

Octane Changes for the New Loan Application

URLA and ULAD changes launch March 1

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Introduction

We have updated Octane in preparation for Fannie Mae and Freddie Mac's Uniform Mortgage Data Program (UMDP), which goes into effect March 1, 2021.

The program makes it easier to exchange information with Freddie Mac and Fannie Mae and to share data among industry stakeholders and gets the industry closer to digitizing the loan application process.

The Uniform Mortgage Data Program includes:

- A redesigned Uniform Residential Loan Application (URLA), also known as Freddie Mac Form 65 or Fannie Mae
 Form 1003.
- Updates to the data that lenders send to the automated underwriting systems, known as the Uniform Loan
 Application Dataset (ULAD). Freddie Mac and Fannie Mae will continue to maintain the Loan Product Advisor
 (LPA) and Desktop Underwriter (DU) because each has different credit policies.

For all loan applications with a disclosure mode date of March 1, 2021 or loans submitted to LPA and DU after March 1, 2021, Octane will use the new data and the redesigned 1003. But team members will continue to input information into Octane the same way.

Let's review what's new in Octane.

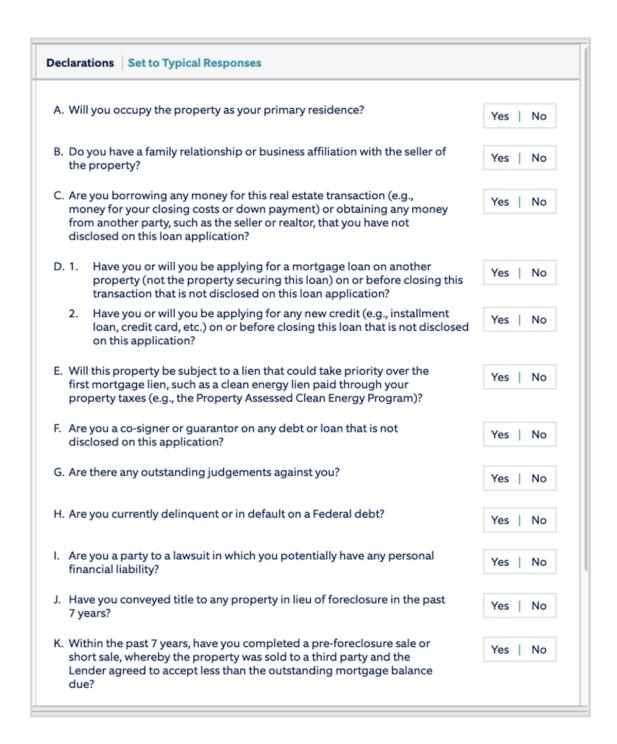
Borrowers Screen

Borrower Declarations

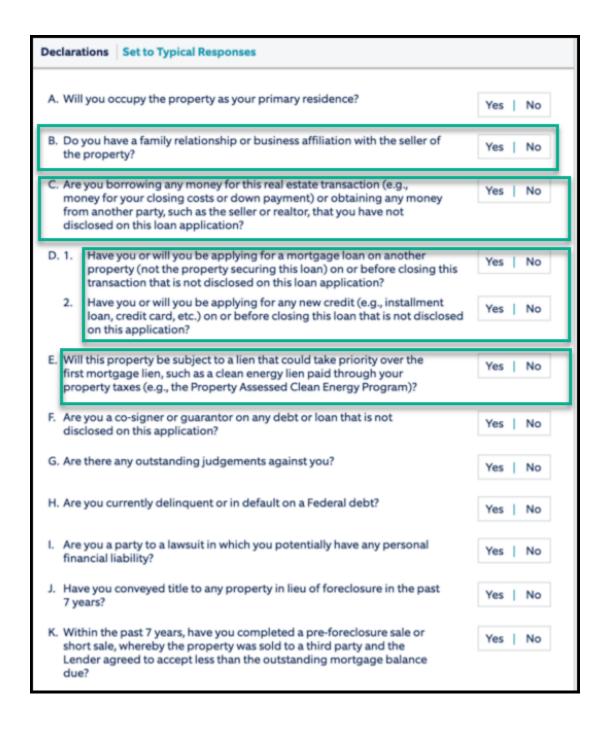
Borrower Declarations have changed significantly with the updated application. These are where the borrower indicates if they have a relationship with the seller or if there are outstanding judgments against them. For some questions, if the borrower answers Yes, additional data will be required and collected. Some will only be visible based on transaction type.

