## Conventional Jumbo Loan Program

The Conventional Jumbo Loan program can be used to provide financing options for Primary Residences with jumbo loan amounts in excess of Conventional High-Balance limits.

### Summary

<table>
<thead>
<tr>
<th>Product Types</th>
<th>30-year Fixed; 15-year Fixed 5/1 ARM&lt;sup&gt;1&lt;/sup&gt;; 7/1 or 10/1 ARM&lt;sup&gt;2&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum Loan Amount</td>
<td>Must exceed Conforming Standard and High Balance Limit for State/County</td>
</tr>
</tbody>
</table>

<sup>1</sup>5/1 ARM qualifies at the greater of the fully indexed rate or Note rate +2%. Max LTV/CLTV on 5/1 ARM is 75%

<sup>2</sup>7/1 ARM or 10/1 ARM qualifies at the greater of the fully indexed rate or Note rate.

### Primary Residence Purchase or Rate/Term Refinances Only

<table>
<thead>
<tr>
<th>Minimum FICO</th>
<th>Max Debt Ratio</th>
<th>Max LTV</th>
<th>Max CLTV</th>
<th>Max Loan Amount</th>
<th>Max # of Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>720</td>
<td>36%/40%</td>
<td>80%*</td>
<td>80%*</td>
<td>$2,000,000</td>
<td>1</td>
</tr>
</tbody>
</table>

* LTV/CLTV may be subject to a reduction due to market classification. LTV/CLTV maximum will be determined at the time of Conditional Approval. All Jumbo loans will require an investor approval prior to loan documents. Additional conditions may apply after the initial Conditional Credit Approval by NDM.

### General – Appraisal/Valuation

- All Jumbo loans will require a RELS appraisal ordered by NDM. Appraisals will be ordered after the conditional credit approval is issued.
  - Market classifications will be determined upon receipt and review of the appraisal. An LTV/CLTV restriction may apply for market classifications. Condos in a market classification of 2, 3 or 4 may have a reduction of 5 – 15% accordingly. See the market classification table for general estimates.
  - If the loan amount exceeds 10 times the subject property’s county-level median home price, then the maximum LTV is 70%. Additional LTV reduction could apply if property is also in a market classification of 3 or 4.
  - Only one appraisal is required unless specified by the underwriter for unique properties. A desk review may be ordered for loan amounts greater than or equal to $1,000,000. See Property – Additional section below for further guidelines.

### Credit Report

- All Loans require a Credit Score based on the following 3 non-derogatory trade lines. Non-traditional credit is not permitted with Jumbo loans. In addition to below, housing history of 24 months is required.
  - 3 trade lines, each rated for at least 12 months
  - 1 trade line with a credit limit of at least $5,000
  - Authorized User accounts may not be used to satisfy the trade line requirements
  - At least one active trade line (non-derogatory) in the past six months. An active trade line is defined by the date of last activity on the account and not a current open balance. A non-derogatory trade line is currently less than 90 days delinquent and non-collection
  - Minimum 2 year traditional credit history
  - Pay downs to 10 months remaining payments are not allowed.

### Foreclosure / Deed in Lieu / Short Sale / Restructured Loans

- Borrowers with a bankruptcy, foreclosure, deed-in-lieu, short sale, repossession, or loan modification are allowed with a max of 70% LTV/CLTV per the following:
  - A minimum of seven years (84 mos.) must have elapsed since the date of foreclosure completion if the adverse credit was due to financial mismanagement and credit has been re-established for the 84 months.
    - If the existing loan being paid off was restructured or a short payoff, the loan is ineligible for rate/term refinace.
    - If the adverse credit was due to a documented extenuating circumstance (per Fannie guides) and a minimum of 60 months of re-established credit since discharged/dismissal/completion date have elapsed, then jumbo financing may be allowed to 70% LTV/CLTV max.
### Credit Requirements

