

Product Matrix

CMS Non-Prime Program (Applications on and after 4/2/18)

Program Codes: See the Program Codes section

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Program Maximum LTVs – Primary and Secondary Homes

Grade		A			B		C	
Loan Amount	Reserves	FICO	Purchase & R/T	Cash Out	Purchase & R/T	Cash Out	Purchase & R/T	Cash Out
≤ \$1,000,000	3 Months	640	85%	80%	85%	75%	70%	65%
		620	85%	80%	80%	75%	70%	65%
		580	80%	75%	80%	70%	70%	65%
		500	75%	70%	70%	70%	70%	65%
>\$1,000,000	6 Months	640	85%	75%	75%	70%	-	-
		620	80%	75%	75%	70%	-	-
		580	80%	70%	75%	65%	-	-
		500	70%	65%	65%	65%	-	-

Grade Determination – Primary and Secondary Homes

	A	B	C
Most recent 12-months Mortgage/Rental History	0x60x12	0x120x12	0x120x12 or 0x30 since event
FC/SS/DIL Seasoning	24 Months	12 Months	Settled
BK Seasoning (Chapter 7, 11)	24 Months	12 Months	No Seasoning
BK Seasoning (Ch 13 Discharged)	No Seasoning	No Seasoning	No Seasoning
BK Seasoning (Ch 13 Dismissed)	12 Months	12 Months	12 Months
Standard DTI / Expanded DTI*	43% / 50% / 55%	43% / 50% / 55%	43%

* See Additional Program Requirements for details

Additional Program Overlays– Primary and Secondary Homes

Feature	LTV	FICO	Reserves
1st Time Home Buyers	Refer to Grid Above	580	6 Months
Second Home	80%	580	6 Months
24 Months Bank Statements	Refer to Grid Above	580	6 Months
Limited Tradelines	Lesser of actual and 580 FICO		6 Months

* See Additional Program Requirements for details

Program Requirements

Minimum Loan Amount	\$100,000
Maximum Loan Amount	\$1,500,000
Maximum Cash Out*	\$500,000
Residual Income	\$1,500
Tradelines*	Standard/Limited

*See Additional Program Requirements for details

Property Type Requirements

Property Type	Max LTV
Single Family/PUD	85%
Townhouse	85%
Condominium	85%
Non-Warrantable Condo	80%
2-4 Unit	80%
Modular Homes	80%

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Program Maximum LTVs – Investment Properties

Grade		A		A-		Investor Advantage**	
Loan Amount	FICO	Purchase & R/T	Cash Out	Purchase & R/T	Cash Out	Purchase & R/T	Cash Out
≤ \$1,000,000	720	80%	75%	80%	75%	75%	70%
	700	80%	75%	80%	70%	75%	70%
	680	80%	75%	80%	70%	75%	70%
	660	80%	70%	80%	70%	75%	65%
	640	80%	70%	80%	65%	75%	65%
	620	-	-	75%	65%	-	-
	560	-	-	70%	60%	-	-
\$1,000,001-\$1,500,000	720	75%	70%	-	-	70%	65%
	700	75%	70%	-	-	70%	65%
	680	75%	65%	-	-	65%	60%
	660	75%	65%	-	-	65%	60%
	640	70%	65%	-	-	65%	60%

Additional Program Overlays – Investment Properties

Feature	LTV	FICO	Other
First Time Investor**	5% Reduction	-	-
Unleased Properties (Investor Advantage Refi Only)	5% Reduction	-	-
Declining Markets	5% Reduction	-	-
24 Months Bank Statements	75%	-	-

** First time investors are not permitted on Investor Advantage Credit Grade

Grade Determination – Investment Properties

Grade	A	A-	Inv. Adv.
Most recent 12-mo Mortgage/Rental History	0x30x12	0x30 since event	1x30x12 Primary
FC Seasoning	24 Months	Settled	24 Months
SS/DIL Seasoning	24 Months	Settled	24 Months
BK Seasoning	24 Months	24 Months	24 Months
Reserves	12 Months	6 Months	Not Required
Maximum Total Ratio	50%	50%	50%

Program Criteria – Investment Properties

Grade	A	A-	Inv. Adv.
Min Loan Amount	\$100,000	\$100,000	\$100,000
Max Loan Amount	\$1,500,000	\$1,000,000	\$1,500,000
Maximum Cash Out*	\$500,000	\$500,000	\$500,000
Tradelines*	Standard	Standard	Standard
Products	5/1, 7/1 30Yr Fixed		7/1

