Lending Guide

Chapter 19 | Jumbo Core Lending Guidelines

Jumbo Loan Underwriting Introduction

The purpose of credit and property underwriting is to ensure that each loan meets Jumbo Core quality standards. A loan meets Jumbo Core underwriting quality standards if the borrower's credit and capacity to make payments and the quality of the collateral are consistent with the mortgage loan program under which the loan is sold. The likelihood of timely repayment is expected to be commensurate with the credit quality of the loan program and the represented value of the subject property is expected to accurately reflect its market value.

These Jumbo Underwriting Guidelines set forth the underwriting standards that apply to all jumbo loan programs, for purposes hereof, "jumbo mortgage loan" means that the loan amount exceeds the conforming maximum mortgage loan limits for 1-unit properties imposed by the Federal Housing Finance Agency (FHFA), as the same may be set from time to time. Requirements set forth in these Jumbo Underwriting Guidelines are applicable to loans underwritten by Desktop Underwriter® unless otherwise specified.

Regardless of the underwriting method, additional information may be requested at the discretion of the underwriter.

These Jumbo Core Underwriting Guidelines are a part of the Cardinal Financial Lending Guide. All capitalized terms not defined in these Jumbo Core Underwriting Guidelines have the respective meanings set forth in the Cardinal Lending Guide.

Refer to Fannie Mae guidelines for any topic not specifically addressed in these Jumbo Core Underwriting Guidelines or the Cardinal Lending Guide.

General

Jumbo Core Product Matrix

- For Retail Lending, please see the Jumbo Core | Retail Product Snapshot

Not available for Wholesale

Eligibility

A loan is not eligible if any company or individual who is a material party to the mortgage loan transaction is listed on the Department of Housing and Urban Development (HUD) Limited Denial of Participation List, Office of Foreign Assets Control (OFAC) Specially Designated Nationals and Blocked Persons List, the Freddie Mac Exclusionary List, or the General Services Administration (GSA) Excluded Party List System. All lists must be checked for all parties to the transaction. If any party's name appears on any list, the loan is not eligible.

Loan Application

The Fannie Mae Uniform Residential Loan Application must be used, and the loan application must be complete, including without limitation:

- A full two-year history of employment/income and residency and all personal information for each borrower. If a borrower's employment history includes unemployment or insurance benefits, the application must reflect at least two years of previous employment, therefore covering a longer period of time.
- The Declarations Section must be answered for each borrower.
- The method of taking the application, including face-to-face, by telephone, by fax or mail, by email, or the internet.
- The Loan Originator's information, including name, telephone, and NMLS number, must be completed.
- The initial application must be signed and dated by the Loan Originator and all Borrowers.

All loan applications must be reviewed for reasonableness as part of the underwriting process, including without limitation:

- The feasibility of occupancy claims and the overall financial picture of the borrower must be reasonable.
- When conflicting information exists between or within documents, an adequate explanation must be provided, documented, and included in the mortgage loan file.
- All documents in the mortgage loan origination file that are relevant to underwriting must be reviewed for signs of alteration or fabrication. When conflicting information exists between or within documents, an adequate explanation must be obtained and documented.

The final application must be signed and dated by all borrowers, and comply with the requirements set forth above, including without limitation:

- The borrower's complete and accurate financial information relied upon by the underwriter.
- All debt incurred during the application process and through loan closing must be disclosed on the final application.

Identity Verification

The identity of each borrower whose credit is used for loan qualification must be confirmed in accordance with the Fannie Mae guidelines unless otherwise stated within this guide.

Social Security Number Validations

- Evidence of a valid Social Security number is required for all borrowers. Any Social Security number discrepancies that are identified must be resolved.
- Loans to borrowers who have been issued an Individual Tax Identification Number (ITIN) in lieu of a Social Security number are ineligible.

Non-Arm's Length Verifications

The verification of assets, credit (including mortgage/rental history), and income may not be verified by a non-arm's-length third party without additional supporting documentation.

Electronically Signed Documentation

For all Mortgage Loans, Jumbo Core will accept Electronic Signatures on all documentation except on the Mortgage, the Mortgage Note, and any Power of Attorney (unless expressly permitted under applicable state law). All Electronic Signatures must comply with applicable federal and state law regarding enforceability.

Documents on which Jumbo Core accepts electronic signatures include, but are not limited to:

- Purchase Contracts
- Appraisal Reports
- Origination Documentation

Miscellaneous Closing and Servicing Procedures

Leaseback Option

A Leaseback of the subject property to the seller is acceptable provided the period in which the lease is available does not exceed 60 calendar days from the note date and the terms are clearly specified on the purchase contract. Builder leasebacks for the continued use of a model home are ineligible.

Non-borrowing Spouse

A Non-borrowing spouse or domestic partner who has an interest in the subject property must follow all applicable state laws to waive any property rights he/she may have by virtue of being the owner's spouse.

Recast Option

Loans that have completed a principal curtailment and recast of principal and interest payment are ineligible for purchase. Additionally, recast options are not offered for loans that have been purchased.

Principal Curtailment

Principal curtailments may not exceed the lesser of $10,000 or 1% of the loan amount.

Escrow for Postponed Improvements

Not permitted.

Escrows/Impounds

Escrow or impounds are defined as all funds collected by a mortgagee on a mortgage loan for the servicer to cover expenses of the borrower that are required to be paid under the security instrument. The funds may include, but are not limited to, taxes, homeowners association charges, special assessments, ground rents, water, sewer, and other governmental impositions or charges that are or may become liens on the subject property prior to that of the Mortgage Loan, as well as hazard, flood and premiums.

An escrow of funds for the payment of property taxes, hazard insurance, flood insurance, and HO6 is required.

- A renewal policy is required for hazard and flood insurance policies expiring within 50 calendar days from the loan closing.
- Two months of escrow is required on all loans unless escrows have been waived or if otherwise mandated by federal or state law.
- Escrow of the HO6 policy is not required if coverage is for personal contents only.
- On a purchase transaction, if property taxes are due within 30 calendar days of the loan closing, the Settlement Statement or Closing Disclosure(s) should reflect the amount sufficient for the Seller to pay the taxes.
- On a refinance transaction, property taxes which are delinquent 60 days or more may not be paid with funds from the transaction and must be paid-current at time of consummation.
- Escrow of premiums and fees for flood insurance is required for all mortgage loans as mandated by the Flood Disaster Protection Act of 1973, as amended.

Escrow/Impound Waiver

- Mortgage loans with escrow waivers are eligible.

- Escrow waivers for homeowner's insurance or property taxes are eligible, except as to premiums and fees for flood insurance as mandated by the Flood Disaster Protection Act of 1973, as amended.

- Partial escrow waivers for the escrow of homeowner's insurance or property taxes only are acceptable provided all other parameters allowing for an escrow waiver are met. Contact pricing@cardinal.com for additional information.

Fraud Reports

The underwriter must fully review, identify and address any potential issues or risks discovered on the fraud report. Each Fraud Report must include a minimum list of interested parties to the transaction as verified participants. The participants should include, but are not limited to:

- Buyer
- Seller
- Listing Agent (if applicable)
- Selling Agent (if applicable)
- Appraiser(s)
- Loan Originator

Transaction

Occupancy Type

Primary Residence

- A primary residence is a property in which all borrower(s) take title and occupy as his, her, or their primary residence for the majority of the year.
- Borrowers are required to occupy subject property within 60 calendar days of Consummation or as per the terms of the Mortgage/Deed of Trust.
- A Leaseback of the subject property to the property seller is acceptable provided the period in which the lease is available does not exceed 60 calendar days from the note date and the terms are clearly specified on the purchase contract. Builder leasebacks for the continued use of the subject property as a model home are ineligible.

Second Home

- The property must be occupied by the borrower for some portion of the year.
- The property must be suitable for year-round occupancy.
- Property cannot be subject to any agreements that give a management company control over the property.
- The property must be under the borrower's exclusive control (timeshares and rental agreements ineligible).
- All borrowers must take title to the property.
- Borrowers may own more than one second home.

Investment Property

- An investment property is owned but not occupied by the borrower.
- Income from the subject investment property may not be used to qualify the borrower when the subject transaction is a purchase.
- All borrowers must take title to the property.

Loan Purpose

The following loan purposes are eligible as defined in this section:

- Purchase Money Mortgage Loan
- Refinance Mortgage Loan
    - Limited Cash-out Refinance Mortgage Loan
    - Cash-out Refinance Mortgage Loan

Purchase Money Mortgage Transactions

The proceeds from a purchase money transaction must be used to finance the acquisition of the subject property.

