style="list-style-type: none"> <li>Stocks, bonds and mutual funds do not require documentation of liquidation or of the borrower's actual receipt of funds when used for down payment or closing costs</li> <li>Virtual Currency is an ineligible asset type. Virtual currency must be exchanged into U.S. dollars to be acceptable for use as down payment, closing costs or reserves. Refer to Fannie Mae Selling Guide for additional details</li> </ul>																																	
<b>Reserves</b>	<b>Reserve Requirements (# of Months of PITIA)</b>																																	
	<table border="1"> <thead> <tr> <th style="text-align: center;">Occupancy</th> <th style="text-align: center;">Loan Amount</th> <th style="text-align: center;"># of Months</th> </tr> </thead> <tbody> <tr> <td rowspan="4" style="text-align: center;"><b>Primary Residence</b></td> <td style="text-align: center;">≤\$1,000,000</td> <td style="text-align: center;">6</td> </tr> <tr> <td style="text-align: center;">\$1,000,001-\$1,500,000</td> <td style="text-align: center;">9</td> </tr> <tr> <td style="text-align: center;">\$1,500,001-\$2,000,000</td> <td style="text-align: center;">12</td> </tr> <tr> <td style="text-align: center;">\$2,000,001-\$3,000,000</td> <td style="text-align: center;">24</td> </tr> <tr> <td rowspan="3" style="text-align: center;"><b>Second Home</b></td> <td style="text-align: center;">≤\$1,000,000</td> <td style="text-align: center;">12</td> </tr> <tr> <td style="text-align: center;">\$1,000,001-\$1,500,000</td> <td style="text-align: center;">18</td> </tr> <tr> <td style="text-align: center;">\$1,500,001-\$2,500,000</td> <td style="text-align: center;">24</td> </tr> <tr> <td rowspan="2" style="text-align: center;"><b>Investment Property</b></td> <td style="text-align: center;">≤\$1,000,000</td> <td style="text-align: center;">18</td> </tr> <tr> <td style="text-align: center;">\$1,000,001 - \$1,500,000</td> <td style="text-align: center;">24</td> </tr> <tr> <td rowspan="2" style="text-align: center;"><b>First-Time Homebuyer</b></td> <td style="text-align: center;">≤\$1,000,000</td> <td style="text-align: center;">12</td> </tr> <tr> <td style="text-align: center;">\$1,000,001-\$1,500,000</td> <td style="text-align: center;">15</td> </tr> <tr> <td style="text-align: center;"><b>Additional 1-4 Unit Financed REO</b></td> <td>                     Additional six (6) months reserves PITIA for each property is required based on the PITIA of the additional REO                       If eligible to be excluded from the count of multiple financed properties, reserves are not required                 </td> </tr> <tr> <td style="text-align: center;"><b>Borrowed funds</b></td> <td>Borrowed funds (secured or unsecured) are not allowed for reserves</td> </tr> </tbody> </table>	Occupancy	Loan Amount	# of Months	<b>Primary Residence</b>	≤\$1,000,000	6	\$1,000,001-\$1,500,000	9	\$1,500,001-\$2,000,000	12	\$2,000,001-\$3,000,000	24	<b>Second Home</b>	≤\$1,000,000	12	\$1,000,001-\$1,500,000	18	\$1,500,001-\$2,500,000	24	<b>Investment Property</b>	≤\$1,000,000	18	\$1,000,001 - \$1,500,000	24	<b>First-Time Homebuyer</b>	≤\$1,000,000	12	\$1,000,001-\$1,500,000	15	<b>Additional 1-4 Unit Financed REO</b>	Additional six (6) months reserves PITIA for each property is required based on the PITIA of the additional REO  If eligible to be excluded from the count of multiple financed properties, reserves are not required	<b>Borrowed funds</b>	Borrowed funds (secured or unsecured) are not allowed for reserves
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	\$1,000,001-\$1,500,000	15																																
<b>Additional 1-4 Unit Financed REO</b>	Additional six (6) months reserves PITIA for each property is required based on the PITIA of the additional REO  If eligible to be excluded from the count of multiple financed properties, reserves are not required																																	
<b>Borrowed funds</b>	Borrowed funds (secured or unsecured) are not allowed for reserves																																	
<b>Subordinate Financing</b>																																		
<b>Subordinate Financing</b>	<ul style="list-style-type: none"> <li>Allowed up to maximum CLTV per matrix. Secondary financing term must conform to Fannie Mae guidelines</li> <li>If subject property has a HELOC that is not included in the CLTV/HCLTV calculation, the loan file must contain evidence the HELOC has been closed</li> <li>Shared equity finance agreements are an ineligible source of subordinate financing</li> </ul>																																	
<b>Down Payment/Closing Cost Assistance</b>	Down payment and closing cost assistance subordinate financing is not permitted																																	
<b>Property/Appraisal</b>																																		
<b>Eligible Property Types</b>	<ul style="list-style-type: none"> <li>1-4 Unit Owner Occupied Properties</li> <li>1 Unit Second Homes</li> <li>1-4 Unit Investment Properties</li> <li>Condominiums – Must be Fannie Mae warrantable and meet Fannie Mae guidelines</li> </ul>																																	