* See Additional Program Requirements for details

Property Type Requirements – Investment Properties

Property Type	Maximum LTV
Single Family / PUD	80%
Townhouse	80%
Condominium	80%
Non-Warrantable Condominium	75%
2-4 Unit	70%
Modular Homes	80%

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Non-Prime --- Additional Program Requirements					
Debt Ratios (Primary and Second Home)	<ul style="list-style-type: none"> Expanded DTI to 50% available for Grade A and B Min FICO = 620 Expanded DTI to 55% available for Grade A and B with ALL of the following compensating factors present (Full Doc only): <ul style="list-style-type: none"> FICO ≥ 680; Primary Residence; LTV ≤ 85%; Residual Income ≥ \$3,500; 12 Months Reserves 				
Debt Ratios (Investment Property)	Maximum 50% DTI				
Full Documentation Income	Fully documented income requires 4506T forms and processed transcripts for the income used to qualify. See guidelines for details.				
Bank Statement Income	The bank statement income calculation will not require 4506T forms or transcripts. When a file has mixed income (W2 wage earner income) combined with the bank statement income option, CMS must obtain a 4506T and transcripts for the W2 wage earner income only. See guidelines for details. Please Note: Underwriter may condition for 4506-T tax transcripts to be signed and processed on a case by case basis.				
Ineligible States	AK; MA; NY; WV				
Occupancy	Primary, Secondary, and Investment				
Product Types	<ul style="list-style-type: none"> 5/1 ARM 7/1 ARM 30Yr Fixed 				
	Primary and Second Home ARM Features				
	Primary and Second Home Grade	Product	Margin (Floor Rate is the Note Rate)	Index	
	A, B, and C	5/1	5.00%	2/2/5	1 Year LIBOR
		7/1	5.00%	5/2/5	1 Year LIBOR
	Investment Property ARM Features				
	Investment Property Grade	Product	Margin (Floor Rate is the Note Rate)	Index	
	A	5/1	5.00%	2/2/5	1 Year LIBOR
		7/1	5.00%	5/2/5	1 Year LIBOR
	A-	5/1	5.00%	2/2/5	1 Year LIBOR
7/1		5.00%	5/2/5	1 Year LIBOR	
Investor Advantage	7/1	6.00%	5/2/5	1 Year LIBOR	
Qualifying: For all ARM loans, the greater of the note rate or the fully indexed rate is used to determine the qualifying PITIA					
Residual Income	\$1,500 plus an additional \$150 per dependent is required for Primary and Secondary Homes only. Residual Income not required on Investment Properties.				
Seller Concessions	Up to 6% towards closing. Investment properties 2%.				
Subordinate Financing	Maximum 90% CLTV (Institutional seconds only)				

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Non-Prime - Guideline Requirements	
COLLATERAL	
General	Property must be in average or better condition. C4 and Q4. Deferred maintenance is allowed provided the neglected item is not structural in nature (as noted by the appraiser). Deferred items may be left "as is" if the aggregate cost to cure the deficiency does not exceed \$2,000 or impact the safety or habitability of the property.
Second Homes	Second homes are restricted to 1-unit dwellings. Second homes must be located a reasonable distance away from the borrower's primary residence and must be available for borrower's exclusive use. Borrower may not own any other second homes or investment properties in the same geographic market as the subject property. Second homes cannot be subject to rental pools or agreements requiring property to be rented and cannot be controlled by a management firm. Suitable for year-round occupancy.
Appraisal	1 Full appraisal required. Exterior and Interior inspection. Color photographs required.
Appraisal Review	The following transactions require an appraisal review product: loan amounts >\$453,100; Cash-out >\$100,000; non-arm's length transactions; flip transactions; and all refinances under the Investment Property program. See CMS Non-Prime Guidelines for full details on the available review products.
Declining Markets	Properties that are identified as being in a declining market (as identified in the appraisal) per the Neighborhood section trends, the 1004MC, or if mentioned by the appraiser will require a 5% LTV/CLTV reduction to the maximum limit.
Condo Warrantable and Non-Warrantable	All condominiums must have a valid project review along with a completed CMS Homeowners' Association Certification. ATTACHED CONDOS: Appraisal must contain 2 comparable sales from subject's project in addition to the current comparable sale requirements. See CMS Non-Prime guidelines for condominium specifications.
All Properties Square Footage	Minimum of 600 square feet of gross living area.
Eligible Property Types	One Unit Single Family Residences (Attached and Detached), PUDs (Attached and Detached), Condos (Low and High Rise), Site Condo, Non-Warrantable Condominiums, Townhouse, 2-4 Unit Properties, Modular Homes
Ineligible Property Types	Co-ops, Condotels, Manufactured, Unique Properties, Mixed Use properties, Rural Properties, Log Homes, Agriculturally Zoned, Farms or Hobby Farms, Properties with oil, gas, or mineral rights, Builder Model Leaseback, Non-Conforming zoning regulations that prohibit rebuilding, Properties subject to Rent Control regulations. Note: Mixed Use properties are defined as properties that have a business use in addition to their residential use, such as a property with space set aside for a day care facility, a beauty or barber shop, or a doctor's office are not eligible.
Property Flipping	365 flip provisions apply and must comply with HPML flip rules, see CMS Non-Prime Guidelines for specifications.
Resale/Deed Restrictions	Communities where the minimum age requirement is 55 are permitted.
Maximum Number of Financed Properties	Limited to 5 for all borrowers on transaction. Second homes and Investment Properties require 2 months additional reserves for each additional financed property. See guidelines for additional requirements.