Additional Purchase Transaction Attributes

- Except as otherwise required by applicable laws, closing costs may not be financed as part of a purchase money transaction
- Purchase money transactions do not allow cash back to the borrower at closing other than an amount representing:
    - Reimbursement for the borrower's overpayment of fees
    - If property taxes are due within 30 calendar days of the purchase loan closing, the Settlement Statement or Closing Disclosure (s) should reflect the amount sufficient for the Seller to pay the taxes
    - Costs paid by the borrower in advance (for example, earnest money deposit, appraisal, and credit report fees)
    - A legitimate pro-rated real estate tax credit in locales where real estate taxes are paid in arrears, unless restricted by the Loan Program

Ineligible Purchase Money Mortgage Transactions

The following transactions are ineligible:

- Purchasing in Redemption Period
    - Certain state laws provide for a "redemption period" after a foreclosure or tax sale has occurred, during which time the property may be reclaimed by the prior mortgagor or other party upon payment of all amounts owed under the related mortgage loan.
    - The length of the redemption period varies by state and does not expire automatically upon sale of the property to a new owner.
    - Unexpired redemption periods are deemed to be an unacceptable title impediment, and a mortgage loan with an unexpired redemption period is not eligible.
- Property Flips

- If the seller has owned the property less than 180 calendar days from the date of the purchase contract and the new sales price is higher than the price paid by the seller to acquire the property, this transaction would be ineligible.
- The following types of re-sale transactions are not considered property flips:
  - Property being sold by a spouse who acquired the property through a divorce settlement
  - Property acquired by an employer through a relocation program
  - Property being sold by an administrator or executor of an estate
  - Property being sold by a lender, mortgage investor, or mortgage insurance company that was acquired through foreclosure or deed-in-lieu of foreclosure
  - Property being transferred via quit claim deed (or transfers) between the property seller and their business, when the property seller is the sole owner of the business (e.g., Joe Smith transferred to Smith LLC, or Smith LLC transferred to Joe Smith).

Refinance Mortgage Transactions

Eligible Refinance Mortgage Transaction Attributes

- There must be continuity of obligation if there is currently an outstanding lien that will be satisfied with the proceeds of the refinance transaction
- Loans with an acceptable continuity of obligation (see Continuity of Obligation) may be underwritten as either a no-cash-out or a cash-out refinance transaction based on the definitions in these Underwriting Guidelines
- If the subject property was purchased in the previous 9 months, the HUD-1 Settlement Statement(s) or Closing Disclosure(s) must be provided
- See Determining Value section to assist in LTV/CLTV/HCLTV calculations

Limited Cash-out Refinance (Rate and Term)

- Eligible Limited Cash-out Refinance Transactions

- Paying off a mortgage loan secured by the same property
  - Closing costs, points, and pre-paid fees may be rolled into the loan amount
  - Borrowers may receive cash back up to 1 percent of the new refinance loan amount at closing
- Buying out a co-owner as a result of a court-ordered agreement
- Property ownership resulting from a legal documented inheritance
- Paying off a first lien and purchase money subordinate lien (Documentation must be obtained to prove that the entire subordinate lien was used to purchase the property).
- Paying off a seasoned non-purchase money subordinate lien.
  - A seasoned non-purchase money subordinate lien is a mortgage that has been in place for a minimum of 12 months. Seasoning is based on the note date of the second lien to the application date of the subject Mortgage Loan. A seasoned equity line of credit is defined as not having cumulative draws greater than $2,000 in the past 12 months.
  - Withdrawal activity must be documented with a transaction history for the Line of Credit provided by the Note holder.
- Paying off a first lien HELOC used to purchase the subject property.
- The payoff of a seasoned private mortgage lien, for which cancelled checks and bank statements are provided to support a satisfactory payment history for the most recent 12 month period.

- Limited Cash-out Refinance: Acceptable Attributes
  - Closing costs, points, and pre-paid fees may be rolled into the loan amount.
  - Delinquent real estate taxes, which are past due 60 calendar days or more, must be handled according to Fannie Mae guidelines.
  - Borrowers may receive up to 1 percent of the subject loan principal amount back at closing.

- Limited Cash-out Refinance: Unacceptable Attributes
    - New subordinate financing is ineligible
    - Single Close Construction-to-Permanent loans are ineligible
    - Paying off a purchase-money HELOC which has had subsequent non-purchase money draws exceeding $2000 cumulatively in the previous twelve months. See Cash-out Refinance Mortgage Loans below.
    - Using any portion of the allowable cash-back from a limited cash-out refinance to pay off debt at the time of consummation will result in the loan being deemed a cash-out refinance
    - The payoff of an unseasoned private mortgage
    - The payoff of a reverse mortgage
- Properties Located in Texas
    - The Refinance of an existing Texas Section 50(a)(6), Texas Section 50(f)(2) and Texas Section 50(a)(3) Loans are considered ineligible
    - A copy of the current mortgage or mortgage note is required to determine that the existing loan is not subject to Texas Section 50(a)(6), 50(f)(2) or 50(a)(3
    - If the first mortgage loan is not a Texas Section 50(a)(6) 50(f)(2) or 50(a)(3) loan and the second mortgage is a Texas Section 50(a)(6), 50(f)(2) or 50(a)(3), the second lien may be subordinated, and the new mortgage loan is considered to be a rate and term refinance. The second lien must be subordinate to the lien of the Mortgage Loan

Cash-Out Refinance Mortgage Loan

- Eligible Cash-Out Transactions
    - Paying off a non-seasoned (financed for less than twelve months) non-purchase money subordinate lien.
    - Paying off a purchase-money HELOC which has had subsequent non-purchase money draws exceeding $2,000 cumulatively in the previous twelve months.

- The payoff of a first lien HELOC which has had non-purchase money draws exceeding $2,000 cumulatively in the previous twelve months.
- The payoff of a private mortgage lien for which the note requires no payment, for which a payment history is not available, or if the lien is not seasoned for a 12 month period.

- Cash-Out Transaction Attributes
  - Funds received by the borrower from a cash-out refinance loan are not limited to a specific purpose
  - A cash-out refinance is eligible for primary residences only
  - The maximum amount of cash-out in any transaction, including the payoff of an unseasoned second lien, is $500,000
- Ineligible Cash-Out Transaction Attributes
  - Second homes
  - Investment properties
  - Owner-occupied properties located in Texas (see Loan Purpose for additional details)
  - Properties owned fewer than six months
  - Cash-out Refinance Mortgage Loans are ineligible when the property has been listed for sale or purchased in the previous six months as of the application date of the new loan
  - (for loans locked prior to May 15, 2023) Declining market as determined by the appraiser

PACE / HERO Loans

- Paying off a PACE loan seasoned 12 months or more may be treated as a rate & term refinance
- Paying off a PACE loan seasoned less than 12 months is considered a cash-out refinance
- If the PACE loan is structured as subordinate financing, it may remain in the subordinate position provided all LTV/HCLTV product requirements are met. (The terms of the program may not provide for lien priority over the first mortgage lien in order to be eligible for purchase. Sellers

must monitor State and local law to determine which jurisdictions offer PACE loans that may provide for lien priority)

- For PACE loans originated prior to July 6, 2010, the loan must be paid off

Homes Recently Acquired or Listed for Sale

- If the subject was acquired in the previous 9 months, the file must contain the Settlement Statement or Closing Disclosure from the previous transaction, and the LTV calculation would be based on the lesser of the purchase price or the current appraised value.
- If the subject was acquired in the previous 6 months as a result of an inheritance or the dissolution of a marriage or domestic partnership, then the file must be documented accordingly.

Homes Currently Listed for Sale

- Homes currently listed for sale are ineligible. Any home currently listed must be taken off the market prior to the new loan application date.

First-Time Home Buyer

Any borrower who has not owned a residential property located within the United States at any time during the prior three years (prior ownership within the previous three years is measured from the HUD or Closing Disclosure closing date [when the property was sold] to the date of the subject mortgage loan application).

First-time homebuyer requirements do not apply to loans with more than one borrower when at least one borrower has owned a residential property at any time during the prior three years. The following requirements apply to first-time homebuyer transactions:

- Primary residence only
- 40% maximum DTI
- 740 minimum FICO
- 12 months reserves
- 24 months' rental history with no late payments (see Housing and Rental Payment History for more details)

- 1-unit properties only

The following documentation may be necessary to provide evidence of previous/current residential property ownership:

- Evidence borrower(s) was responsible for the PITIA (if additional non-borrowing parties are or were on the title to the property with the borrower).
- Evidence borrower(s) was the purchaser on the original HUD or Closing Disclosure for the purchase of the previous or current residential property, or;
- Evidence borrower has been on title to the property for the previous 12 months.

Subordinate Financing

New Subordinate Financing

Transactions with new subordinate financing are ineligible.

Existing Subordinate Financing

Existing subordinate financing may be eligible, provided such financing is re-subordinated to the first lien of the Mortgage Loan. The HCLTV may never exceed the maximum LTV/HCLTV permitted with respect to the transaction type.