Octane screen

The Borrower screen sets the answers to typical questions and looks like this:









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Declaration A - If the borrower answers "Yes" to the "Will you occupy the property as your primary residence" question, Octane will ask additional questions about the property.



Declaration B - The seller relationship declaration will only be visible for purchase transactions, not refinances.

B. Do you have a family relationship or business affiliation with the seller of the property?



Declaration C - If any money is borrowed to complete the transaction, the specific amount is required.

C. Are you borrowing any money for this real estate transaction (e.g., money for your closing costs or down payment) or obtaining any money from another party, such as the seller or realtor, that you have not disclosed on this loan application?

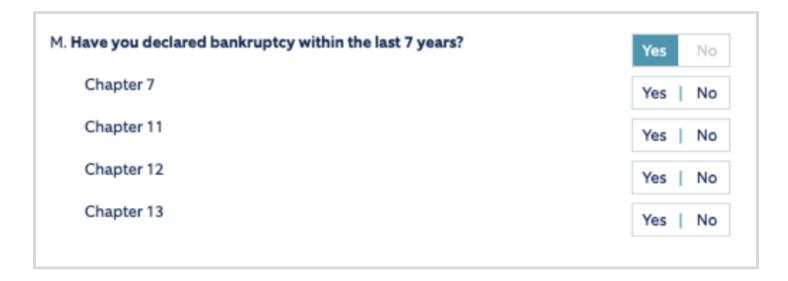


What is the amount of this money?

\$0.00

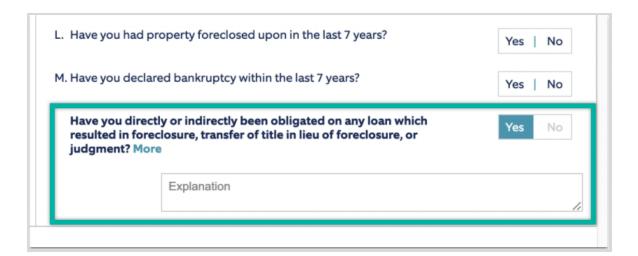


Declaration M - If the borrower has declared bankruptcy in the past seven years, all applicable bankruptcy types (chapters) must be specified.



VA-Specific Declarations

1. VA loans will include this declaration: "Have you directly or indirectly been obligated on any loan which resulted in foreclosure, transfer of title in lieu of foreclosure, or judgment?" If the answer is "Yes," an explanation is required.





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2. VA loans will require an explanation if "Yes" is the answer to **Declaration H**: "Are you currently delinquent or in default on a Federal debt?"

H. Are you current	y delinquent or in default on a Federal debt?	Yes	No	
			/	4



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Form 1003

Section 5: Declarations. This section asks you specific questions about the property, your funding, and financial history.	d your past
5a. About this Property and Your Money for this Loan	
A. Will you occupy the property as your primary residence? If YES, have you had an ownership interest in another property in the last three years? If YES, complete (1) and (2) below:	O NO O YES
(1) What type of property did you own: primary residence (PR), FHA secondary residence (SR), second home (SH), or investment property (IP)?(2) How did you hold title to the property: by yourself (S), jointly with your spouse (SP), or jointly with another person (O)?	
B. If this is a Purchase Transaction: Do you have a family relationship or business affiliation with the seller of the property?	O NO O YES
C. Are you borrowing any money for this real estate transaction (e.g., money for your closing costs or down payment) or obtaining any money from another party, such as the seller or realtor, that you have not disclosed on this loan application? If YES, what is the amount of this money?	ONO OYES
D. 1. Have you or will you be applying for a mortgage loan on another property (not the property securing this loan) on or before closing this transaction that is not disclosed on this loan application?	○ NO ○ YES
2. Have you or will you be applying for any new credit (e.g., installment loan, credit card, etc.) on or before closing this loan that is not disclosed on this application?	O NO O YES
E. Will this property be subject to a lien that could take priority over the first mortgage lien, such as a clean energy lien paid through your property taxes (e.g., the Property Assessed Clean Energy Program)?	○ NO ○ YES
5b. About Your Finances	
F. Are you a co-signer or guarantor on any debt or loan that is not disclosed on this application?	ONO OYES
G. Are there any outstanding judgments against you?	ONO OYES
H. Are you currently delinquent or in default on a Federal debt?	ONO OYES
I. Are you a party to a lawsuit in which you potentially have any personal financial liability?	ONO OYES
J. Have you conveyed title to any property in lieu of foreclosure in the past 7 years?	O NO O YES
K. Within the past 7 years, have you completed a pre-foreclosure sale or short sale, whereby the property was sold to a third party and the Lender agreed to accept less than the outstanding mortgage balance due?	○ NO ○ YES
L. Have you had property foreclosed upon in the last 7 years?	ONO OYES
M. Have you declared bankruptcy within the past 7 years? If YES, identify the type(s) of bankruptcy: Chapter 7 Chapter 11 Chapter 12 Chapter 13	○ NO ○ YES