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TYPES OF FINANCING	
<p>General Refinance Requirements</p>	<p>Rate/term refinance and cash-out refinance transactions are allowed.</p> <p>All investment property refinances require an appraisal review product. See Appraisal Review Process for detailed requirements.</p> <p>Determining Loan-to-Value</p> <p>If the subject property was acquired > 12 months from application date, the appraised value must be used to determine loan-to-value.</p> <p>If the property was acquired ≤ 12 months from application date, the lesser of the current appraisal value or previous purchase price plus documented improvements (if any) must be used. The purchase settlement statement and any invoices for materials/labor will be required.</p> <p>Investor Advantage Credit Grade</p> <p>The following standards apply to refinance transactions under Investor Advantage:</p> <p>If the property was acquired > 12 months from application date, the appraised value must be used to determine loan-to-value.</p> <p>For properties acquired between 7 and 12 months from application date, the maximum loan-to-value cannot exceed 65% based on the current appraised value.</p> <p>If the property was acquired < 6 months from application date, the lesser of the current appraised value or the previous purchase price plus documented improvements (if any) must be used. The purchase settlement statement and any invoices for materials/labor will be required.</p>
<p>Rate & Term Refi / Limited Cash Out</p>	<p>No seasoning of first mortgage.</p> <p>If owned less than 12 months (recorded transfer date to application date of the new loan), the LTV is based on lower of appraised value less any sales concessions or the original sales price.</p> <p>If owned more than 12 months, (recorded date to application date of new loan), the LTV is based on the current appraised value.</p> <p>If value has increased more than 15%, photos of improvements are required.</p> <p>Maximum cash in hand is the lesser of 2% of the principal of the new loan amount or \$2000.</p> <p>HUD-1 settlement statements required from any transaction within past 6 months.</p> <p>If previous transaction was cash-out or if it combined a first and non-purchase money subordinate into a new first, loan to be coded cash out.</p> <p>If new transaction combines a 1st and non-purchase money 2nd into a new 1st loan, it is considered cash out.</p> <p>Must demonstrate there is a Benefit to the borrower by utilizing the CMS benefit to borrower form currently in use through Encompass for refinance transactions.</p>

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TYPES OF FINANCING, Continued	
Listed For Sale or Purchase	To be eligible for either a rate/term or a cash-out refinance, the subject property must be taken off the market on or before application date, provide a letter of explanation for occupancy. For cash-out transactions, if the subject property was listed for sale in the 6 months prior to application date, a 10% LTV reduction from the maximum available for the specific transaction is required. The lesser of the most recent list price or the current appraised value should be used to determine loan-to-value for both rate/term or cash-out transactions.
Cash-out Refinance	For all cash-out refinance transactions, a minimum of 6 months must have elapsed since the most recent mortgage transaction on the subject property (either the original purchase transaction or subsequent refinance). Note date to note date is used to calculate the 6 months. There is no waiting period if the borrower acquired the property through an inheritance or was legally awarded the property through divorce, separation, or dissolution of a domestic partnership. For investment properties owned ≤ 36 months, the loan amount on investment property transactions may not exceed the original purchase price. If the requested loan amount exceeds the original purchase price, the loan amount can be approved if the LTV is at least 10% below the published maximum LTV. Cash Out of Investment Properties in Texas are not permitted.
All Refinances	All refinance transactions must have Net Tangible Benefit to Borrower and Continuity of Obligation.
Construction-to-Perm	Not permitted
Texas A(6) Refinances	Not permitted
Secondary Financing / Payoff	Allowed for Primary Residence and 2nd Home - Not permitted for Investment Properties
Secondary Financing / Subordination	Allowed for Primary Residence and 2nd Home - Not permitted for Investment Properties