- Settlement statement(s) or Closing Disclosure(s) are required with respect to any transaction involving the property within the past 6 months.
- The terms of any existing subordinate financing must be fully disclosed to Jumbo Core, documented with a copy of the note, and compliant with the requirements as set forth by Jumbo Core.
- Regardless of the type of subordinate lien, the DTI must include all additional lien(s), the monthly payment(s), and the LTV/CLTV must include all subordinate financing loan limits.

Re-subordination Requirements for Refinance Transactions

- If subordinate financing remains in place in connection with a first mortgage loan refinance transaction, Jumbo Core requires execution and recordation of a subordination agreement.

- If state law permits subordinate financing to remain in the same subordinate lien position established with the prior first mortgage loan being refinanced, Jumbo Core does not require re-subordination. Ensure the subordinate lien satisfies any specified criteria of applicable law.
- Insurance against a former junior lien not being properly subordinated to the refinance Mortgage Loan does not release the obligation to comply with these re-subordination requirements, or from the requirement that the subject property be free and clear of all encumbrances and liens having priority over the lien of the Mortgage Loan.
- When an existing HELOC credit line limit is reduced, it will be necessary to evidence the newly recorded second lien amount on title and provide a copy of the modified Note.

Ineligible Subordinate Financing

- Employer assistance secured by a subordinate lien against the subject property.
- Individual Development Accounts (IDAs) used for down payment and/or closing costs that require a subordinate lien against the subject property
- Disaster Relief Grants or loans that require a subordinate lien against the subject property
- Any other subordinate financing ineligible for sale to Fannie Mae.
- Subordination of an existing PACE loan obtained prior to 7/6/10. The loan must be paid off when there is sufficient equity.
- The terms of the subordinate financing may not provide for lien priority over first mortgage liens.

Multiple Properties Financed/Owned

- The borrower may own a maximum of four (4) financed, one- to four-unit residential real properties, including the subject property (regardless of occupancy type).
    - Borrowers on the title to a property but not included on the mortgage Note as documented in the loan file would not be required to include said property in the maximum property count.
    - Co-signed mortgage Notes must be included in the maximum property count.

- Borrowers must have six months PITIA in reserves for each additional property owned by the borrower; this is in addition to the reserves required for the subject property as outlined in the Matrices and Asset sections of these guidelines. If additional properties are owned free and clear, the six months of insurance, taxes, and association dues (when applicable) must be documented.
- Properties in the name of a borrower's business, commercial or residential, typically do not need to be included in this count, when the associated mortgage debt is not the borrower's personal obligation and thus not reported on the borrower's personal credit report or tax returns.
- Financed commercial properties that are the borrower's personal obligation must be included in the count of maximum financed properties owned by a borrower. When a commercial property is reported on the personal 1040 tax returns, the property is deemed a personal property unless sufficient evidence is provided to support otherwise.
- Vacant land is not typically considered in the count of maximum financed properties.

Ineligible Transaction Types

Mortgage Loans made for the following purposes are not eligible:

- Loans to Principal Owners of Business Lending Client: Loans made to principal owners or majority shareholders (25 percent or greater ownership) of a Seller
- Single-Close Construction-to-Permanent Mortgage: A single-close transaction that modifies the Mortgage Note and the first payment date
- Installment land contracts
- Loans with principal curtailment
- A refinance of a restructured loan or short refinance loan
- Renovation/Rehabilitation mortgages
- Texas Section 50(a)(6), Texas Section 50(a)(3), and Texas Section 50(f)(2) Loans
- Refinance transaction on a home currently listed for sale

- Transactions that include the use of privately funded loans for the purpose of securing assets for the transaction
- EEM Loans (Energy Efficient Mortgages)
- High Cost Loans
- HUD-184 Mortgages
- Cash-out transactions on properties listed for sale in the previous six months
- Permanent Financing for New Construction: Loans for the purpose of paying off interim construction financing
- Balloons and ARMs
- Blind Trust
- Community Land Trusts
- Delayed Financing
- Loans which allow Assumptions
- Loans with non-occupant co-borrowers, guarantors and co-signers
- Loans with Pre-Payment Penalties
- Loans with QM Rebuttable Presumption
- Loans with Temporary Buydowns
- Loans without Safe Harbor designation
- Mortgage Loans with unrelated multiple significant derogatory credit events
- New York purchase transactions documented by CEMA
- Principal curtailments that exceed the lesser of $10,000 or 1% of the loan amount
- Title held as Tenants in Common with unequal ownership
- Transactions consisting of an Assignment of Sales Contract

- Waivers for Loan Estimate and Closing Disclosure timing requirements

Determining Value

Purchase Transactions

- The LTV will be based on the lesser of the purchase price or appraised value.

Refinance Transactions

- When the subject property has been purchased in the past 9 months, the lesser of the current appraised value or the purchase price will be used to calculate the LTV/HCLTV.
- Ownership date is measured from the date of acquisition (or HUD or Closing Disclosure closing date) to the application date of the subject mortgage.

Calculating Loan-to-Value

Loan-to-value should be determined by dividing the sum of the first mortgage by the value as defined in Determining Value.

CLTV/HCLTV

- CLTV is the combination of the outstanding first lien and the outstanding balance of all additional liens or line amounts from home equity lines of credit.
- HCLTV is the combination of the outstanding first lien with all outstanding additional liens or available credit limits from a home equity line of credit.
- The HCLTV is calculated by dividing the sum of the first mortgage amount and any additional lien balances (whether disbursed or not) by the value, as defined in Calculating Loan-to-Value.

Treatment of Auctioneer Fees for LTV and HCLTV Purposes

In most cases (but not all), it is common and customary for the buyer to pay the auctioneer fee (buyer's premium). The table below outlines the most common to least common events and the required treatment of auctioneer fees (buyer's premium) in relation to total sales price, LTV, and interested party contributions:

Customary Payer of Auctioneer Fee (Buyer's Premium)	Actual Payer	Add Premium to Auction Price	Include Premium in LTV	Considered an IPC/Sales Concession
Buyer	Buyer	Yes*	Yes	NA
Seller	Buyer	Yes*	Yes	NA
Buyer	Seller**	No	No	Yes
Seller	Seller**	No	No	No

* The value in the "Purchase Price" of the Details of Transaction of the application should be the total of the winning bid plus the auctioneer fee. If the borrower has pre-paid the auctioneer fee, it should be documented in the same manner as an earnest money deposit and the fee should be identified in the "other credits" section of the Details of Transaction.

** Highly unlikely the seller will ever pay the buyer's premium at auction.

Builders and Interested Parties Affiliated with Mortgage Lender

If an affiliation exists due to common ownership or control over an interested party, or when there is common ownership by a third party and interested party; then all sales and financing concessions from these parties are considered in the total allowable interested party contributions.

Repairs Noted within Purchase Contract

Follow applicable Fannie Mae guidelines related to those property repairs or improvements included in a purchase contract, as these amounts may impact subject sales price.

Monthly Housing Expense

Monthly housing expenses are required to calculate the anticipated total monthly housing expenses-to-income ratio. Housing expenses-to-income ratios compare monthly housing expenses to stable gross monthly income. Monthly housing expenses include the following:

- Principal and interest payments on the first mortgage loan
- Financing payments on subordinate lien loans secured by the subject property

- Hazard insurance premiums
- Flood insurance premiums
- Real estate taxes (If new construction property, the borrower(s) must be qualified with taxes based on full completion)
- Homeowners' Association Dues
- Leasehold payments
- Ground rent
- Special assessments

CEMA Loans

New York purchase transactions documented by a consolidation, extension and modification agreement (CEMA) are ineligible.

Non-Arm's-Length Transactions

Follow Fannie Mae requirements for non-arm's-length transactions.

Property

Eligible Property Types

- Single-family residences
- Two-to four-unit properties
- Attached Condominiums (borrower does not own the land or the exterior walls of their unit)
- Site Condominiums (borrower owns the land on which the structure is located. These properties do not require condominium documentation; however in some instances, they may be considered a PUD.)

- Detached Condominiums (borrower does not own the land or the exterior walls of the structure. Property would be considered a detached condo and must meet standard condominium documentation requirements)
- Planned Unit Development (PUD)

Not all property types listed above are eligible under all Loan Programs.

Condominiums

A condominium is a unit in a project in which each unit owner has title to his or her individual unit, an undivided interest in the project's common areas, and in some cases, exclusive use of certain limited common areas.

Follow these eligibility guidelines and those of Fannie Mae with respect to condominium and condominium projects.

The Underwriter must not be aware of any circumstances that would make the project ineligible for approval by Fannie Mae. The condominium project must meet all applicable Fannie Mae requirements related to insurance.

Provide in the closed loan file the name and contact information of the subject condominium HOA/Management Company. amount and frequency of the HOA dues (if not provided on appraisal report) and evidence of current status of HOA dues (current, past due, etc.(if applicable)).

- The condominium project's eligibility must be approved through one of the eligible condominium project review types and provide applicable warranty documentation in the closed loan package.