# Silver Hill Capital Jumbo AUS

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	<p>and project standards</p> <ul style="list-style-type: none"> <li>◦ Florida new construction: Full review <b>or</b> PERS permitted</li> <li>• Cooperatives             <ul style="list-style-type: none"> <li>◦ Investment properties not allowed</li> <li>◦ 30 year fixed rate only</li> <li>◦ Must meet Fannie Mae Selling Guide requirements and project standards</li> </ul> </li> <li>• Modular homes</li> <li>• Planned Unit Developments (PUDs)</li> <li>• Properties with ≤40 Acres             <ul style="list-style-type: none"> <li>◦ Properties &gt;10 acres ≤40 acres must meet the following:                 <ul style="list-style-type: none"> <li>▪ Maximum land value 35%</li> <li>▪ No income producing attributes</li> </ul> </li> </ul> </li> <li>• Properties Subject to Existing Oil/Gas Leases must meet the following:             <ul style="list-style-type: none"> <li>◦ Title endorsement providing coverage to the lender against damage to existing improvements resulting from the exercise of the right to use the surface of the land which is subject to an oil and/or gas lease</li> <li>◦ No active drilling; Appraiser to comment or current survey to show no active drilling</li> <li>◦ No lease recorded after the home construction date; Re-recording of a lease after the home was constructed is permitted</li> <li>◦ Must be connected to public water</li> </ul> </li> </ul> <p><b>NOTE:</b> Properties that fall outside these parameters can be considered on a single loan variance basis</p>
<p><b>Ineligible Property Types</b></p>	<ul style="list-style-type: none"> <li>• 2-4 unit second home properties</li> <li>• Condotels/Condo Hotels</li> <li>• Leaseholds</li> <li>• Manufactured Homes/Mobile Homes</li> <li>• Mixed-Use Properties</li> <li>• Model Home Leasebacks</li> <li>• Non-Warrantable Condominiums</li> <li>• Properties with condition rating of C5/C6</li> <li>• Properties with quality rating of Q6</li> <li>• Properties located in Hawaii in lava zones 1 &amp; 2</li> <li>• Properties located in areas where a valid security interest in the property cannot be obtained</li> <li>• Properties &gt;40 acres</li> <li>• Properties with a private transfer fee covenant unless the covenant is excluded under 12CFR 1228 as an excepted transfer fee covenant</li> <li>• Tenants-in-Common projects (TICs)</li> <li>• Unique properties</li> <li>• Working farms, ranches or orchards</li> </ul>

# Silver Hill Capital Jumbo AUS

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## Appraisal Requirements

- Full appraisal is required regardless of the DU Findings
  - Property inspection waivers are not permitted
- Transferred appraisals are not allowed
- The subject property must be appraised within 120 days prior to the Note date
- Appraisal Update (Form 1004D) is not permitted for appraisals that are over 120 days aged from Note date. A new full appraisal is required for loans where the appraisal effective date is greater than 120 days from the Note date

### Third-Party Review

- Collateral Desktop Analysis (CDA) ordered from Clear Capital or a Consolidated Collateral Analysis (CCA XP) ordered from Consolidated Analytics is required to support the value of the appraisal. The Seller is responsible for ordering the CDA or CCA XP
  - Collateral Underwriter (CU) with a score of 2.5 or less is allowed in lieu of a CDA or CCA XP (30 Year Fixed Rate only)
    - Maximum Loan amount \$1,500,000
  - If the CDA/CCA XP returns a value that is "Indeterminate" or if the CDA/CCA XP indicates a lower value than the appraised value that exceeds a 10% tolerance, then one (1) of the following requirements must be met:
    - A Clear Capital or Consolidated Analytics BPO (Broker Price Opinion) and Value Reconciliation of Three Reports is required. The Value Reconciliation will be used for the appraised value of the property. The Seller is responsible for ordering the BPO and Value Reconciliation
    - A field review or 2<sup>nd</sup> full appraisal may be provided. The lower of the two values will be used as the appraised value of the property. The Seller is responsible for providing the field review or 2<sup>nd</sup> full appraisal full appraisal
  - If two (2) full appraisals are provided, a CDA/CCA XP is not required (CDA/CCA XP still required for 15 year fixed and ARMs)
  - 15 Year Fixed & ARMs
    - In addition to the above requirements, a field review would be required for any CDA/CCA XP variance greater than 5% with an LTV greater than 75%