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CREDIT	
Minimum Credit History - Primary Wage-earner Requirements	<p>Standard Credit: 3 tradelines reporting for 12+ months with activity in last 12 months OR 2 tradelines reporting for 24+ months with activity in last 12 months 0X60 for most recent 12 months</p> <p>Trade lines must meet the following: The credit line must be reflected on the borrower's credit report</p> <ul style="list-style-type: none"> • The account must have activity in the past 12 months and may be open or closed • Tradelines used to qualify may not exceed 0x60 in the most recent 12 months • An acceptable 12- or 24-month housing history not reporting on credit may also be used as a tradeline <p>Credit lines on which the borrower is not obligated to make payments are not acceptable for establishing a minimum history. e.g., loans in a deferment period, collection or charged-off accounts, accounts discharged through bankruptcy, and authorized user accounts.</p>
Limited Tradelines	<p>Primary and Secondary Homes only. Not permitted on Investment Properties.</p> <p>No minimum tradeline requirements (Full Doc only)</p> <p>If the borrower does not meet the requirements for Standard Tradelines but still has a valid credit score, he or she may qualify under Limited Tradelines. The following requirements apply when qualifying with Limited Tradelines:</p> <ul style="list-style-type: none"> • Primary residence and second homes only • 10% minimum borrower contribution • Minimum 6 months reserves after closing • Full documentation of income (Bank Statement Documentation not allowed) • Not eligible for Investment Property Programs
Non-Traditional Credit	Not permitted
Mortgage/Rental History	<p>See Grade Determination above.</p> <p>Mortgage and rental payments not reflected on the original credit report must be documented via an institutional Verification of Rent or Verification of Mortgage (VOR/VOM). A combined total of all late mortgage and rental payments in the past 12 months must be used to determine the housing history.</p> <p>If the borrower is making payments to an individual or interested party, 12 months of cancelled checks or bank statements must be obtained. A VOR/VOM is not required but may be requested for clarification.</p> <p>All mortgages and rental payments should be current at time of closing. If the credit report or VOR/VOM reflects a past-due status, updated documentation is required to verify account is current.</p> <p>Borrowers with no housing history or less than 12 months housing history are permitted. Refer to guidelines for full details.</p>

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CREDIT, continued	
Late Payments	<p>Rolling Late Payments: Rolling late payments are not considered a single event. Each occurrence of a contractual delinquency is considered individually for loan eligibility. Rolling late payments are not permitted on Investor Advantage.</p> <p>Past Due Accounts: Past due consumer debts can be no more than 30 days past due at time of closing. Consumer late payments may not exceed 1x60 over the prior 12 months for Investor Advantage.</p>
Credit Grade C	Credit Grade C: All mortgages and rental payments must be paid as agreed for the last 12 months, or since the date the Housing Event was cured (if Housing Event occurred less than 12 months ago). Mortgage and rental lates prior to the Housing Event are disregarded.
Bankruptcy	<p>For bankruptcy seasoning requirements, see Grade Determination above.</p> <p>A Chapter 13 bankruptcy may remain open after loan closing when all of the following requirements are met:</p> <ul style="list-style-type: none"> • A minimum 12-month repayment period in the bankruptcy has elapsed • Bankruptcy plan payments for the last 12 months have been made on time • Borrower has received written permission from bankruptcy court to enter into the transaction
Short Sale/ Foreclosure/ Deed-in-Lieu/ Modification	See Grade Determination above.
Collections/Charge Offs	<p>The following accounts may remain open:</p> <ul style="list-style-type: none"> • Collections and charge-offs < 24 months old with a maximum cumulative balance of \$2,000 • Collections and charge-offs ≥ 24 months old with a maximum of \$2,500 per occurrence • Collections and charge-offs that have passed beyond the statute of limitation for that state (supporting documentation required) • All medical collections <p>Collection and charge-off account balances remaining after the exclusions listed above may remain open when one of the following is met:</p> <ul style="list-style-type: none"> • Borrower has sufficient reserves to cover remaining collection and charge-off balances (in addition to the published reserve requirement); or • Payment for remaining collections and charge-offs included in DTI results in final DTI ≤ 50% (payment calculated at 5% of balance of remaining unpaid collections and charge-offs). <p>A combination of the two options above is allowed. A portion of the unpaid collection balance can be included in the DTI while the remainder is covered by excess reserves. Collections and charge-offs that cannot be factored into DTI or reserves must be paid off.</p>