Eligible Condominium Project Review Types

- ~~Standard Fannie Mae Full Project Review;~~
- Follow Fannie Mae requirements for two-to-four unit condominium projects
- Fannie Mae Project Eligibility Review Service (PERS):
    - New and existing condominium project approvals are acceptable. Evidence of the PERS final project approval must be current through the Note date and included in the Mortgage Loan file.
- Condominium Project Manager (CPM) Expedited Review
    - The project must have a valid, unexpired CPM Seller Certification as of the date of the Note and a copy must be in the Mortgage Loan file. In addition, the Seller must not be

aware of any changes in circumstances since the project information was submitted to CPM that would result in the project not satisfying Fannie Mae's or the investor's eligibility criteria

Warranty Documentation Requirements

- The warranty documentation must identify the warranty type of the project and be included in the Mortgage Loan file. The loan is not eligible for purchase if a warranty form is not in the Mortgage Loan file
- All project documentation that supports its warranty that the project meets the applicable Fannie Mae eligibility criteria and these Guidelines must be retained in the loan file. This documentation must be retained from the time the Seller first originates mortgages secured by units in the project until all such mortgages that were purchased have been liquidated
- A project warranty is valid for three months preceding the date of the Note. After the three-month expiration date, all appropriate documentation must be updated to verify that there have been no changes that would adversely affect the project

Ineligible Project Types

- Cooperatives
- Live/Work Projects
- Projects which include manufactured housing
- Non-warrantable Condominium/PUD projects
- A condominium project with no master insurance policy for the project
- Condominiums with significant deferred maintenance and unsafe conditions
- Conversion condominium projects that have not been fully converted or do not meet these Jumbo Underwriting Guidelines or Fannie Mae guideline requirements
- A condominium project which contains more than 35 percent of its total space dedicated to non-residential or commercial use
- Projects in which a single entity owns more than the limits established below:
    - Projects with 21 units or more with 20 percent or more of the units owned by one entity.
    - Projects with 5–20 units with more than 2 units owned by one entity.

Ineligible Project Review Types

Loans requiring exceptions from any of the following:

- Fannie Mae Credit Variance Administration System, Fannie Mae Project Eligibility Waiver (PERS)

- Limited Review
  - Fannie Mae Condo Project Manager (CPM)-(Projects labeled as Unavailable)

Mixed-Use Properties

Properties that have a business use in addition to their residential use are considered mixed-use properties and are ineligible.

Environmental Hazard Assessment

If environmental problems are identified through the performance of the project review process and due diligence review, and an environmental assessment would be required, then the loan is ineligible for sale.

Hazard and Flood Insurance Requirements

- Follow Fannie Mae guidelines as they relate to Hazard and Flood Insurance requirements unless otherwise specified in these Jumbo Underwriting Guidelines and/or Cardinal Financial's Lending Guide.

- Documentation should be in the form of a declaration page or policy. Binders are not considered acceptable evidence of insurance.

- The maximum allowable deductible securing a first mortgage loan is 5 percent of the face value of the policy.

- Such flood insurance policy for each Mortgage Loan is in an amount representing coverage not less than the least of (A) the outstanding principal balance of the Mortgage Loan (plus any additional amount required to prevent the Mortgagor from being deemed a co-insurer), (B) the full insurable value of the related Mortgaged Property, and (C) the maximum amount of insurance which was available under the Flood Disaster Protection Act of 1973, as amended.

- A renewal policy is required for hazard and flood insurance policies expiring within 50 calendar days from the loan closing. Loans must have hazard and flood insurance policies in force at the time of loan purchase.

HOA Assessment Liens / Super Liens

Follow Fannie Mae guidelines relative to a subject property located in a PUD or condominium project in which the subject's HOA assessments have priority over or will not subordinate to, our subject Mortgage Loan first lien.

Multiple Parcels

Follow Fannie Mae guidelines relative to multiple parcels.

Rural Properties

Follow Fannie Mae guidelines relative to properties in rural locations.

Leased/Owned Utilities and Community Utilities

Follow Fannie Mae guidelines relative to this topic.

Private Road Maintenance Agreement/Shared Driveways

Follow Fannie Mae guidelines relative to private roads or when access to the property requires the use of a private road or shared driveway.

Ineligible Geographic Locations

Properties in the U.S. Territories (including Guam, Puerto Rico, and the Virgin Islands) are ineligible.

Appraisal

This section outlines the appraisal documentation and evaluation requirements that apply to all Loan Programs. Follow the applicable Fannie Mae guidelines as they relate to Appraisal Documentation, Requirements, and Property Evaluation unless otherwise specified in these Underwriting Guidelines.

General Appraisal Requirements

- The appraisal report forms require the appraiser to certify that the appraiser did not base, either partially or completely, the analysis and/or opinion of value in the appraisal report on the race, color, religion, sex, age, marital status, handicap, familial status, or national origin of either the prospective owners or occupants of the subject property or of the present owners or occupants of the properties in the vicinity of the subject property or on any other basis prohibited by law.

- A full Uniform Residential Appraisal Report (URAR), with interior and exterior inspections, is required. All other valuation methods are ineligible.
- The appraisal should fully analyze the neighborhood, site, physical characteristics, and condition of the property.
- Regardless of the underwriting method, additional information may be requested at the discretion of the underwriter.

Appraiser Requirements

The appraiser must remain free of any outside influence in the valuation process. Appraisers must provide complete and accurate reports. The estimate of market value must represent the appraiser's professional conclusion, based on market data, logical analysis, and judgment.

The appraiser must comply with the independent appraiser requirements specified by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the FDIC, and the Office of Thrift Supervision, as well as Fannie Mae and Freddie Mac Appraiser Independence Requirements.

- The appraiser must be licensed and in good standing.
- The appraiser must comply with real estate appraisal regulations adopted in accordance with Title XI of the Financial Institutions
- Reform or Recovery and Enforcement Act of 1989
- The appraiser must be experienced in the appraisal of properties similar to the type being appraised.
- The appraiser must be actively engaged in appraisal work, licensed, and in good standing.
- The appraiser may not be an interested party in the subject transaction.
- The appraiser must subscribe to a code of ethics that is at least as strict as the code of the American Institute of Real Estate

- Appraisers or the American Society of Appraisers.

Appraisal Report Requirements

A full Uniform Residential Appraisal Report (URAR) with interior and exterior inspection is required.

Secondary Appraisal Valuation Product

- One of the following secondary valuation products is required on all loans:
  - Clear Capital © Collateral Desktop Analysis (CDA®)
  - Field Review
    - If the appraised value will be supported by a Field Review, the Field Review may not be prepared by the same appraisal company as the initial appraisal; however, the appraisal can be ordered through the same AMC
  - Second Full Appraisal
- If the secondary valuation report is greater than the appraised value, the LTV/HCLTV would be based on the initial appraised value
- If the secondary valuation report is lower than the appraised value but within a 10% tolerance, the LTV/HCLTV would be based on the initial appraised value
- If the secondary valuation report is lower than the appraised value by more than a 10% tolerance, a third valuation report must be provided
  - All files must contain an additional product if and when the secondary valuation product is lower than the appraised value by more than a 10% tolerance
- The maximum number of supporting valuation products for any appraisal is two products

Field Review

If a Desk Review was the secondary valuation product and was not within the allowable tolerance; a Field Review should be obtained and the original appraised value supported within the 10% tolerance. The LTV/HCLTV would be based on the original appraisal value.

Second Appraisal

If a second full appraisal is obtained as the supporting valuation product, the original appraised value must be supported within the 10% tolerance and the LTV/HCLTV would be based on the lower of the two appraisal reports. If the second full appraisal is more than 10% below the initial appraised value, the second full appraisal would then replace the initial appraisal and must be supported by a new secondary valuation product.

Appraisal Age and Standards

All appraisals must be performed in strict accordance with and comply with all applicable local, state, and federal laws, regulations, and orders and must conform to the current Uniform Standards of Professional Appraisal Practice adopted by the Appraisal Standards Board of the Appraisal Foundation.

Review each appraisal in detail for completeness, accuracy, and assessment of the current fair market value.

All appraisal reports must be prepared for the current transaction and in the name of the originating lender. No transfers or assignments are allowed.

All versions of the subject valuation reports (full appraisal, desk review, or field review) must be included in the closed loan package and provided to the borrower no later than three business days prior to the consummation.

Age of Appraisal

If the date of the appraisal report is more than 120 calendar days but less than 365 calendar days from the date of the Mortgage Note, the original appraiser must provide an update to the appraisal based on his or her knowledge of current market conditions. The appraiser must acknowledge that the value of the subject property has not declined since the date of the original appraisal. The update must be completed on Fannie Mae Form 1004D/Freddie Mac Form 442 and must be dated within 120 calendar days of the date of the Mortgage Note. A new appraisal is required when the appraiser indicates in an Appraisal Update that the property value has declined.