Appraisal Requirements Based on Loan Amount:	
First Lien Amount	Appraisal Requirements
<b>Purchase Transactions</b>	
≤ \$2,000,000	1 Full Appraisal
> \$2,000,000	2 Full Appraisals
<b>Refinance Transactions</b>	
≤ \$1,500,000	1 Full Appraisal
> \$1,500,000	2 Full Appraisals

# Silver Hill Capital Jumbo AUS

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	<ul style="list-style-type: none"> <li>• When two (2) appraisals are required, the following applies:             <ul style="list-style-type: none"> <li>◦ Appraisals must be completed by two (2) independent companies</li> <li>◦ The LTV will be determined by the lower of the two (2) appraised values if the lower appraisal supports the value conclusion</li> <li>◦ Both appraisal reports must be reviewed and address any inconsistencies between the two (2) reports and all discrepancies must be reconciled</li> <li>◦ If the two (2) appraisals are done “subject to” and 1004Ds are required, it is allowable to provide one (1) 1004D. If only one (1) 1004D is provided, it should be for the appraisal that the value of the transaction is being based upon</li> </ul> </li> <li>• Higher Priced Mortgage Loans (HPML) (30 Year Fixed Rate only)             <ul style="list-style-type: none"> <li>◦ If the property was acquired by the seller less than 90 days from the purchase agreement and the purchase price exceeds the seller’s acquisition price by more than 10% then a second full appraisal is required. Bank owned properties are not exempt.</li> <li>◦ If the property was acquired by the seller between 91-180 days from the purchase agreement and the purchase price exceeds the seller’s acquisition price by more than 20%, then a second full appraisal is required. Bank owned properties are not exempt</li> <li>◦ If a second appraisal is required for one of the above two reasons, the borrower may only be charged for one of the appraisals</li> </ul> </li> </ul>
<p><b>Declining Markets</b></p>	<ul style="list-style-type: none"> <li>• 15 Year Fixed &amp; ARMs: If the qualifying appraisal indicates property values are declining, the maximum LTV/CLTV is reduced by 10%</li> </ul>
<p><b>Property Flips</b></p>	<p>A property is considered a “flip” if either of the following are true:</p> <ul style="list-style-type: none"> <li>• The price in the borrower’s purchase agreement exceeds the property Seller’s acquisition price by more than 10% if the property Seller acquired the property 90 or fewer days prior to the date of the borrower’s purchase agreement</li> <li>• The price in the borrower’s purchase agreement exceeds the property Seller’s acquisition price by more than 20% if the property Seller acquired the property 91-180 days prior to the date of the borrower’s purchase agreement</li> </ul> <p>If the property is a “flip” as defined above, the following additional requirements apply:</p> <ul style="list-style-type: none"> <li>• A second appraisal must be obtained and a copy of the second appraisal must be provided to the borrower</li> <li>• The second appraisal must be dated prior to the loan consummation/note date.</li> <li>• The property Seller on the purchase contract must be the owner of record</li> <li>• Increases in value should be documented with commentary from the appraiser and recent comparable sales</li> <li>• Sufficient documentation to validate actual cost to construct or renovate (e.g., purchase contracts, plans and specifications, receipts, invoices, lien waivers, etc.) must be provided, if applicable</li> </ul>

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	<ul style="list-style-type: none"> <li>• There can be no pattern of previous flipping as evidenced by multiple transfers in the last 12 months</li> <li>• Non-Arm's Length transactions are not permitted. Lender is responsible for reviewing chain of title. Particular due diligence should be exercised in cases of entity to entity transfers to ensure no red flags are present</li> <li>• The property must have been marketed openly and fairly, through a multiple listing service, auction, for sale by owner offering (documented) or developer marketing. The above requirements do not apply if the property seller is a bank that received the property as a result of foreclosure or deed-in-lieu</li> </ul>
<p><b>Construction to Permanent Financing</b></p>	<ul style="list-style-type: none"> <li>• Follow Fannie Mae Selling Guide requirements               <ul style="list-style-type: none"> <li>◦ One-time close transactions not permitted</li> </ul> </li> </ul>
<p><b>Disaster Area Requirements</b></p>	<ul style="list-style-type: none"> <li>• Refer to the Disaster Guidelines in the <u>Special Products Seller Guide</u> for requirements pertaining to properties impacted by a disaster in:               <ul style="list-style-type: none"> <li>◦ FEMA Major Disaster Declarations with designated counties eligible for <b>individual assistance (IA)</b>;</li> <li>◦ Areas where FEMA has not made a disaster declaration, but Silver Hill Capital or an Investor (Fannie Mae, Freddie Mac, FHA, USDA or the Veterans Administration) has determined that there may be an increased risk of loss due to a disaster;</li> <li>◦ Areas where the Seller has reason to believe that a property might have been damaged in a disaster</li> </ul> </li> <li>• Correspondent lenders are responsible for monitoring the <u>Disaster Declaration File</u> and the <u>FEMA Website</u> including the FEMA Declarations Summary on an ongoing basis to ensure that the property is not located in an area impacted by a disaster</li> </ul>
<p><b>Escrow Holdbacks</b></p>	<p>Not allowed unless the holdback has been disbursed and a certification of completion has been issued prior to purchase</p>
<p><b>Special Restrictions</b></p>	
<p><b>Multiple Financed Properties</b></p>	<ul style="list-style-type: none"> <li>• <u>For 20, 25 &amp; 30 Year Fixed Rate Term Loans:</u> Maximum number of financed properties – follow Fannie Mae Selling Guide requirements</li> <li>• <u>15 Year Fixed &amp; ARMs:</u> Maximum number of residential properties owned by borrower(s) is five, which includes the subject property. For clarification purposes, the other residential properties owned by the borrower(s) includes those financed or unencumbered</li> <li>• All financed 1-4 unit residential properties require an additional six (6) months reserves for each property, unless the exclusions below apply</li> <li>• 1-4 unit residential financed properties held in the name of an LLC or other corporation can be excluded from the number of financed properties only when the borrower is not personally obligated for the mortgage</li> <li>• Ownership of commercial or multifamily (five (5) or more units) real estate is not included in this limitation</li> </ul>