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CREDIT, continued	
Judgments/Liens	<p>Judgments and tax liens must be paid off prior to or at closing, unless the requirements listed below are met. Adverse credit that will impact title must be paid in full as title must insure our lien position without exception.</p> <p>Court-ordered judgments may remain open when all of the following requirements are met:</p> <ul style="list-style-type: none"> • A copy of the repayment agreement is obtained; • A minimum of 3 months has elapsed on the plan and evidence of timely payments for the most recent 3 months is provided; and • The maximum payment required under the plan is included in the debt-to-income ratio. <p>Outstanding tax liens may remain open on purchase transactions only (additional LTV reductions may be required based on the size of the lien). All of the following requirements must be met:</p> <ul style="list-style-type: none"> • A copy of the repayment agreement is obtained; • A minimum of 3 months has elapsed on the plan and evidence of timely payments for the most recent 3 months is provided; • The maximum payment required under the plan is included in the debt-to-income ratio; and • The title company must provide written confirmation confirming (a) the title company is aware of the outstanding tax lien, and (b) there is no impact to first lien position.
IRS Taxes Owed (No Lien)	<p>For IRS taxes owed and no lien is present all of the following requirements must be met:</p> <ul style="list-style-type: none"> • A copy of the repayment agreement is obtained; • A minimum of 3 months has elapsed on the plan and evidence of timely payments for the most recent 3 months is provided; • The maximum payment required under the plan is included in the debt-to-income ratio.
Minimum FICO	<p>The primary wage-earner score is used as the Representative Credit Score for each loan. The primary wage-earner must have a valid score from at least 2 of the following 3 agencies: Experian (FICO), Trans Union (Empirica), and Equifax (Beacon). Only scores from these agencies are acceptable. Additional borrowers on the loan must have at least one valid score of 500 or greater.</p> <p>To determine the Representative Credit Score for the primary wage-earner, select the middle score when 3 agency scores are provided and the lower score when only 2 agency scores are provided.</p>
Minimum Payment	<p>Use the greater of \$10 or 5% of balance for revolving accounts if payment not reporting. Include all revolving payments regardless of the number of payments remaining. Revolving accounts paid at closing must be closed to exclude from debt ratio. For 30-day accounts/accounts paid in full on a monthly basis (i.e.: American Express), use 5% of the outstanding balance unless borrower has sufficient liquid assets verified to pay the full balance.</p> <p>Installment payments may be excluded with 10 or less payments remaining, except for car leases. If the excluded payment is 5% or more of the borrower's qualifying income, the underwriter must review the transaction for ability to repay.</p>