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Borrower Information

The loan application no longer asks for a co-borrower in addition to a borrower. Instead, an "additional borrower" component is used to streamline the collection of assets, liabilities, and real estate.

Form 1003

1a. Personal Information Name (First, Middle, Last, Suffix)	Social Security Number
Alternate Names – List any names by which you are known or any names under which credit was previously received (First, Middle, Last, Suffix)	Date of Birth (mm/dd/yyyy) U.S. Citizen
Type of Credit I am applying for individual credit. I am applying for joint credit. Total Number of Borrowers: Each Borrower intends to apply for joint credit. Your initials:	List Name(s) of Other Borrower(s) Applying for this Loan (First, Middle, Last, Suffix) – Use a separator between names

Foreign Address

The loan application and automated underwriting will now support the use of foreign addresses for current and prior housing addresses.



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Section 1: Borrower Information. This section asks about your personal information and your income from employment and other sources, such as retirement, that you want considered to qualify for this loan.

1a. Personal Inform	nation			
Name (First, Middle, L	ast, Suffix)	Social Security	Number 991-91-9	991
Alice Firstimer			payer Identification	
Alternate Names - List any names by which you are known or any names under which credit was previously received (First, Middle, Last, Suffix)		Date of Birth (mm/dd/yyyy) 04/02/1983	Citizenship ■ U.S. Citizen ○ Permanent Resident Alien ○ Non-Permanent Resident Ali	
Type of Credit		List Name(s) of O	ther Borrower(s)	Applying for this Loan
I am applying for i	ndividual credit.	(First, Middle, Last,	Suffix) - Use a separ	rator between names
	tends to apply for joint credit. Your initials:	I		
Marital Status O Married	Dependents (not listed by another Borrower)	Contact Informa		
O Separated	Number 9	Home Phone	(111) 111-1111	
 Unmarried 	Ages 10,11,12,13,14,15,16,17,18	Cell Phone	(704) 506-4032	
(Single, Divorced, V	Vidowed, Civil Union, Domestic Partnership, Registered	Work Phone	(222) 222-2222	Ext. 123456
Reciprocal Benefici		Email agape.cla	rk+ulad+1@cardin	alfinancial.com
Current Address				
Street 1093 Chemin	de l'EPI			Unit #
City Saint-Tropez	Sta	ate AE ZIP	83990	Country FR
How Long at Current	Address? 2 Years 0 Months Housing O No prin	nary housing exper	ise O Own R	lent (\$ 2,000.00 /month)
If at Current Addres	s for LESS than 2 years, list Former Address 🗵 Does i	not apply		
Street				Unit #

Former Residence Rent Amount

We must provide rent amount information for the borrower's current and previous residences.



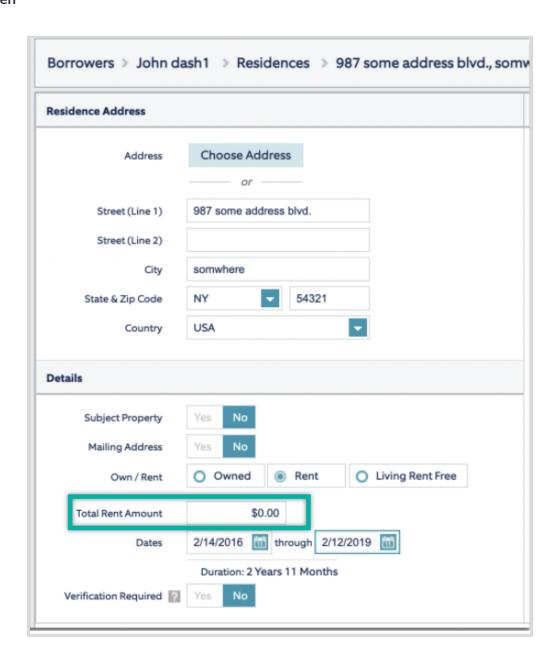
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Form 1003