# Silver Hill Capital Jumbo AUS

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<b>Geographic Restrictions</b>	Properties located outside of the United States or in a Territory, Province or Commonwealth; including, but not limited to properties in Guam, Puerto Rico, the Virgin Islands, the Commonwealth of the Northern Mariana Islands or American Samoa are not permitted
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# Silver Hill Capital Jumbo AUS

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Version Control			
Author	Section	Date	Update
DH	Minimum Loan amount	02.08.23	Removed ARMS & 15 year fixed rate: Minimum \$400,000 loan amount  Added ARMS & 15 year fixed rate: Minimum \$600,000 loan amount
DH	15 Year Fixed Rate & ARM Requirements	02.08.23	Added <ul style="list-style-type: none"> <li>• First Time Homebuyer minimum FICO 740</li> <li>• Rate/Term Refinance transactions may have incidental cash back to the borrower up to \$5000</li> <li>• Updated minimum loan amount to \$600,000</li> </ul>
SG	Heading	6.28.23	Added: Delegated Correspondent
SG	Version Control	9.6.23	Removed version control prior to 2022
DH	Arm Qualification	9.27.23	Removed <ul style="list-style-type: none"> <li>• 7YR/6M &amp; 10YR/6M: Qualify at the higher of the Note rate or the fully indexed rate (sum of index and margin)</li> </ul> Added <ul style="list-style-type: none"> <li>• 7YR/6M &amp; 10YR/6M: Qualify at the Note rate</li> </ul>
DH	Ineligible Sources of Income	9.27.23	Added <ul style="list-style-type: none"> <li>• Rental income from a departing residence (not eligible for 15 year fixed or ARMs transactions)</li> <li>• New York City short-term rental qualifying income not permitted</li> </ul>
DH	Employment/Income	9.27.23	Added <ul style="list-style-type: none"> <li>• Short-term rentals: All loans must be originated in accordance with federal, state and local regulations and restrictions pertaining to short-term rentals               <ul style="list-style-type: none"> <li>◦ New York City short-term rental qualifying income not permitted</li> </ul> </li> </ul>
DH	Appraisal Requirements	01.24.24	Added <ul style="list-style-type: none"> <li>• Added CCA XP from Consolidated Analytics as an acceptable third-party vendor for appraisal review</li> </ul>
DH	Salaried, Bonus & Commission Income	03.27.24	Added <ul style="list-style-type: none"> <li>• Fannie Mae approved third party suppliers and distributors that generate asset verification reports are not permitted for the purpose of verifying employment or income</li> </ul>
DH	Eligibility Grid	08.14.24	<ul style="list-style-type: none"> <li>• Added loan amounts up to \$3,000,000</li> <li>• Reduced maximum product LTV/CLTV/HCLTV to 80%</li> <li>• Primary Residence: Purchase &amp; R/T               <ul style="list-style-type: none"> <li>◦ 3-4 unit properties not eligible</li> <li>◦ Increased max LTV to 70% up to \$1M with min 680 FICO</li> </ul> </li> <li>• Primary Residence: Cash-Out               <ul style="list-style-type: none"> <li>◦ Reduced max LTV to 70%</li> <li>◦ 2 unit: Increased min FICO to 720</li> </ul> </li> <li>• Second Home: Cash-Out               <ul style="list-style-type: none"> <li>◦ Reduced min FICO to 720</li> </ul> </li> </ul>
DH	Ineligible Product Types	08.14.24	<ul style="list-style-type: none"> <li>• Added High Cost Loans</li> </ul>
DH	Borrower Eligibility	08.14.24	<ul style="list-style-type: none"> <li>• Non-permanent resident aliens</li> <li>• Removed maximum 75% LTV/CLTV/HCLTV cap for non-permanent resident</li> </ul>