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INCOME/ASSETS	
Employment	All borrowers must have a 2 year employment history. Borrowers should provide a signed, written letter of explanation for any employment gaps that exceed 30 days in the most recent 12-month period, or that exceed 60 days in months 13-24. Borrowers newly employed are allowed with documentation showing the borrower was previously in school or a training program and borrower is now employed in that line of work.
Income	Current paystub showing a minimum of 30 days earnings and YTD income plus 2 years W2's
Self-employed	Two years personal & business tax returns with all schedules if borrower has 25% or greater ownership interest in the business. Personal and business tax returns must be validated through a 4506-T and 8821 when applicable. If tax transcripts are not available due to recent filing, a copy of the IRS notice showing "No record of return filed" is required in addition to the previous 2 years validated tax returns. Borrowers are qualified using the returns validated. A Liquidity Test is not required to qualify the borrower.
Non-Salaried	Two years documentation and evidence of at least 3 year continuance is required. Retirement Income requires a copy of the award letter, most recent 1099's and 3 months consecutive bank statements showing receipt of the income. Social Security income can be taxed up 25% or an amount that is prudent based on federal tax levels but not to exceed 25%. Documentation is required to show the income is non-taxable. Alimony and child support must be received at least 6 months to be used for qualifying. Alimony and child support received less than 12 months may be used provided it does not exceed 30% of the borrower's qualifying income.
Rental Income	<p>Rental income from a 1-unit primary residence or second homes may not be used.</p> <p>Note: If rental income from the subject property is not being used to qualify, the gross monthly rent must still be documented with appraisal forms 1007 and 216 for lender reporting purposes.</p> <p>All rental income must be accounted for in the cash flow even if not needed to qualify.</p> <p>Subject property (2 unit primary residence) - use the income approach section from the appraisal and a copy of the current lease is required. If the property has been owned for at least 1 year, borrower to provide tax returns with at least a 12 month rental history. If the property has been owned less than 1 year, rental income is calculated per the income approach from the appraisal.</p> <p>Rental Income from other than subject property - current tax returns showing at least 12 month rental history is required. If property has been owned less than 1 year, signed leases may be used with applying a 25% vacancy factor.</p> <p>Converting current residence to a rental - borrower must have 30% equity in the current residence documented with an appraisal. A 1007 or 1025 with market rents, a copy of the signed lease agreement, copy of the security deposit and a copy of the bank statement showing security funds deposited are required. A 25% vacancy factor is deducted from the income.</p>
Assets	<p>Must be sourced/seasoned for 60 days.</p> <p>Deposit verification and seasoning of assets must be documented by two months bank statements. Marketable securities require a copy of the stock certificate. Retirement accounts require documentation verifying the lending terms of the account. All sources of funds must be owned by the borrower. All large deposits must be sourced per FNMA guidelines. Asset documentation must be dated within 60 days of the date of the note. Evidence of liquidation is required for all securities and real estate. Evidence of transfer of funds is required for all cash accounts. Gifts are acceptable provided minimum borrower investment requirements are met.</p>

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INCOME/ASSETS, continued	
Eligible Sources of Assets	Acceptable sources of funds are bank deposits (checking/savings), marketable public traded securities (70% of account value), loans secured by borrower's assets, sale of real estate, funds borrowed secured by real estate, trust funds (60% of borrower's undistributed share), cash value/surrender value of life insurance (60% of the cash value), retirement accounts using 60% of available/vested balance (SEP-IRA, 401K), business assets provided it is used for funds to close only, cannot be used as income and CPA provides a letter verifying the business assets belong 100% to the borrower, depleting the assets from the business account will not have a negative impact on the viability and cash flow of the business.
Ineligible Sources of Assets	Cash-on-hand, Sweat equity, Gift or grant funds which must be repaid, Down payment assistance programs, Bridge loans, Unsecured loans or cash advances, and Section 8 Voucher Assistance
Borrower Investment/Contribution	<p>Primary - 5% own funds</p> <p>Second Home - 10% own funds</p> <p>Investment Property - 100% own funds</p> <p>The minimum 5% requirement can be waived and gift funds used for the entire down payment when either of the following requirements is met:</p> <ul style="list-style-type: none"> • LTV is \geq 5% below max; or • Borrower has an additional 3 months of reserves (non-gift funds). <p>A minimum borrower contribution of 10% is required on the following transactions (above waiver does not apply):</p> <ul style="list-style-type: none"> • Primary residence with unverifiable housing history • Loan amount over \$424,100 • Second home • Limited tradelines
Gifts	Gift funds are acceptable on primary and secondary transactions once the borrower has met the minimum 5% investment (Primary) or 10% (Second Home). Gift funds are not acceptable for reserves or for investment properties. The donor must be an immediate family member (spouse, child, dependent, parent, sibling, blood relative), future spouse, or domestic partner living with the borrower. The donor may not have any affiliation with a party to the transaction. A signed gift letter is required and must include the amount of the gift, the donor's name, address, telephone number and relationship to borrower. Proof of donor's ability to give and transfer of the gift funds/evidence of receipt is required.