Current Address			
Street		Unit #	
City State	ZIP	Country	
How Long at Current Address? Years Months Housing O No primary housing expense	Own	Rent (\$	/month)
If at Current Address for LESS than 2 years, list Former Address Does not apply			
Street		Unit #	
City State	ZIP	Country	
How Long at Former Address? Years Months Housing O No primary housing expense	Own	Rent (\$	/month)
Mailing Address – if different from Current Address Does not apply			
Street		Unit #	
CityState	_ ZIP	Country	



Octane screen



Loan check

A new loan check (C379) will require Rent Amount to be greater than 0 if the residence is former and residency basis is Rent.



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Military Service

The new application offers <u>additional military service types</u> and asks when that service ended or is expected to end. Military service was previously considered to be active if the service status was Active Duty with a blank date of separation. Now, service will only be considered active if the newly named Service Projected End Date is after the effective funding date of the loan. This change will allow for the implementation of more clarity for underwriting requirements when the expiration date of service is close to the closing date.

Octane screen

Military service is entered on the Borrower > Military Service screen. The additional military service status settings are:

- Active Duty Retired
- Active Duty Discharged
- Active Duty Separated
- Reserve, National Guard Retired
- Reserve, National Guard Discharged
- Reserve, National Guard Separated

Loan checks

The "Active military service projected end date is after effective funding date" (C868) and "Separated military service separated date is on or before effective funding date" (C869) have been added.

Form 1003

Section 7: Milita	ry Service. This section asks questions about your (or your deceased spouse's) military service.
Military Service of Borro	wer
Military Service – Did you	(or your deceased spouse) ever serve, or are you currently serving, in the United States Armed Forces? 🔘 NO 🔘 YES
If YES, check all that apply:	 □ Currently serving on active duty with projected expiration date of service/tour / / (mm/dd/yyyy) □ Currently retired, discharged, or separated from service □ Only period of service was as a non-activated member of the Reserve or National Guard □ Surviving spouse



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Marital Statuses for Partnerships

The marital status section is expanded to include information regarding domestic partnerships. If domestic partnership is indicated, the type of relationship and relationship state are required <u>additional unmarried status options</u> which Octane now supports as these four new Marital Status types:

- Unmarried Civil Union
- Unmarried Designated Beneficiary
- Unmarried Domestic Partnership
- Unmarried Registered Reciprocal Beneficiary Relationship (Hawaii only)

Borrowers can pick from these options when they are unmarried but in a civil union or similar relationship. Then, they will be prompted to indicate the "Relationship Registration State," a new field to identify the state where their relationship is legally recognized.

Octane will request the corresponding disclosures, smart documents, and other information required. If the state is required but not included, a loan check will fire for the loan originator to add it. In addition, if the borrower indicates they are in a civil union or domestic partnership, the "Spouse" field automatically updates to read "Partner" to add that person's name, if applicable.

We will retire the "Residential Application Addendum" document, which gathered information related to unmarried borrowers who might reside in a state with unique laws for certain relationship classifications.



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Form 1003

Uniform Residential Loan Application — Unmarried Addendum
For Borrower Selecting the Unmarried Status
Lenders Instructions for Using the Unmarried Addendum
The Lender may use the Unmarried Addendum only when a Borrower selected "Unmarried" in Section 1 and the information collected is necessary to determine how State property laws directly or indirectly affecting creditworthiness apply, including ensuring clear title.
For example, the Lender may use the Unmarried Addendum when the Borrower resides in a State that recognizes civil unions, domestic partnerships, or registered reciprocal beneficiary relationships or when the property is located in such a State. "State" means any state, the District of Columbia, the Commonwealth of Puerto Rico, or any territory or possession of the United States.
If you selected "Unmarried" in Section 1, is there a person who is not your legal spouse but who currently has real property rights similar to those of a legal spouse? NO YES
If YES, indicate the type of relationship and the State in which the relationship was formed. For example, indicate if you are in a civil union, domestic partnership, registered reciprocal beneficiary relationship, or other relationship recognized by the State in which you currently reside or where the property is located.
Civil Union Domestic Partnership Registered Reciprocal Beneficiary Relationship Other (explain)
State:

Credit & Liabilities Screen

Subordinate Financing Types

This new section provides more clarity in matching mortgage and HELOC liabilities to the correct real estate owned.