Loans purchased more than 90 calendar days after closing (Mortgage Note date to purchase date) require an Appraisal Update (Fannie Mae Form 1004D/Freddie Mac Form 442) or a new appraisal (Fannie Mae Form 1004/Freddie Mac Form 70) supporting the original appraised value. If an Appraisal Update indicates that the value has declined, a new appraisal (Fannie Mae Form 1004/Freddie Mac Form 70) must be obtained and must support the original appraised value. The Appraisal Update or New Appraisal must be dated within 60 calendar days of the purchase date.

The appraisal date may not be more than 12 months prior to the date of the Mortgage Note.

Acceptable Appraisal Forms

The appraisal form must be prepared and signed by an approved appraiser. The appraisal report must be on the current version of the appropriate appraisal form listed below.

- Uniform Residential Appraisal Report (Fannie Mae Form 1004/Freddie Mac Form 70)—URAR
  - Used for appraisals of 1-unit properties and units in PUDs, (including a 1-unit property with an accessory apartment) based on interior and exterior property inspections. The URAR may also be used for units in a detached condominium project if the appraiser includes an adequate description of the project and information about the homeowner association fees and the quality of project maintenance. An interior and exterior inspection of the subject property is required. The appraisal report must be Uniform Appraisal Dataset (UAD) compliant.
- Individual Condominium Unit Appraisal Report (Fannie Mae Form 1073 and Freddie Mac Form 465)
  - This report must be used for appraisals of 1-unit properties in condominium projects. An interior and exterior property inspection is required. The appraisal report must be UAD compliant.
- Small Residential Income Property Appraisal Report (Fannie Mae Form 1025 and Freddie Mac Form 72)
  - This report must be used for appraisals of two- to four-unit properties. An interior and exterior property inspection is required.
- Appraisal Update (Fannie Mae Form 1004D/Freddie Mac Form 442)
  - When performing an appraisal update, the appraiser is expected to research, verify, and analyze current market data, and to perform at least an exterior-only inspection of the subject property.
  - The use of a substitute appraiser to perform the appraisal update is acceptable. The substitute appraiser must review the original appraisal and express an opinion about whether the original appraiser's opinion of market value was reasonable on the date of

the original appraisal report. In addition, the loan file must contain a note explaining why the original appraiser was not used.

- The type of inspection required depends on the nature of the appraisal conditions or changes to the subject property.
  - If the appraisal is completed "as is," an interior inspection is not required unless there are any known changes to the subject property that would have an adverse effect on the condition or marketability.
  - If the appraisal is subject to completion per plans and specifications, interior and exterior inspections are required. Exterior and interior photographs are required.
  - If the appraisal is subject to repairs that affect safety, soundness, or habitability, interior and exterior inspections are required if repairs are required for the interior of the dwelling. Exterior and interior photographs are required. Otherwise, an exterior-only inspection with exterior photographs is required.

- Market Conditions Addendum (Fannie Mae Form 1004MC)
  - This is required for all mortgage loans with appraisals of 1–4 unit properties. It is intended to provide a clear and accurate understanding of the market trends and conditions prevalent in the subject neighborhood.
- Field Review

  An analysis comparing the original appraisal and the review appraisal must be performed. The original appraiser must address any significant differences or discrepancies. The following forms must be present when a field review appraisal is required by the Loan Program or at the discretion of the underwriter: Field Reviews may not be provided by the same appraisal company performing the full appraisal review.

  - 1-Unit Property
    - A 1-Unit Residential Appraisal Field Review Report (Fannie Mae Form 2000 or Freddie Mac Form 1032).
    - Original front and street photos of the subject property.

- Photos that show the front of each comparable sale included in the appraisal report under review and any additional comparable sales described in the field review.
- Streetmap that shows the location of the subject property and of all comparables included in the appraisal report under review and any additional comparable sales provided by the review appraiser.

- Two- to Four-Unit Property
    - Two- to four-unit Residential Appraisal Field Review Report (Fannie Mae Form 2000A or Freddie Mac Form 1072).
    - Original front and street photos of the subject property.
    - Photos that show the front of each comparable sale included in the appraisal report under review and any additional comparable sales described in the field review.
    - Street Map that shows the location of the subject property and of all comparables included in the appraisal report under review and any additional comparable sales provided by the review appraiser.

Ineligible Appraisal Forms

- Exterior-Only Inspection Residential Report (Fannie Mae and Freddie Mac Form 2055).
- Exterior-Only Inspection Individual Condominium Unit Appraisal Report (Fannie Mae Form 1075 and Freddie Mac Form 466).
- Desktop Underwriter Property Inspection Report (Fannie Mae Form 2075).
- Property Inspection Waiver (PIW).
- Property Inspection Alternative (PIA).

Property Quality and Condition

Condition Rating

The appraisal should indicate that the property is in average or better condition. If the property condition is rated fair or poor, the appraisal should be made subject to repairs that will bring the property to an average or better condition. Additionally, when provided, the following Condition rating codes, as defined by the FHFA Uniform Appraisal Dataset used by Fannie Mae, must be considered as follows:

- Property condition ratings of C1, C2, C3, or C4 are acceptable in an "as is" condition.
- Property condition ratings C5 and C6 carry additional risk, and therefore any appraisals with a C5 or C6 rating must include, but may not be limited to the following to be eligible:
    - An account of the condition items causing the C5 or C6 rating.
    - The initial appraisal must be "subject to completion of repairs."
    - Evidence of completion of repairs.
    - An updated minimum condition rating of C4.

Quality Rating

The appraisal should indicate that the property is in average or better condition. If the property condition is rated fair or poor, the appraisal should be made subject to repairs that will bring the property to an average or better condition.

Additionally, when provided, the following Quality of Construction rating codes, as defined by the FHFA Uniform Appraisal Dataset used by Fannie Mae and Freddie Mac, must be considered as follows:

- Quality of Construction ratings of Q1, Q2, Q3, Q4, or Q5 is acceptable.
- Any appraisal report containing a Quality of Construction rating Q6 is ineligible as a result of an increased risk associated with this quality rating.
- When the appraisal is made subject to completion, repairs, or inspection, the lender must ensure that the construction is completed, the repairs are made, or the inspection is completed. If the inspection shows that additional repairs are required, those repairs must be completed prior to closing in order for the transaction to be eligible.

Disaster Policy

- When natural disasters, such as hurricanes, tropical storms, and tornadoes, occur prior to the purchase of a loan, ensure that the subject property secured by the loan is protected.
- Once the federal government has declared a disaster with individual assistance (assistance to individuals and households), a FEMA Disaster Notification is issued at http://www.fema.gov/.

  Note: A disaster declared with public assistance (assistance to State and local governments and certain private nonprofit organizations for emergency work and the repair or replacement of disaster-damaged facilities) does not require a re-inspection.
- Unless otherwise specified, follow the applicable Fannie Mae guidelines as it relates to properties involved in a disaster.
- Loan funding may be delayed as a result of properties located in a disaster area as declared by an individual state or by Federal authority such as FEMA.

Improvements without Permits

Follow Fannie Mae guidelines relative to this topic.

The Borrower

Borrower Types

The loan originator must have conducted all origination and underwriting procedures without regard to the borrower's race, color, religion, national origin, age, sex, marital status, handicap, income derived from a public assistance program, or status in any other class of persons protected under any applicable federal, state or local law.

- Any person signing an application for a loan is a borrower. All borrowers must sign the Mortgage Note.
- A borrower must be an individual. Non-individual legal entities, including but not limited to corporations, general partnerships, limited partnerships, real estate syndications, blind trusts, and investment trusts, are not eligible.

- Borrowers must meet credit and program eligibility requirements of Jumbo Core and Fannie Mae.
- Inter Vivos and Land Trust requirements must meet the eligibility and documentation requirements as determined by Fannie Mae guidelines.

Citizenship Requirements

U.S. Citizens and Nationals

U.S. citizens and nationals (citizens of a U.S. possession or territory) are eligible borrowers.

Non-U.S. Citizens

- Permanent Resident
    - A permanent resident is a non-U.S. citizen who is legally eligible to maintain permanent residency in the U.S. and holds a Permanent Resident card. A permanent resident is an eligible borrower, provided that legal residency is documented according to Fannie Mae requirements. Please see www.uscis.gov for more information.
- Non-Permanent Resident
    - Non-Permanent Residents and Foreign Nationals are eligible borrowers provided the legal residency is documented and all the following criteria are met:
        - Must have an allowable Visa:
            - H1B, L1, E-1 through E-3, EB-5, O-1, G-1 through G-5, and R-1, TN-NAFTA (for loans locked on or after May 15, 2023)
            - H1B, L1 (for loans locked prior to May 15, 2023)
        - Loans must meet current guideline requirements
        - All loans must meet QM compliance
        - Maximum 75% LTV/HCLTV
        - Maximum 43% DTI
        - 1-unit, Primary residence only

        - Valid Social Security Number required
        - Visas must be current at the time of consummation. The employer on the loan application must be the same as on the unexpired visa
            - If fewer than six (6) months remain at loan consummation, documentation an extension was requested, along with a letter from the employer confirming the borrower's continued employment and continued visa renewal sponsorship
        - Two full uninterrupted years of residence and employment are required for all borrowers whose income is being considered in qualifying

- Other Residency Statuses
    - Individuals classified under Diplomatic Immunity, Temporary Protected Status, Deferred Enforced Departure, or Humanitarian Parole, and foreign nationals (other than permanent residents meeting the requirements of Borrower Types) are ineligible.