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			aliens <ul style="list-style-type: none"> <li>Removed H2B as an eligible visa type</li> </ul>
DH	Housing History	08.14.24	Removed <ul style="list-style-type: none"> <li>In addition to reviewing the credit report, the Seller must also apply due diligence for each mortgage loan on which a borrower is obligated, including co-signed mortgage loans and mortgage loans not related to the subject transaction, to determine the loan payments are current as of the Note date of the subject transaction. Current means the borrower has made all payments due in the month prior to the Note date of the subject transaction and no later than the last business day of that month. Acceptable documentation includes one of the following: <ul style="list-style-type: none"> <li>Loan payment history from the servicer or third party verification service</li> <li>Payoff statement for loans being refinanced</li> <li>Current mortgage statement from the borrower</li> <li>Verification of mortgage (VOM)</li> </ul> </li> </ul>
DH	Forbearance	08.14.24	Rescripted Guidance as follows:  <u>For 20, 25 &amp; 30 Year Fixed Rate Term Loans – Subject and Non-Subject Properties</u> <ul style="list-style-type: none"> <li>Any forbearance resulting in a subsequent loan modification/repayment plan is considered a significant derogatory credit event and subject to a 7 year waiting period</li> <li>Any loan(s) shown to be in <u>active</u> forbearance is considered a significant derogatory credit event and is ineligible</li> <li>If any loan was subject to a prior forbearance granted between 4/1/20 and 4/1/21, if such forbearance has been exited and all subsequent payments must have been made on time since the exit then such event will not be considered a significant derogatory credit event</li> <li>Loan file must contain a letter of explanation from the borrower/guarantor detailing the reason for forbearance and that the hardship no longer exists</li> </ul>
DH	DTI	08.14.24	<ul style="list-style-type: none"> <li>30 Year Fixed: Increased DTI to 49.99%</li> </ul>
DH	Self-Employment	08.14.24	Removed <ul style="list-style-type: none"> <li>Minimum 720 FICO when any Self-Employment income is required for qualifying purposes. If the Self-Employment income is not needed for qualifying purposes, then the 720 FICO minimum is not applicable</li> </ul>
DH	Reserves	08.14.24	<ul style="list-style-type: none"> <li>Primary Residence: \$2,000,001-\$3,000,000 require minimum 24 months of reserves</li> <li>Second Home: Reduced maximum reserve requirements from 36 to 24 for loan amounts greater than 1.5M up to \$2.5M</li> </ul>
DH	Eligible Property Types	08.14.24	<ul style="list-style-type: none"> <li>Removed Leaseholds</li> <li>For properties &gt; 10 acres, removed the 10% LTV/CLTV/HCLTV haircut</li> </ul>
DH	Ineligible Property Types	08.14.24	Added Leaseholds
DH	Declining Markets	08.14.24	Removed Section
DH	Appraisal Requirements	08.14.24	Increased age of appraisal allowance from 90 to 120 days
DH	Property Flips	08.14.24	Added Section

# Silver Hill Capital Jumbo AUS

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			<p>A property is considered a “flip” if either of the following are true:</p> <ul style="list-style-type: none"> <li>The price in the borrower’s purchase agreement exceeds the property Seller’s acquisition price by more than 10% if the property Seller acquired the property 90 or fewer days prior to the date of the borrower’s purchase agreement</li> <li>The price in the borrower’s purchase agreement exceeds the property Seller’s acquisition price by more than 20% if the property Seller acquired the property 91-180 days prior to the date of the borrower’s purchase agreement</li> </ul> <p>If the property is a “flip” as defined above, the following additional requirements apply:</p> <ul style="list-style-type: none"> <li>A second appraisal must be obtained and a copy of the second appraisal must be provided to the borrower</li> <li>The second appraisal must be dated prior to the loan consummation/note date.</li> <li>The property Seller on the purchase contract must be the owner of record</li> <li>Increases in value should be documented with commentary from the appraiser and recent comparable sales</li> <li>Sufficient documentation to validate actual cost to construct or renovate (e.g., purchase contracts, plans and specifications, receipts, invoices, lien waivers, etc.) must be provided, if applicable</li> <li>There can be no pattern of previous flipping as evidenced by multiple transfers in the last 12 months</li> <li>Non-Arm’s Length transactions are not permitted. Lender is responsible for reviewing chain of title. Particular due diligence should be exercised in cases of entity to entity transfers to ensure no red flags are present</li> <li>The property must have been marketed openly and fairly, through a multiple listing service, auction, for sale by owner offering (documented) or developer marketing. The above requirements do not apply if the property seller is a bank that received the property as a result of foreclosure or deed-in-lieu</li> </ul>
DH	Construction to Permanent	08.14.24	<p>Added</p> <ul style="list-style-type: none"> <li>Follow FNMA guides</li> <li>One time close not permitted</li> </ul>
DH	15 Year Fixed Rate & ARM Requirements	09.18.24	<p>Added</p> <ul style="list-style-type: none"> <li>Maximum number of residential properties owned by borrower(s) is five, which includes the subject property. For clarification purposes, the other residential properties owned by the borrower(s) includes those financed or unencumbered</li> <li>Loans where borrower has had payments forborne or deferred prior to loan purchase are not eligible</li> </ul>
DH	Eligibility	10.09.24	Removed reference to specific Visa types
DH	15 Year Fixed Rate & ARM Requirements	10.30.24	<p>Removed</p> <ul style="list-style-type: none"> <li>Texas 50 (a)(6) not permitted</li> </ul>
DH	Forbearance	02.19.25	Clarified that for 15 Year Fixed & ARMs, loans where the borrower has had payments forborne or deferred on <u>the subject property</u> prior to loan purchase are not eligible.
DH	Declining Markets	04.23.25	<p>Added</p> <ul style="list-style-type: none"> <li>15 Year Fixed &amp; ARMs: If the qualifying appraisal indicates property values are declining, the maximum LTV/CLTV is reduced by 10%</li> </ul>
DH	Eligibility Grid	10.22.25	Increased maximum loan amount to \$3,000,000 for purchase and refinance transactions