The new loan application allows for:

- Input of new simultaneous subordinate financing and HELOC account types
- If the loan application is for a second mortgage, this section will now identify the first mortgage
- Monthly insurance, taxes, and HOA Fees to only display if not included the the mortgage payment





Form 1003

4a. Loan and Prop	perty Information					
Loan Amount \$		Loan Purpose	Purchase 🔘 Refina	nce Ot	her (specify)	
Property Address	Street					Unit #
	City		Stat	eZIP		County
	Number of Units	Property Value \$				
Occupancy	Primary Residence	Second Home	Investment F	roperty	FHA Seconda	ary Residence 🗌
	~		O investment	. opc. ty		ary nesidence _
•	erty. If you will occupy the ss? (e.g., daycare facility, me	property, will you set a	side space within the p	. ,		○ NO ○ YES
your own busines		e property, will you set a edical office, beauty/barb	side space within the per shop)	property to op	perate	○ NO ○ YES
your own busines 2. Manufactured H	ss? (e.g., daycare facility, me	e property, will you set a edical office, beauty/barb nufactured home? (e.g.,	side space within the per shop) a factory built dwelling	broperty to op built on a peri	perate manent chassis, pply	O NO O YES
your own busines 2. Manufactured H	ss? (e.g., daycare facility, me ome. Is the property a ma	e property, will you set a edical office, beauty/barb nufactured home? (e.g.,	side space within the per shop) a factory built dwelling	built on a peri	perate manent chassis, pply	○ NO ○ YES
your own busines 2. Manufactured H 4b. Other New Mo	ome. Is the property a ma	e property, will you set a edical office, beauty/barb nufactured home? (e.g.,	or Refinancing	built on a peri	perate manent chassis, pply nount/	NO YES





Income Screen

The Current Employment section of the loan application has been updated to include a phone number to verify employment along with the following new income types:

- Housing or Parsonage Income
- Separate Maintenance
- Defined Contribution Plan
- Accessory Income
- Employment Related Account

Employer or Business Name			Phone ()	-	Gross Mon	thly Incom	ne
Street			Unit#		Base	\$	/mon
City	State	ZIP	Country		Overtime	\$	/mon
					Bonus	\$	/mon
Position or Title			his statement appli		Commission	\$	/mon
Start Date / / (mm/dd/y	yyy)		ployed by a family men by seller, real estate ager		Military		
How long in this line of work? Years	Months		the transaction.	it, or other	Entitlements	\$	/mon
☐ Check if you are the Business ☐ I have	an ownership share	e of less tha	n 25% Monthly Inc	ome (or Loss)	Other	\$	/mon
	an ownership share			onie (or Loss)	TOTAL \$	0	.00/mon

1e. Income from Othe	er Sources Does	not apply			
Include income from other sources below. Under Income Source, choose from the sources listed here:					
Alimony Automobile Allowance Boarder Income Capital Gains	 Child Support Disability Foster Care Housing or Parsonage 	 Interest and Dividends Mortgage Credit Certificate Mortgage Differential Payments 	Notes Receivable Public Assistance Retirement (e.g., Pension, IRA)	Royalty Payments Separate Maintenance Social Security Trust	 Unemployment Benefits VA Compensation Other
NOTE: Reveal alimony, of for this loan.	child support, separate mai	ntenance, or other income ON	LY IF you want it consid	dered in determining your q	ualification

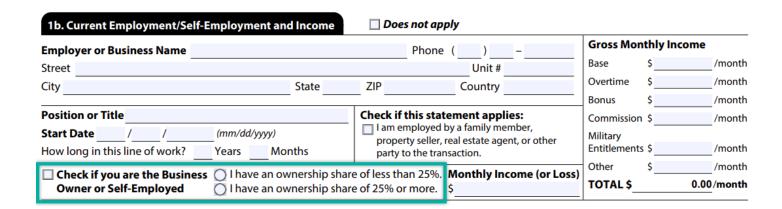
Self-Employed Business Owner

The Current Employment section of the loan application has been expanded to provide more clarity for business owners on their ownership.