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INCOME/ASSETS, continued	
Minimum Reserves	<p>Net proceeds from cash-out transactions can be used to meet the reserve requirement. Reserves must come from borrowers own funds.</p> <p>Subject property reserve requirement - refer to the above LTV, Additional Program overlays and requirements sections.</p> <p>Multiple Financed Properties: 2 months for each additional property</p> <p>Use of Rental Income Without a Lease: 3 months in addition to standard requirement</p> <p>No Housing History or Less Than 12 Months Verified: 6 months</p> <p>For files that have more than the required 3 month reserves (e.g. >\$1MM - \$1.5MM loan amounts) the reserve requirement can be reduced to 3 months when all of the following requirements are met:</p> <ul style="list-style-type: none"> • Primary occupancy; and • LTV ≥ 10% below the maximum available for the transaction; and • DTI ≤ 43%. <p>Note: at no time (other than Investor Advantage credit grade) will a file have less than 3 months reserves.</p>
Ineligible Reserves	Cash-on-hand, Sweat equity, Gift or grant funds which must be repaid, Down payment assistance programs, Bridge loans, Unsecured loans or cash advances, and Section 8 Voucher Assistance
Debt Ratio	See Grade Determination Above
Retaining current Residence	If subject is an owner occupied purchase transaction and borrower's current residence is pending sale, both the current and proposed housing payments are used to qualify.
Non-Taxable Income	Must verify and document source of income is non-taxable. Documentation includes award letters, policy agreements, account statements or any other documents that address the non-taxable status of the income. All disclosed, non-taxable income must be grossed-up 125% even if not being used for qualification.
Payment Shock	<p>Payment Shock is limited to 150% on primary residence transactions, and is calculated as follows:</p> <p>Payment Shock = (Proposed Housing Payment / Present Housing Payment) * 100</p> <p>The Underwriter may approve Payment Shock up to 250% when one of the following factors is present:</p> <ul style="list-style-type: none"> • Residual Income ≥ \$2,500 • Representative Credit Score ≥ 640 • Debt-to-Income Ratio ≤ 35% • Housing Ratio ≤ 25% • Reserves exceed minimum required by at least 3 months • Borrower's own funds contribution exceeds minimum required by at least 5% • All consumer credit paid as agreed in the most recent 12 months

Product Matrix

CMS Non-Prime Program (Applications on and after 4/2/18)

Program Codes: See the Program Codes section

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INCOME/ASSETS, continued	
Manual Underwrite Only	Manual underwrite with CMS second signature required for all loans > \$625,500. AUS not permitted. Once an underwriter has been released from test cases a second signature will not be required.
PURCHASE MONEY	
Seller Contribution/Sale Concessions	Maximum seller contribution up to 6% for primary and secondary. Investment Property = maximum 2%. Sales concessions must be deducted from the sales price before calculating the LTV/CLTV. Financing concessions are not allowed.
GENERAL	
Age of Documents	120 days
Loan Terms Available	30 year Fixed, 5/1 ARM, 7/1 ARM
Qualifying Fixed Products	Qualify at Note Rate
Escrow Waivers	Not Permitted
Assumptions	Not Permitted
High-Cost HOEPA Section 32 (Fed/State)	Not permitted. States may impose different definitions of points and fees, rate, or APR than apply under HOEPA. States may also use different triggers in each category for determining whether a loan will be a "high-cost mortgage" (or equivalent terms) under state law. CMS does not originate loans defined as high-cost mortgages (or equivalent terms) under Federal or state law, regardless of the basis for the loan's treatment as such.
HPML/Section 35 loans	HPML loans (Section 35) are permitted. (HPML is not permitted in IL, MD -Wholesale only, NY, VT) Federal Section 35 High Priced Test (allowed if all 4 items below are met): <ol style="list-style-type: none"> 1. Loan is Impounded (escrows) 2. No Pre Payment Penalty 3. Ability to Repay has been verified – Full Doc 4. Full Appraisal Done on the Property
QM Fees	Limited to the Section 32 5% Limit
Ability to Repay (ATR)	Fully Compliant (DTI>43% program follows all other ATR requirements) <ul style="list-style-type: none"> • Fully Documented Income • Full Appraisal • Escrows required • No Prepayment Penalty

Product Matrix

CMS Non-Prime Program (Applications on and after 4/2/18)