Loans to Trust

Inter Vivos Revocable Trust

- An inter vivos revocable trust (a "living trust") is a trust created by an individual during his/her lifetime and becomes effective during the creator's lifetime. An inter vivos revocable trust can be changed or cancelled by its creator at any time and for any reason during the creator's lifetime.
- The inter vivos revocable trust must meet the eligibility and documentation requirements as determined by Fannie Mae guidelines.
- The subject property must be a 1–2 unit primary residence.
- An attorney's opinion letter is required along with the full Trust Documentation. A Trust Certification is not eligible.

Land Trust (Illinois Land Trust)

A land trust is an arrangement by which title to real estate is transferred to a trustee, but the full management and control of the property is retained by the beneficiaries of the trust. The trustee is named as owner of the property in the security instrument and is the "borrower" of record on the loan, even though the trustee is not personally liable for repayment of the loan.

Land trust loans are eligible subject to the following conditions:

- The subject property must be located in Illinois.
- The beneficiary of the trust must be an individual.
- At least one of the borrowers must be one of the beneficiaries of the trust.
- The land trustee must be a financial institution customarily engaged in the business of acting as trustee under Illinois state law.
- The land trust beneficiary must execute the Mortgage Note and guarantee the payment of the Mortgage Loan.
- The trustee must execute the Mortgage Note solely in his or her capacity as trustee of the land trust. The trustee must not be personally liable on the Mortgage Note.

Ownership Interest

Title to the subject property must be in the borrower's name at the time of application for a refinance transaction; and at the time of or simultaneously with the closing for all transactions.

- Continuity of obligation guidelines provided in this chapter must be followed.
- The borrower must hold title to the property as a fee simple estate.
- All individuals signing the application are borrowers.
- All borrowers must sign the Mortgage Note.
- Additional individuals on the HUD or Closing Disclosure are not required to sign the Mortgage Note (must meet all applicable state laws).
- Title held by an LLC must meet continuity of obligation requirements

Non-Borrowing Spouse

The non-borrowing/purchasing spouse or domestic partner who has an interest in the subject property must follow all applicable state laws to waive any property rights he/she may have by virtue of being the owner's spouse.

Power of Attorney

The use of a Power of Attorney (POA) is acceptable. The POA must be specific to the transaction, and must meet all applicable Fannie Mae and state requirements. Cardinal must review the POA documents prior to closing. A Power of Attorney is acceptable on transactions with an individual borrower.

The use of a Power of Attorney is prohibited when:

- Both borrowers on the transaction are relying upon the use of a Power of Attorney for consummation of the subject property, or;
- The transaction type is a cash-out refinance.

Continuity of Obligation

- At least one borrower on the new loan must also be obligated on the current lien; or
- The borrower has been on title to the subject property for the previous 12 months, occupied the subject property for the previous 12 months, and can demonstrate having made the payments in the previous 12 months.

Possible Exceptions to Continuity of Obligation

- The borrower acquired the subject property through an inheritance or was legally awarded the property through a court-ordered agreement. This scenario requires no minimum waiting period for continuity of obligation.

Employment & Income

The stable and reliable flow of income is a key consideration in mortgage loan underwriting. If the income source has a defined expiration date or other limited benefit, the lender must document the likelihood of continued receipt of the income for a minimum three years from the Note date.

The file must contain written documentation as to the borrower's ability to repay the mortgage debt. As a result of inconsistencies or legibility concerns or at the discretion of the underwriter, additional information may be requested.

Jumbo Core contains the following overlays to Fannie Mae Selling Guide Manual Underwriting requirements related to income assessment. For topics not specifically addressed in this section, or elsewhere in these Jumbo Underwriting Guidelines, defer to the applicable manual underwriting sections in the Fannie Mae Single Family Selling Guide.

Non-Self-Employed Borrower Documentation

- 1040 Transcripts
  - The most recent 2 years 1040 Transcripts are required for all borrowers. Note: Borrowers filing tax extensions for personal tax returns must provide the filed IRS Application for Extension of Time to File, the request for the tax transcript verifying "no record of return filed" and the prior two years of tax transcripts.
- Schedule K-1
  - K-1's must be obtained regardless of the percentage of ownership when the income is used for qualifying. If there are losses documented on 1040 transcripts, the K-1 must be provided and the losses must be considered in the qualifying income calculation.
- Verbal Verifications of Employment/Third Party Verification of Employment
  - Must be completed within ten business days of the Note date.
- Verbal Verifications of Prior Employment
  - Must be completed prior to loan purchase.
- Non-Arms-Length Verbal Verifications of Employment
  - Ineligible
- Written VOEs
  - Are not acceptable for a borrower employed by family or self-employed.

Rental Income

- Recurring Obligations-REO Split Ownership
  - The monthly housing obligation (PITIA) may not be reduced based on the percentage of ownership when ownership is split with non-borrowing individuals. Rental income will be based on the borrower's Schedule E income

Conversion of Departing Residence

Lease Requirements

- The current 12 mo lease must be to an unrelated arm's-length third party and must be effective as of the first payment due date of the subject mortgage loan.

Additional Required Documentation/Notes

- If the borrower is retaining their current departing principal residence and converting it to a second home or investment property, reserve requirements of 6 months PITIA for the departing residence must be met.
- Must provide evidence the security deposit and/or first month's rent has been received and deposited.
- Full Appraisal to evidence equity in vacated property is 75% or less (Single-Family Residences Only). Appraisal must be ordered by a mortgage lender (aged no more than six months).
- Jumbo Core does not permit comparing the unpaid principal balance to the original sales price of the property. Note: The appraisal, in addition to using forms Fannie Mae 1004/Freddie Mac 70, may be an exterior-only appraisal using form Fannie Mae/Freddie Mac 2055, and for condominium units, form Fannie Mae 1073/Freddie Mac 465.
- If a borrower has sold but not closed on the sale of their departing residence, the debt must be included in the qualifying ratios.

Income Calculation

- Reduce the gross rental amount by 25% for vacancies and maintenance;
- Subtract PITIA; and
- Apply the resulting amount to income (if positive) or recurring debts (if negative).

Self-Employment Income

A self-employed borrower is an individual who has a 25% or greater ownership interest in a business or receives 1099s to document income. The length of self-employment, type of business and business structure will be evaluated to assess stability and continuance of self-employment income.

Minimum Length of SelfEmployment

- Between one and two years
  - For the borrower's income to be stable and effective, the borrower must have at least two years of documented previous successful employment in the line of work in which the individual is self-employed, or in a related occupation.
- Less than one year
  - Ineligible

Establishing a Self-Employed Borrower's Earning Trend

- When determining qualifying income, the underwriter must establish the borrower's earnings trend from the previous two years using the borrower's tax returns.
- The underwriter must consider the business's financial strength by examining annual earnings. Annual earnings that are stable or increasing are acceptable, while businesses that show a significant decline in income over the analysis period are not acceptable.
- If the borrower's earnings trend for the previous two years is downward and the most recent tax return or P&L is less than the prior year's tax return, the borrower's most recent year's tax return or P&L must be used to calculate his/her income.

Self-Employed Borrower Documentation Requirements

Documentation as noted below is required for all Self-Employed borrowers when the income is being considered in qualifying. However, all business losses must be documented as required below and business tax returns must be provided. All business losses must be considered in qualifying.

- Most recent two years signed 1040 Personal returns with all applicable tax schedules.
- Most recent two years 1040 transcripts. Business Tax Transcripts are optional.
- Most recent 2 years K-1 (if applicable).
- Most recent 2 years W2 (if applicable).
- Profit and Loss Statements and Balance Sheets-for the prior tax year are required for all businesses considered in qualifying when the IRS Form 1040 has not yet been filed (e.g., prior to the tax filing deadline or an "Extension of Time to File" has been filed). Additionally, a YTD P&L and Balance Sheet for the current tax year is required. Stable or increasing income trend reflected on a Profit and Loss may not be considered in the income calculation. Profit and Loss Statements and Balance Sheets are not required to be signed or audited.
- Balance Sheets are not required for Schedule C (Sole Proprietors).