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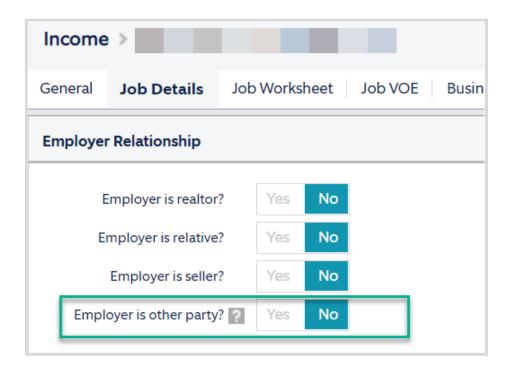
Employer is Other Party

The "Employer is Other Party" field allows loan originators and transaction coordinators to identify if a <u>borrower's</u> <u>employer is another party</u> to the mortgage transaction. The new application asks if the borrower's employer is one of the following:

- Family member
- Property seller
- Real estate agent
- Other party to the transaction



Octane screen



Form 1003

The form 1003 has one checkbox if the borrower's employer is any of the following relationships.

1b. Current Employment/Self-Employment and Income	☐ Does not apply	
Employer or Business Name	Phone () –	Gross Monthly Income
Street	 Unit #	Base \$/month
City State	ZIP Country	Overtime \$/month
		Bonus \$/month
Position or Title	Check if this statement applies:	Commission \$/month
Start Date / / (mm/dd/yyyy) How long in this line of work? Years Months	I am employed by a family member, property seller, real estate agent, or other party to the transaction.	Military Entitlements \$/month
☐ Check if you are the Business ☐ I have an ownership share Owner or Self-Employed ☐ I have an ownership share		Other \$/month TOTAL \$/month



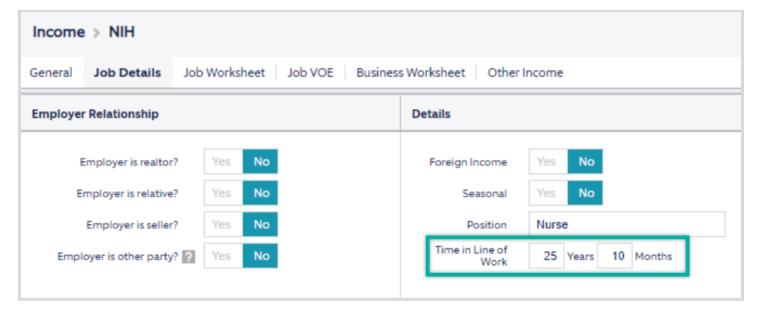
Months of Time in Line of Work

The new application asks for the number of months (0-11), in addition to years, for the borrower's line of work.

Octane screen

The Octane Income > Job Details screen will allow users to input the number of months (0-11), in addition to years, such as:

- 0 Years 10 Months
- 2 Years 3 Months





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Form 1003

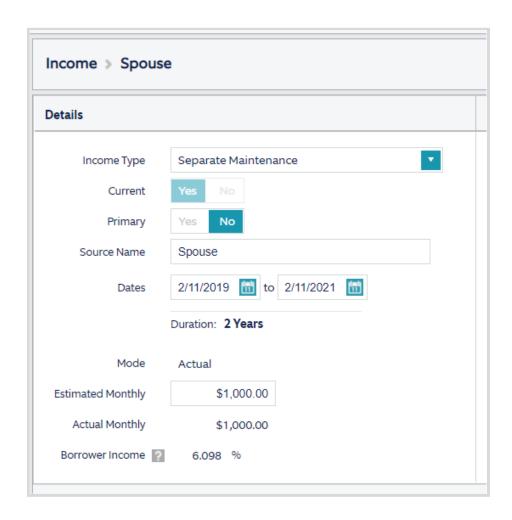
1b. Current Employment/Self-Empl	oyment and Income	☐ Doe	s not apply					
Employer or Business Name Street			Phone () Unit #_	-	Gross Mon Base	thly Inco	ome /month
City	State	_ ZIP	Co	untry		Overtime Bonus	\$ \$	/month /month
Position or Title Start Date / / (mr How long in this line of work? Yea	m/dd/yyyy) ars Months	l am e	this statemen mployed by a far rty seller, real est to the transaction	mily mei tate age	mber,	Commission Military Entitlements		/month
Check if you are the Business 1 have an ownership share of less than 25%. Monthly Income (or Loss)			/month					

Separate Maintenance

"Separate maintenance" is <u>an Other Income type in Octane</u> and is documented using a separate maintenance decree or a written separation agreement. If a borrower receives separate maintenance (financial support paid from one spouse or partner to the other), select this new income type the "Other Income" drop down on the Income screen.