# Silver Hill Capital Jumbo AUS

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## Appendix A – Summary of Program Overlays to Fannie Mae Guidelines

Below is a summary of the Jumbo AUS program overlays to Fannie Mae guidelines. Please refer to the Jumbo AUS product matrix for complete details and requirements on the below topics as well as for LTV, FICO and loan amount requirements. This summary is intended for reference only. In the event of any conflict with this document, the product matrix and seller guide will govern.

- **15 Year Fixed Rate & ARMs**
  - First Time Homebuyer:
    - Maximum loan amount \$1,250,000
    - Minimum FICO 740
  - Rate/Term Refinance transactions may have incidental cash back to the borrower up to \$5000
  - Minimum Loan Amount: \$600,000
  - Maximum Cash Out: \$500,000
  - 2-4 units not eligible
  - 2<sup>nd</sup> home & investment properties not eligible
  - Appraisal Review
    - CU not permitted to meet appraisal review requirement
    - CDA required for every loan
    - Field review required for any CDA variance greater than 5% with an LTV greater than 75%
  - Cooperatives not eligible
  - Leaseholds not eligible
  
- **Ineligible Product Types**
  - Non-Standard to Standard Refinance Transactions (ATR Exempt)
  - Higher-Priced Mortgage Loans (HPML)
  - Higher-Priced Covered Transactions (HPCT QM-Rebuttable Presumption)
  - High Cost Loans
  - Balloons
  - Graduated Payments
  - Interest Only Products
  - Temporary Buydowns
  - Loans with Prepayment Penalties
  - Single Close Construction to Permanent Transactions
  
- **Borrower Eligibility**
  - First Time Homebuyer:
    - Maximum loan amount \$1,500,000 (15 Year Fixed and ARMS maximum loan amount \$1,250,000)
  - Not permitted on investment properties. Permanent and Non-Permanent Resident Aliens must be employed in the U.S. for the past 24 months

## Silver Hill Capital Jumbo AUS

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- Non-Permanent Resident Aliens
  - Primary residence only
- Non-Occupant Co-Borrower must be a related family member of the borrower(s)
- All borrowers must have a valid Social Security Number
- **LTV/CLTV/HCLTV Calculation for Refinance Transactions**
  - If subject property is owned more than twelve (12) months, the LTV/CLTV/HCLTV is based on the current appraised value. The twelve (12) month time frame may be based on subject transaction Note date
  - If subject property is owned less than twelve (12) months, the LTV/CLTV/HCLTV is based on the lesser of the original purchase price plus documented improvements made after the purchase of the property, or the appraised value. Documented improvements must be supported with receipts. The twelve (12) month time frame may be based on subject transaction Note date
- **Continuity of Obligation**
  - On a refinance transaction, there must be a continuity of obligation of the outstanding lien that will be paid through the refinance transaction. See Continuity of Obligation section for full requirements
- **Credit Requirements**
  - Non-traditional credit not permitted
  - All borrowers must have a minimum of two (2) credit scores
  - Manual underwrite is not permitted
- **Mortgage History:**
  - 0x30x24
  - Sellers must review the borrower(s) credit report to determine status of all mortgage loans including verification mortgage is not subject to a loss mitigation program, repayment plan, loan modification or payment deferral plan.
  - If the mortgage holder is a party to the transaction or relative of the borrower, cancelled checks or bank statements to verify satisfactory mortgage history is required
- **Significant Derogatory Credit:** At least seven (7) years must have elapsed since bankruptcy discharge/dismissal, foreclosure, NOD, Short Sale/DIL or forbearance resulting in a subsequent loan modification. Multiple derogatory credit events not permitted
- **Forbearance**
  - For 20, 25 & 30 Year Fixed Rate Term Loans – Subject and Non-Subject Properties
    - Any forbearance resulting in a subsequent loan modification/repayment plan is considered a significant derogatory credit event and subject to a 7 year waiting period
    - Any loan(s) shown to be in active forbearance is considered a significant derogatory credit event and is ineligible