- Third-party verification of self-employment for all businesses regardless of income/loss must be completed within ten business days of Note date and include the name and phone number of the employee verifying the information. Examples of acceptable verification include CPA letters, Regulatory Agency verification, verification from the applicable licensing bureau, and website documentation.
- 4506C must be completed at closing for each borrower and business included in the loan review.

Allowable Age of Federal Income Tax Returns

- Extension of Time to File- Borrowers filing tax extensions for personal tax returns must provide the filed IRS Application for Extension of Time to File, the request for the tax transcript verifying “no record of return filed" and the prior two years of tax transcripts. Document any amount due has been remitted to the IRS and sourced in the file. Significant variances in the tax liability from previous years compared to the estimated current year must be fully explained. Additional documentation may be required.
- Transactions Originated and/or Closed from January through mid-April-of any given year, Jumbo Core will consider using the most current year’s tax returns for a self-employed borrower for which tax transcripts are not yet available. A copy of the returns as well as confirmation of receipt from the IRS is required—either in the form of an e-file acceptance or stamp from the IRS and verification that any amount due has been remitted to the IRS and sourced in the file. Any significant increase or decrease in income from the prior year’s returns must be satisfactorily explained and documented.
- Transactions Closed on or after October 15-of any given year (where the borrower had filed an extension for their previous year’s return), a copy of the returns as well as confirmation of receipt from the IRS is required—either in the form of an e-file acceptance or stamp from the IRS and verification that any amount due has been remitted to the IRS, and sourced in the file. Any significant increase or decrease in income from the prior year’s return must be satisfactorily explained and documented.

Employment Gaps and New Employment

- Any absence or gaps in employment which exceed 120 days must be back to work for a minimum 30 days. Borrower’s new employment must be documented with a paystub(s) covering the 30 day period or Written Verification of Employment.

- Verbal verification of employment dated within ten business days of the Note date.
- The borrower must document a 2- year work history prior to the absence or gap from employment.
- It is acceptable to measure the length of employment from the date a borrower began or returned to work to the date of closing or loan consummation.

Employment Offers or Contracts

Projected income is acceptable for qualifying purposes for a borrower scheduled to start a new job within 60 calendar days of loan consummation or prior to loan purchase whichever is less. The file must contain the following:

- An executed copy of the borrower's offer or employment contract for future employment and anticipated income.
- A paystub from the borrower that includes sufficient information to support the income used to qualify the borrower based on the offer or employment contract. Must be provided prior to loan purchase.
- The creditor must verify that the borrower will have sufficient income or cash reserves to support the mortgage payment and any other obligations between loan closing and the start of employment. Examples of this type of scenario are teachers whose contracts begin with the new school year, or a physician beginning a residency after the loan closes.

Tax Transcripts and IRS Rejection Code

If a request for tax transcripts has been rejected by the IRS by means of a rejection code, the applicable Fannie Mae guidelines should be followed. In addition, the Seller should obtain documentation which includes but is not limited to the following:

- IRS rejection documentation.
- Letter of explanation from the borrower.
- Transcripts obtained directly from the borrower.
- Form 14039 (IRS Identity Theft Affidavit) if applicable

Unacceptable Income Sources

- Asset Depletion Income

- Boarder Income
- Cryptocurrency/Virtual currency Income
- Deferred Compensation Plans
- Farm Income from the Subject Property
- Future Income
- Gambling Income
- Home Ownership Subsidies from any source other than the Public Housing Agency
- Income Derived from the Subject Property with Land Being Leased to Another Party
- Income Derived from the Sale or Distribution of Marijuana
- Income Determined to be Temporary or One-Time in Nature
- Lump Sum Payments such as Inheritances or Lawsuit Settlements
- Lump Sum Payments of Lottery Winnings that are not ongoing
- Non-Incidental Income Received from Farming or Agricultural Use of a Property
- Non-Occupant Borrower Income
- Rental Income Received from the Borrower's Single-Family Primary Residence or Second Home
- Rental Income from the Subject Investment Property on a purchase transaction
- Rental Income from an Accessory Unit Associated with the Subject Property on a purchase transaction
- Restricted Stock Units
- Retained Earnings in a Company
- Stock Options
- Taxable Forms of Income not declared on Personal Tax Returns
- Trailing Co-Borrower Income
- Unverifiable Income
- VA Education Benefit

Credit & Liabilities

Regardless of the underwriting method, additional information may be requested at the discretion of the underwriter. A borrower's credit profile may be established by submitting the loan through Desktop Underwriter, but may not be relied on solely for the credit review.

Jumbo Core contains the following overlays to Fannie Mae Selling Guide Manual Underwriting requirements related to Credit and Liability assessment. For anything not specifically addressed in this section, or elsewhere in these Jumbo Underwriting Guidelines, defer to the applicable manual underwriting sections in the Fannie Mae Single Family Selling Guide.

Credit Report/Credit Score Requirements

- Written verifications of mortgage, rent, or credit must be sent directly to the creditor or landlord. The return address on the verification must be Cardinal Financial's corporate address. The hand carrying of verifications by the borrower or interested party is strictly prohibited.
- All accounts, revolving and installment, reported by the borrower on the application must be verified on the credit report or directly by a credit reference and must include a payment history for the most recent 12 months
- Jumbo Core requires a minimum of two valid credit scores per borrower; the lowest mid-score(s) will be the qualifying credit score. Should a borrower have only two credit scores, the lower of the two will be considered the borrower's qualifying credit score
- All borrowers are required to have a valid Social Security number. Loans to borrowers who have been issued an ITIN in lieu of a Social Security number are ineligible
- Credit reports with partially displayed Social Security numbers are not considered eligible documentation due to the increased opportunity for fraud
- Late payments unrelated to a mortgage, which occurred in the previous 12 months require a letter of explanation from the borrower
- Credit report used in underwriting must be referenced in the DU findings

Minimum Tradeline Requirement

All loans require a credit score based on the following minimum credit history and trade line requirements:

- The score for each borrower must be generated from a minimum of three traditional trade lines evaluated for at least 12 months. The three trade lines must reflect an acceptable payment history
- Trade lines for closed accounts may be used to meet this requirement provided the payment history is acceptable

- Authorized user accounts may not be used to satisfy this requirement unless the borrower can provide written documentation (such as canceled checks or payment receipts) proving that he or she has been the actual and sole payer of the monthly payment on the account for at least 12 months preceding the date of the application
- A trade line for which a payment has never been made may not be used to satisfy this requirement (for example, a deferred student loan)
- Borrowers who do not meet the above requirements would be viewed as having a "thin file" credit history and would be ineligible

Ineligible Credit

- "Thin-file" credit
- Documented credit profiles containing less than two valid credit scores
- Foreign credit reports
- Non-traditional credit reports and credit reports which are not Tri-merge
- Unresolved credit report red flags

Significant Adverse or Derogatory Credit

Borrowers with significant derogatory credit events (restructured mortgages, foreclosure (including Notice of Default and preforeclosure), bankruptcy, Deed in Lieu) are eligible provided the significant derogatory credit event meets the required seasoning periods.

The following guidelines apply to individuals who have a significant derogatory credit event reporting on their credit history, regardless of whether the incident is reported on the credit report. The borrower must meet the following criteria:

- Mortgage Loans with unrelated multiple significant derogatory credit events are ineligible for purchase.
- To conclude that the borrower's credit profile is acceptable despite previous financial mismanagement, the rationale supporting the determination that the financial mismanagement is unlikely to recur and the borrower's credit profile is acceptable must be explained.

Documentation Requirements

- Evidence that the borrower has re-established an acceptable credit profile. The borrower will be considered as having acceptable re-established credit if the credit report is free of late payments in the previous 24 months, and the borrower has at least three traditional credit references with activity during the most recent 24 month period.

- Evidence on the credit report and other credit documentation of the length of time since completion of the significant derogatory event to the date of the loan closing, and of completion of the recovery time period requirements as identified below.

Reestablished Credit Requirements

After a bankruptcy, foreclosure, deed-in-lieu of foreclosure or short sale, or other significant derogatory credit, the borrower's credit will be considered re-established if all of the following are met:

- The waiting period and related additional requirements are met.
- The minimum credit score requirements based on the loan parameters and established eligibility requirements are met.
- The borrower has traditional credit. Non-traditional credit is not acceptable. The borrower will be considered as having acceptable reestablished credit if the credit report is free of late payments in the previous 24 months, and the borrower has at least three traditional credit references with activity during the most recent 24 months period. AUS approval based on credit profile.

Recovery Time Periods

Recovery time requirements are based on the discharge, dismissal, or completion date to the date of the loan closing.

- Bankruptcy Filing
    - A 7-year waiting period from the date of discharge or dismissal to the date of closing is required.
    - Mortgages discharged in bankruptcy require a seven-year waiting period from the date of discharge to the date of closing.
    - Borrowers with multiple bankruptcy filings are ineligible.