<table>
<thead>
<tr>
<th>Consumer Credit Counseling</th>
<th>Borrowers in Consumer Credit Counseling within previous 24 months not eligible.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Major Adverse Accounts</td>
<td>Includes collection accounts, charge-off accounts, judgments, liens, delinquent property taxes, repossessions, garnishments, loan modifications, and non-mortgage accounts currently 90 days or more delinquent.</td>
</tr>
<tr>
<td></td>
<td>- Charge offs/collections over $500 not allowed. Any balances over $500 must be settled/paid with supporting documentation. For accounts reporting older than 24 months, all State, IRS, and property tax liens (subject property and other properties), regardless of seasoning, are required to be paid whether or not they currently affect title. No payment plans or subordination is allowed.</td>
</tr>
<tr>
<td>Mortgage Rating</td>
<td>Requires 24 months history, all mortgages, and/or rental history.</td>
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<tr>
<td></td>
<td>- 0 x 30 mortgage/rental delinquency in past 24 months (“rent free” not eligible)</td>
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<td></td>
<td>- VOR from a large, well known rental management company is acceptable</td>
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<td></td>
<td>- For First Time Homebuyers, verification of 12 months rental payments is required in addition to the 24 month history. The loan file must contain 12 months cancelled checks or bank statements to evidence eligibility for mortgage/housing history for the loan program under which the loan is submitted. Written Verification of rent via the credit report is not permitted.</td>
</tr>
<tr>
<td></td>
<td>- First time homebuyers evidencing rental history will still be subject to payment shock evaluation.</td>
</tr>
</tbody>
</table>

### Property – Additional

<table>
<thead>
<tr>
<th>Appraisal</th>
<th>NDM will place the order for appraisals; must be ordered thru RELs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Occupancy</td>
<td>Primary residence only. Jumbo loans do not permit 2nd homes or investment properties</td>
</tr>
<tr>
<td>Property Types</td>
<td>Eligible:</td>
</tr>
<tr>
<td></td>
<td>- SFR</td>
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<tr>
<td></td>
<td>- PUDs (attached or detached)</td>
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<td></td>
<td>- Condominiums</td>
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<td></td>
<td>- Site Condominiums with the following requirements:</td>
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<tr>
<td></td>
<td>a. Hazard coverage for a single family detached dwelling if the unit consists of the entire structure and site and air space and insured on 100% replacement cost</td>
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<tr>
<td></td>
<td>b. Conventional Condominium/PUD Warranty form</td>
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<td></td>
<td>c. Conventional Homeowners’ Association Questionnaire for Limited Review</td>
</tr>
<tr>
<td>Misc.</td>
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<tr>
<td></td>
<td>- Unpermitted additions not allowed.</td>
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<tr>
<td></td>
<td>- Refinance prohibited when subject is currently listed for sale or was listed for sale within the prior six months to the loan application date.</td>
</tr>
<tr>
<td></td>
<td>- Non-Arms Length Transactions (“NALTS”) not eligible.</td>
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<td></td>
<td>- Interested Party Transaction not eligible.</td>
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<tr>
<td>States</td>
<td>Currently available all states NDM is licensed except Ohio. See website for state listing.</td>
</tr>
</tbody>
</table>

### General Requirements

| Assets                         | All reserves must be from borrower’s own funds. Gift funds may not count toward reserve requirements. Asset verification is required. Copy of all funds used to close must be in the file at time of closing and must be from verified source. |
| Automated Underwriting         | Desktop Underwriter required with “Approve/Eligible” or “Approve/Ineligible” due to loan amount is required. |
| Borrowers                      | Eligible                                                         |
|                                |   - US Citizens, Permanent Resident Aliens with valid registration and valid social security number |
|                                |   - Loans made to individual persons only                        |
|                                |   - Maximum number of borrowers for any transaction is 4.        |
| Ineligible                     |                                                                   |
|                                |   - Borrowers related to or have an ownership interest in the builder, property seller and/or any other party on title, including but not limited to registered agents, sales agents, partners or employees. |
General Requirements (continued)

### Gifts
- Allowed for loan amounts up to or equal $1,000,000. Sourced from donor required and must be a direct family member (mother, father, step mother, step father, children or adopted children, siblings). Gift letters required.

### Impounds
- Escrow waiver is allowed

### Income Documents
- The following are the minimum requirements:
  - W-2 Forms (most recent 2 years)
  - Tax Returns-most recent 2 years, verified by 4506-T. All self employed borrowers are required to provide copies of individual tax returns and schedules for previous two years. Loan is ineligible if any of the past two years returns are on extension.
  - YTD income & expense statement with balance sheet is required if 120 past last fiscal year end.
  - Recent Pay Check (dated within last 30 days)
  - Rental Income – allowed if documented when borrower has owned property for at least 12 months and shows on Schedule E for prior years tax returns. If rental property is owned less than 12 months and not reflected on most recent filed tax returns, then the present signed lease is ok if borrower has two year history of property management as evidenced by the most RECENT two years IRS 1040 tax returns AND three months canceled checks or bank statement verifying receipt of rental income.