## Silver Hill Capital Jumbo AUS

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- If any loan was subject to a prior forbearance granted between 4/1/20 and 4/1/21, if such forbearance has been exited and all subsequent payments must have been made on time since the exit then such event will not be considered a significant derogatory credit event
- Loan file must contain a letter of explanation from the borrower/guarantor detailing the reason for forbearance and that the hardship no longer exists
- 15 Year Fixed & ARMs – Subject Property Only (Non-Subject Properties – follow above guidance)
  - Loans where borrower has had payments forborne or deferred on the subject property prior to loan purchase are not eligible
- **DTI:**
  - 30 Year Fixed Rate
    - LTVs = Max 49.99%
  - 15 Year Fixed Rate & ARMs:
    - Maximum 43%
    - FICO  $\geq$  700 and  $<$  720: Maximum 40% DTI
- **Employment/Income**
  - General Requirements: Tax transcripts for personal tax returns are required when tax returns are used to document borrower's income or any loss and must match the documentation in the loan file. The number of years of transcripts required will be based on the DU findings
  - Salaried Borrowers: Secondary verification of the income documentation is required via W-2 transcripts or 3<sup>rd</sup> party verification (i.e., The Work Number) with separation of income types (base, bonus, OT, etc.). The number of years provided will be based on the DU findings
    - Manual verification of employment, even if through a 3<sup>rd</sup> party are not permitted
    - Tax transcripts must be obtained directly from the IRS via a third party except as indicated below:
      - In the instance where there is an indication of possible identity theft or fraud and the transcript request has been rejected by the IRS with a Code 10 indicating that "Due to limitations, the IRS is unable to process this request", online borrower obtained tax transcripts are permitted to validate income used for qualifying purposes. Evidence of the IRS transcript request rejection is required. Borrower obtained transcripts are not permitted due to IRS rejection because of missing, incomplete or altered information on the Form 4506-C (Codes 1-9)
    - The IRS transcripts and the supporting income documentation must be consistent
    - If Fannie Mae approved 3<sup>rd</sup> party verification (i.e., The Work Number) is the source used to verify income, then W-2 transcripts are also required as the secondary verification of the income
      - Fannie Mae approved third party suppliers and distributors that generate asset verification reports are not permitted for the purpose of verifying employment or income
  - Commission/Bonus: Income must be documented for the most recent 2 (two) years with a year-to-date paystub and W-2s

## Silver Hill Capital Jumbo AUS

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- o Projected Income: Paystub (once borrower has started with new employer) must be provided prior to purchase of the loan by Silver Hill Capital
- o Asset Depletion:
  - Primary residence 1-2 units only and Second Homes are eligible
  - Primary residence 3-4 units are not eligible
  - Investment properties are not eligible
  - Purchase, Rate/Term and Cash-Out transactions are eligible
  - Eligible assets must be held in a US account
  - There are no age restrictions for the use of Asset Depletion as a source of qualifying income
  - Qualifying Asset Income = Net Eligible Assets divided by 240
  - Asset Depletion may not be combined with employment related income to qualify (i.e., salaried income, self-employment income, etc.,) for any Borrower that is an account holder of the assets used for Asset Depletion. If there is employment related income from a Borrower that is not a joint account holder of the account used for Asset Depletion, then this income may be eligible to be used for qualifying purposes
  - Pension, Social Security or other annuity type income streams may be used and combined with Asset Depletion income as long as the assets generating that income are not used in the Asset Depletion income calculations
  - Income from assets may not be double counted. For example, income derived from assets generating capital gains, interest income or note income from assets may not also be included in those assets in the Asset Depletion income calculation
  - Net Eligible Assets
    - o Minimum Net Eligible Assets: Borrowers must have at least \$1,000,000 of Net Eligible Assets
    - o Net Eligible Assets equals Total Eligible Assets as defined in the below table (after any haircuts required for retirement assets per the Asset Requirements section of this product matrix) minus:
      - Funds required to be paid by borrower for closing (i.e., down payment, closing costs)
      - Gift and/or borrowed funds
      - Reserves
      - Any portion of assets pledged as collateral for a loan
    - o Cash Out proceeds are not allowed to be used in the Asset Depletion calculation and are not an Eligible Asset
  - Business funds not permitted to be included in total asset amount
  - Most recent two years of tax returns and corresponding tax transcripts are required
- o Self-Employment:
  - If DU returns a recommendation for one (1) year of tax returns, the most recent year's tax return must be provided and IRS extensions are not permitted
    - If borrower has filed an extension, the most recent prior two (2) years tax returns are required
  - If the borrower has filed an extension for the current tax year, the YTD profit and loss statement must be provided to cover the full year