Octane screen





Octane Changes Revised 3.5.2021

Form 1003

1b. Current Employment/Self-Employment and Inco	me Does not apply		
Employer or Business Name	Phone () -	Gross Monthly I	ncome
Street	Unit #	Base \$	/month
City State	e ZIP Country	Overtime \$	/month
		Bonus \$	/month
Position or Title	Check if this statement applies:	Commission \$	/month
Start Date / / (mm/dd/yyyy) How long in this line of work? Years Months	☐ I am employed by a family member, property seller, real estate agent, or other party to the transaction.	Military Entitlements \$	/month
Check if you are the Business I have an ownersh	in share of less than 25% Monthly Income (or Loss)	Other \$	/month
	ip share of 25% or more. \$	TOTAL \$	0.00/month
		_	
1c. IF APPLICABLE, Complete Information for Addition		Does not	
1c. IF APPLICABLE, Complete Information for Addition	onal Employment/Self-Employment and Income	Gross Monthly I	ncome
•		Gross Monthly I	ncome /month
Employer or Business Name Street	Phone ()	Gross Monthly I	ncome
Employer or Business Name Street City State	Phone () Unit # 2 ZIP Country	Gross Monthly I	ncome /month
Employer or Business Name Street City State Position or Title	Phone () Unit # 2	Gross Monthly II Base \$ Overtime \$	/month
Employer or Business Name Street City State	Phone () Unit # 2 ZIP Country	Gross Monthly II Base \$ Overtime \$ Bonus \$	/month /month /month /month

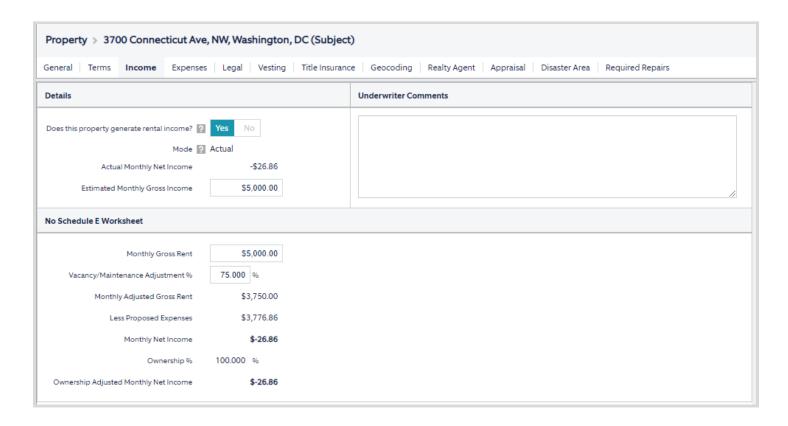
Property Screen

Expected Rental Income

For investment property purchases only, within Octane, rental income is indicated within Property > Income when "Does this property generate rental income" is indicated as "yes." This will allow for expected income to be evaluated to accurately require landlord history and other underwriting guidelines related to expected rental income.



Octane screen



Form 1003

4c. Rental Income on the Property You Want to Purchase	For Purchase Only Does not apply	
Complete if the property is a 2-4 Unit Primary Residence or a	n Investment Property	Amount
Expected Monthly Rental Income	\$	
For LENDER to calculate: Expected Net Monthly Rental Income	\$	



Property as a Business

The application now includes a field asking if the borrower plans to use part of their <u>property to run their business</u>. Also, underwriters are now required to verify that information, and automated underwriting will now support underwriting messages related to mixed-use properties.

Octane screen





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Form 1003

want to purchase	or refinance.	/ Information. This section asks about the loan's purpose and the property you		
Loan Amount \$	perty Information	Loan Purpose Purchase Refinance Other (specify)		
Property Address	Street City	State ZIP County		
0	Number of Units	Property Value \$		
Occupancy Primary Residence Second Home Investment Property FHA Secondary Residence I. Mixed-Use Property. If you will occupy the property, will you set aside space within the property to operate your own business? (e.g., daycare facility, medical office, beauty/barber shop)				
2. Manufactured H	ome. Is the property a mar	ufactured home? (e.g., a factory built dwelling built on a permanent chassis) NO 🔘 YES		

Simplified Project Types and Energy Improvement Handling

There are new options that will allow for future handling of Energy Related Improvements and along with simplified project types.