**Ineligible Income Sources:**
- Any unverified source of income
- Expense account payments or automobile allowances
- Income derived from sources outside the United States
- Income determined to be temporary or one-time in nature
- Mortgage credit certificates
- Retained earnings in a company
- VA education benefits
- Rents from departing residence

### Employment Gaps
The stability of employment and income and its likelihood of continuance should be factored into the underwriting decision when there are gaps of employment. Written letters of explanations for employment gaps over 30 days in the last two years must be provided.

### Reentering the Workforce
Borrower's who are re-entering the workforce with less than a two-year employment and income history may have stable qualifying income if the Borrower has been at their current employer for a minimum of six months and there is evidence of a 2 year previous employment history, documented by either a written VOE from previous employer, and/or W2s or pay stubs.

Known economic conditions, such as plant closings, furloughs, company bankruptcies, etc. that may affect the borrower's income, must be taken into consideration. Borrowers in a state with an active furlough policy must qualify with the reduced income. Full pay may be used if there is evidence from the employer or third party documentation that the furlough will end within the next 60 days and there is no discussion to extend the furlough.

**Self Employed:** Requires minimum of 2 years history with same business and 2 years taxes on record with IRS: no exceptions.

**Miscellaneous Income Sources:** Alimony, child support, Note income, Trust income, IRA/Annuity/Retirement income, Royalty income, Interest/Dividend income.
- Any kind of supplemental income source requires 5 YEARS CONTINUATION in order to be used for qualifying. This can be reduced down to 3 years if the income makes up less than 25% of total income.

### Reserves
- Loan amounts up to and including $1,000,000 - Minimum 9 months PITI
- Loan amounts > $1,000,000 - Minimum 12 months PITI
Aggregate financing for all properties exceeds $3,000,000, 36 months PITI required or max LTV is 50%  

**Borrower’s with more than 2 financed properties (3-4 total)**  
- Require 18 months PITI  

**First Time Homebuyers**  
- Require 12 months PITI  

**Retirement Account Funds**  
- Borrowers of retirement age (generally 59 1/2): Subtract 30 percent from the vested amount less any outstanding loans. Roth IRA at 100%; publicly traded stocks, mutual funds or Government Securities at 100% of vested value.  

**Ineligible sources for reserves include:**  
- Business Assets including schedule C  
- Gift funds or borrowed funds can not be used for reserve requirements  
- Stock in a closely held corporation  
- Cash out proceeds from any refinance transaction  
- Bridge Loans  
- Loans secured by other assets  
- Proceeds from the sale of non-real estate assets  

Note: Reserves must come from borrower’s own funds. Must be verified PITI (inclusive of HOA fees, if applicable) reserves remaining after closing, exclusive of closing costs, cash out received, and proceeds from home equity transactions. Retirement funds may not be liquidated in order to meet reserve requirements. 

<table>
<thead>
<tr>
<th>Subordinate Financing</th>
<th>Not allowed.</th>
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<tbody>
<tr>
<td>Interested Party Contributions</td>
<td>3% Maximum</td>
</tr>
<tr>
<td>Max Financed Properties</td>
<td>Up to 4 financed properties (including the subject property) and/or a maximum of $3 million aggregate financing on all properties.</td>
</tr>
<tr>
<td>Mortgage Insurance</td>
<td>Not required.</td>
</tr>
</tbody>
</table>
| Refinances | Rate and Term Refinance transactions only – cash out not allowed. Non-purchase money 2nd liens must be paid off prior to close and not allowed to be paid through loan transaction.  
No seasoning of first mortgage required, however:  
- If owned less than 12 months, LTV must be based on lower of appraised value or original sales price plus the cost of any documented improvements. If owned more than 12 months, LTV is based on current appraised value. HUD-1 or Deed must be provided to verify ownership. |
| Employment by Relatives or Transaction Participants | If the borrower is employed by a relative, a closely held family business, the property seller, real estate agent or any party to the real estate transaction, the following documentation must be obtained:  
- Borrower’s signed and completed personal federal income tax returns for the most recent two years.  
- If the business is a corporation  
  - Obtain a signed copy of the corporate tax return showing ownership percentage or  
  - A signed letter from the corporation  
- Most recent two years’ W-2 forms  
- YTD pay stubs covering 30 days.  
- Verbal VOE.  
Current income reported on the paystub may be used if it is consistent with W-2 earnings reported on the tax returns. If the tax returns do not include W-2 earnings or income is substantially lower than the current pay stubs, further investigation is needed to determine whether income is stable. |
| Power Of Attorney | Power of Attorney documents must be submitted and approved by NDM prior to issuing final loan approval. |

Note: If not explicitly mentioned above, standard Fannie Mae guidelines apply.