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Red font indicates change from previous matrix

- Aggregate secondary and separate sources of self-employment losses reporting on 1040 tax transcripts greater than 5% of borrowers total qualifying income must be deducted from qualifying income. Additional self-employment documentation is not required
  - K-1 losses where borrower owns less than 25% must be deducted from qualifying income when the aggregate loss is greater than 5% of borrowers total qualifying income
  - Passive losses shown on K-1s, such as publicly traded companies or where ownership is under 5%, can be excluded from income on a case-by-case basis. Any passive K-1 losses excluded will not count toward the aggregate secondary and separate sources of self-employment losses and the 5% threshold for deducting the loss from income
- YTD profit and loss statement (audited or unaudited) is required up to and including the most recent month preceding the loan application date and must not be more than 90 days aged prior to the Note date
  - Unaudited P&L
    - An unaudited year-to-date profit and loss statement signed by the borrower reporting business revenue, expenses, and net income; **OR**
  - Audited P&L
    - An audited year-to-date profit and loss statement reporting business revenue, expenses, and net income
  - If the borrower has filed an extension for the current tax year, the year-to-date profit and loss statement must be provided to cover the full year
- If the year-to-date business income is less than the historically calculated income derived from the tax returns, the borrower may qualify by reducing the historical income to no more than the current level of stable monthly income using details from the year-to-date profit and loss statement
- Ineligible Sources of Income
  - Rental income from a departing residence (not eligible for 15 year fixed or ARMs transactions)
- **Assets**
  - A written VOD as a stand-alone document is not acceptable
  - Gift Funds
    - Gift funds may be used once borrower has contributed 5% of their own funds
    - Not permitted for reserves
  - Business Funds
    - Not permitted for reserves
    - Cash flow analysis required using most recent three (3) months business bank statements to determine no negative impact to business. Business bank statements must be no older than the latest three months represented on the year-to-date profit and loss statement
    - Business bank statements must not reflect any NSF's (non-sufficient funds) or overdrafts
    - If borrower(s) ownership in the business is less than 100%, the following requirements must be met:
      - Borrower(s) must have majority ownership of 51% or greater
      - The other owners of the business must provide an access letter to the business funds
      - Borrower(s) % of ownership must be applied to the balance of business funds for use by borrower(s)

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- o Reserves – Refer to Reserve section of the product matrix for overlay reserve requirements
- o Retirement Accounts
  - Eligibility Percentage to meet reserve requirements
    - If borrower is  $>59 \frac{1}{2}$ , then 70% of the vested value after the reduction of any outstanding loans
    - If borrower is  $<59 \frac{1}{2}$ , then 60% of the vested value after the reduction of any outstanding loans
- **Subordinate Financing**
  - o Down payment and closing cost assistance subordinate financing is not permitted
- **Maximum Acreage**
  - o Maximum  $\leq 40$  acres
    - Properties  $>10$  acres  $\leq 40$  acres must meet the following:
      - Maximum land value 35%
      - No income producing attributes
- **Ineligible Property Types**
  - o Manufactured Homes/Mobile Homes
  - o Mixed-Use Properties
  - o Model Home Leasebacks
  - o Leaseholds
  - o Properties with condition rating of C5/C6
  - o Properties with quality rating of Q6
  - o Unique properties
- **Appraisal Requirements**
  - o Transferred appraisals are not permitted
  - o Collateral Desktop Analysis (CDA) ordered from Clear Capital, a Consolidated Collateral Analysis (CCA XP) ordered from Consolidated Analytics or CU score  $\leq 2.5$  is required to support the value of the appraisal. CDA/CCA XP not required if two full appraisals provided. See 15 Year Fixed and ARM restrictions in Appraisal Requirements section of product matrix.
  - o Purchase  $> \$2M = 2$  Full appraisals required
  - o Refi  $> \$1.5 M = 2$  Full appraisals required
  - o Appraisal Update (Form 1004D) is not permitted for appraisals that are over 90 days aged from Note date. A new full appraisal is required for loans where the appraisal effective date is greater than 90 days from the Note date
- **Declining Markets**
  - o 15 Year Fixed & ARMs: If the qualifying appraisal indicates property values are declining, the maximum LTV/CLTV is reduced by 10%
- **Escrow Holdbacks** – Not allowed unless the holdback has been disbursed and a certification of completion

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has been issued prior to purchase

- **Geographic Restrictions** - Properties located outside of the United States or in a Territory, Province or Commonwealth; including, but not limited to properties in Guam, Puerto Rico, the Virgin Islands, the Commonwealth of the Northern Mariana Islands or American Samoa are not permitted