Program Codes: See the Program Codes section

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GENERAL, continued	
Bank Statement Documentation	<p>Self-employed borrowers are eligible for either Personal Bank Statement Documentation or Business Bank Statement Documentation. The following restrictions apply to both documentation types:</p> <ul style="list-style-type: none"> • Borrowers must be self-employed for at least 2 years. • Business must be in existence for at least 2 years. • Standard Tradelines and a 12-month housing history are required. • Non-Permanent Resident Aliens and Foreign Nationals are ineligible. • All parties listed on each bank account must be included as borrowers on the loan. • Statements must be consecutive and reflect the most recent months available. • Statements must support stable and generally predictable deposits. Unusual deposits must be documented. • Evidence of a decline in earnings may result in disqualification. • Up to 3 NSF checks and overdraft protection transfers in the most recent 12-month period are allowed with explanation from the borrower. • If bank statements provided reflect payments being made on obligations not listed on the credit report, see Undisclosed Debts for additional guidance.
Eligible Borrowers	U.S. Citizens, Permanent Resident Aliens, and Non-Permanent Resident Aliens. Primary residence only for Permanent and Non-Permanent Resident Aliens. Permanent Resident Aliens must provide proof of lawful residence, green card and permanent right to work in the U.S. Non-Permanent Resident Aliens must provide proof of lawful residency, work authorization, and an unexpired, valid visa with at least three years left to work in the U.S. All qualifying borrowers must have a documented 2 year consecutive work history in the U.S.
Ineligible Borrowers	Non-Occupant co-borrowers, Foreign Nationals, Deferred Action for Childhood Arrivals (DACA - EAD Category C33), Borrowers with Diplomatic Immunity, Non-Permanent Resident Aliens who do not have a green card or a valid visa, Borrowers without a credit score, Borrowers who are not natural persons (i.e.: Corporation and Partnership), Borrowers holding title in the name of a trust, Borrowers with more than 5 financed properties, including the subject property.
First Time Investors	A First-Time Investor is a borrower who has not owned at least one investment property for at least 12 months anytime during the most recent 12-month period. First-Time Investors are allowed with a 5% LTV reduction.
First Time Homebuyers	Maximum \$1,000,000 loan amount. Verification of 12 month's rent required via cancelled checks or bank statements. 6 months reserves from borrower's own funds required.
Power of Attorney	A Limited Power of Attorney (POA) is acceptable. Refer to guidelines for requirements.
Mortgage Insurance (MI)	Not Required
Prepayment Penalty	Not Required

Product Matrix

CMS Non-Prime Program (Applications on and after 4/2/18)

Program Codes: See the Program Codes section

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GENERAL, continued	
Illinois Restrictions	ARM loans are not permitted in Cook, Kane, Peoria, and Will counties.
Investor Advantage Credit Grade Required Forms	<ul style="list-style-type: none"> Business Purpose & Occupancy Affidavit (all borrowers are required to sign prior to close to declare that the property is, or will be, for commercial business or investment purpose only). 2 copies are required – 1 signed at application and another signed AND notarized at closing. Guaranty (if applicable) 1-4 Family Rider/Assignment of Rents (FNMA Form 3170)

Program Codes – Full Documentation					
30 Year Fixed		5/1 LIBOR ARM		7/1 LIBOR ARM	
Program Code	Credit Grade	Program Code	Credit Grade	Program Code	Credit Grade
N30FA	A	N51AA	A	N71AA	A
N30FB	B	N51AB	B	N71AB	B
N30FC	C	N51AC	C	N71AC	C
N30FINVA	A (Investment Property)	N51AINVA	A (Investment Property)	N71AINVA	A (Investment Property)
N30FINVA-	A- (Investment Property)	N51 AINVA-	A- (Investment Property)	N71AINVA-	A- (Investment Property)
				N71AINVADV	Investor Advantage

Program Codes – 24 Months Bank Statement Program					
30 Year Fixed		5/1 LIBOR ARM		7/1 LIBOR ARM	
Program Code	Credit Grade	Program Code	Credit Grade	Program Code	Credit Grade
N30FBANK24A	A	N51ABANK24A	A	N71ABANK24A	A
N30FBANK24B	B	N51ABANK24B	B	N71ABANK24B	B
N30FBANK24C	C	N51ABANK24C	C	N71ABANK24C	C
N30FINVBANK24A	A (Investment Property)	N51AINVBANK24A	A (Investment Property)	N71ABANK24INVA	A (Investment Property)
N30FINVBANK24A-	A- (Investment Property)	N51AINVBANK24A-	A- (Investment Property)	N71ABANK24INVA-	A- (Investment Property)
				N71ABANK24INVADV	Investor Advantage