Uniform Residential Loan Application — Lender Loan Information This section is completed by your Lender.				
L1. Property and Loan Information				
Community Property State	Refinance Type	Refinance Program		
At least one borrower lives in a community property state.	No Cash Out	 Full Documentation 		
The property is in a community property state.	C Limited Cash Out	 Interest Rate Reduction Streamlined without Appraisal 		
Towns sties Date!	Cash Out			
Transaction Detail		Other		
Conversion of Contract for Deed or Land Contract Renovation				
Construction-Conversion/Construction-to-Permanent	Energy Improvement			
Single-Closing Two-Closing	Mortgage loan will finance energy-related improvements.			
Construction/Improvement Costs \$	Property is currently subject to a lien that could take priority over the first mortgage lien, such as a clean energy lien paid for through			
Lot Acquired Date / / (mm/dd/yyyy)				
Original Cost of Lot \$	property taxes (e.g., the Property Assessed Clean Energy program).			
5.1g.1.t. 551.51 E01. 7	. , ,	37, 3		
Project Type Condominium Cooperative Plann	ned Unit Development (PUD	Property is not located in a project		



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New Title and Trust Vesting Options

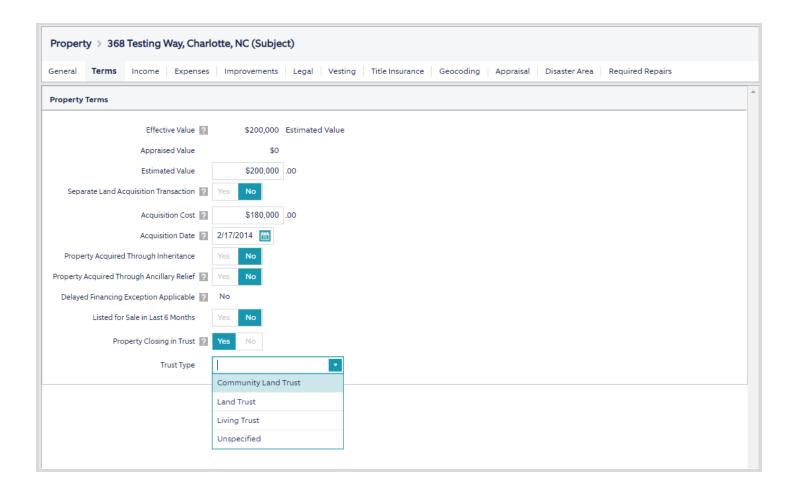
New title, estate, and trust information are available to support future products for Indian Land programs and more accurate handling of trust vesting types.

L2. Title Information			
Title to the Property Will be Held in What Name(s):	For Refinance: Title to the Property is Currently Held in What Name(s):		
The Mellin William	- 4.6		
Estate Will be Held in Fee Simple Leasehold Expiration Date/(mm/dd/yyyy)	Trust Information Title Will be Held by an Inter Vivos (Living) Trust Title Will be Held by a Land Trust		
Manner in Which Title Will be Held Sole Ownership Life Estate Tenancy by the Entirety Tenancy in Common Other	Indian Country Land Tenure Pee Simple On a Reservation Individual Trust Land (Allotted/Restricted) Tribal Trust Land On a Reservation Tribal Trust Land Off Reservation Alaska Native Corporation Land		

Revised 3.5.2021



Octane screen



Transaction Screen

GSE Version | Pre-UMDP or UMDP

Each loan in Octane will be designated with a GSE Version on March 1, 2021, marking it either Pre-UMDP or UMDP.

Loans submitted to the automated underwriting systems are designated as:

- Pre-UMDP prior to March 1, 2021
- UMDP on or after March 1, 2021



Once a loan has been submitted to LPA or DU, its GSE Version should not change (i.e., A loan should not be submitted to a GSE as one version and then a different one).

Octane screen

Find the GSE Version on the Transaction screen > Administrative section. It will be editable by special permission granted to Octane engineers and only used to correct an erroneous designation.