- Foreclosures/Deeds-in-Lieu of Foreclosure/Pre-Foreclosure/Short Sales/Real Property Settled Debts

  Any of the above credit events require seven years' seasoning after the completion date, and satisfactory re-established credit must be verified.

  - Regardless of the borrower's credit score and/or payment history, the seven-year seasoning requirement applies for any reference to one of the above-mentioned events, whether via the credit report or other loan file documentation.
  - Manufactured housing/mobile home loans indicated as repossessions, collections, or charge-offs are considered foreclosures.
  - Multiple foreclosures are ineligible regardless of age.
- Deed for Lease
  - Borrowers may have the opportunity to lease a property for which they have given a deed-in-lieu of foreclosure. When the borrower's loan file references a deed for lease, the underwriter must determine the completion date of the deed-in-lieu of foreclosure to ensure all requirements are met.
- Forbearance
  - No Mortgage Loan for which the borrower is obligated may be in forbearance, including co-signed mortgage loans
  - For borrowers who have exited forbearance on a mortgage the following requirements must be met:
    - Documentation confirming the borrower has exited forbearance
    - The mortgage must not be in a repayment plan or loss mitigation program
    - Borrowers with missed payments during forbearance must have resolved the missed payment through a reinstatement. (All payments must be current under the terms of the original note). An eligible source of funds must be documented in the closed loan file when the reinstatement occurred within 90 days of or any time after the date of the loan application
- Restructured Mortgage Loan

  A borrower who has had a loan restructured, in which the original transaction has been changed, resulting in absolute forgiveness of debt or a restructure of debt through either a modification of the original loan or origination of a new loan that results in any of the following is ineligible within seven years of the credit event:

- Forgiveness of a portion of principal and/or interest on either the first or second mortgage;
- Application of a principal curtailment by or on behalf of the investor to simulate principal forgiveness;
- Conversion of any portion of the original mortgage debt to a “soft” subordinate mortgage; or
- Conversion of any portion of the original mortgage debt from secured to unsecured.
- Short Refinance Mortgage Loan.
- A new transaction that includes any of the above is ineligible.

Past-Due Accounts

Past-due open accounts must be brought current prior to the loan closing, and will be factored into the overall credit profile.

Collections/Charge-offs/Liens/Judgments/Settled Debts

- Liens impacting title must be satisfied prior to closing.
- All collections and charge-offs must be paid if an individual collection or charge-off is equal to or greater than $250.00 or if the cumulative total of collections and charge-offs is greater than $1000.00

Derogatory Housing Payment History

- Borrowers with late mortgage or rent payments in the previous 12 months are ineligible. Additionally, late mortgage or rent payments in the previous 24 months must be fully explained and carefully considered in the total credit analysis.
- First-time home buyers with late rental payments in the previous 24 months are ineligible.

Documenting Housing and Rental Payment History

Borrowers must have an acceptable 12 or 24 months rental/mortgage payment history (based on program requirements) to be eligible for purchase. See below for requirements.

Seasoned Homeowners (non-first-time homebuyers)

- The following is required:
- A satisfactory (0x30) 12-month mortgage payment history for the past 12 months
    - If currently living rent free, a minimum 12-month mortgage payment history, within the 3 years prior to the application date reflecting 0x30 is required

New Homeowners (Less than 12 months current ownership and no prior ownership in the past 3 years)

- A 12 month housing payment history reflecting 0x30 is required. The housing history can be a combination of current mortgage and prior rental history
- The housing payment history must be in the last 3 years
- Borrowers that cannot document a 12 month housing history in the past 3 years, the loan is ineligible for purchase

For Homes Owned Free and Clear

- Provide evidence taxes, property insurance, and association dues are paid as agreed

First-Time Home Buyers

Any borrower who has not owned a residential property located within the United States at any time during the prior three years (prior ownership within the previous three years is measured from the HUD or Closing Disclosure closing date (when property was sold) to the date of the subject mortgage loan application)

- A first-time homebuyer's rental documentation requires at least one borrower has a 24 month rental history verified by:
    - An acceptable VOR* or cancelled checks and/or supporting bank statements for the most recent 24 months must be provided,
    - Borrowers renting from a private landlord must provide cancelled checks and/or bank statements for rental verification,

- Peer to peer payment methods can be considered if properly documented with monthly statements or detailed pay histories
- First-time homebuyer's living rent-free must meet the following requirements:
    - The rent-free period must be the months directly preceding or during the loan purchase application process,
    - The rent-free period is consecutive and does not exceed 12 months,
    - The lender obtains an acceptable 24 month rental history for the time frame immediately prior to the rent-free period, and;
    - The file contains an acceptable letter of explanation from the borrower

Disputed Accounts

Follow the automated underwriting requirements and the applicable Fannie Mae guidelines to determine how to treat the disputed account. The disputed tradeline must be considered in the overall AUS risk assessment.

Qualifying Housing Payment

Follow the manual underwriting requirements and the applicable Fannie Mae guidelines as it relates to the Qualifying Housing Payment.

Qualifying with an Interest Only Mortgage

Borrowers who currently have any of the following, and will be retaining the property associated with this mortgage, must be qualified with the fully amortizing payment and not the interest-only optional payment:

- Interest-only first mortgage;
- Option ARM Mortgage (negatively amortizing).

Bridge or Swing Loans

Payment must be included in the DTI.

Property Settlement Buyout

When a property settlement buyout does not release a borrower from the liability, the debt must be included in the DTI.

Current Principal Residence Pending Sale

If a borrower has sold but not closed on the sale of their departing residence, the debt must be included in the qualifying ratios.

Frozen Credit

Frozen credit is only acceptable when one credit score is impacted. Each borrower must have a minimum of two current active credit scores in order to qualify.

Recurring Obligations-REO Split Ownership

The monthly housing obligation (PITIA) may not be reduced based on the percentage of ownership when ownership is split with non-borrowing individuals. Rental income will be based on the borrower's Schedule E income.

Other Real Estate Owned/Multiple Financed Properties

- The borrower may own a maximum of four financed, one- to four-unit residential real properties, including the subject property (regardless of occupancy type)
    - Borrowers on title to a property and not included on the property Mortgage Note as evidenced in the loan file would not be required to include said property in the maximum property count (see Reserve Requirements for additional reserve requirements for such scenarios).
    - Co-signed Mortgage Notes must be included in the maximum property count.
- Borrowers must have six months PITIA in reserves for each additional property owned by the borrower; this is in addition to the reserves required for the subject property. If additional properties are owned free and clear, the six months of insurance, taxes, and association dues (when applicable) must be documented.
- Properties in the name of a borrower's business, commercial or residential, typically do not need to be included in this count, when the associated mortgage debt is not the borrower's personal obligation and not reported on the borrower's personal credit report or tax returns.
- Financed commercial properties that are the borrower's personal obligation must be included in the count of maximum financed properties owned by a borrower. When a commercial property

is reported on the personal 1040 tax returns, the property is deemed a personal property unless sufficient evidence is provided to support otherwise.

- Vacant land is not typically considered in the count of maximum financed properties.

Assets

Jumbo Core contains the following overlays to Fannie Mae Selling Guide Manual Underwriting requirements related to Assets. For anything not specifically addressed in this section, or elsewhere in these Jumbo Underwriting Guidelines, defer to the applicable manual underwriting sections in the Fannie Mae Single Family Selling Guide.

General Requirements

- All down payment funds, cash to close and reserves must be documented and verified.
- Evidence of liquidation of funds necessary for closing must be provided in the closed loan package.
- For all Loan Programs, the borrower is required to make a minimum 5% down payment from his or her own assets.

Acceptable Assets

The following table indicates whether a particular asset type can be considered for the borrower's minimum contribution, down payment, closing costs, or reserves.

Type of Asset	Minimum Contribution	Down Payment	Closing Costs	Reserves	Not Eligible
Anticipated Savings					x
Borrowed Funds Secured by Borrower's Own Financial Assets (*See Margin Accounts below*)	x	x	x	x	
Borrower Earned Real Estate Commission from Subject Transaction *(limited to primary residence transactions)*	x	x	x		
Bridge Loan *Must be from a financial institution,*	x	x	x	x	

and the borrower must qualify with the bridge loan payment					
Business Assets: *See Business Assets for more information.*	x	x	x	x	
Cash-on-Hand					x
Cash-out from Subject Transaction					x
Cash Value of Life Insurance	x	x	x	x	
College Savings Plans/529 Accounts for which borrower(s) is/are not the Intended Recipient **May only be used as reserves when the account has been liquidated.*	x	x	x	x*	
Community Savings Plans and Lending Clubs					x
Cryptocurrencies such as Bitcoins					x
Custodial Accounts Still Under Custodians Control					x
Disaster Relief Grant: *Provided the funds are not considered loan funds and there is no subordinate lien to be recorded against the subject property.*	x	x			
Earnest Money Deposit (EMD)	x	x	x		
Employer Assistance Programs (*may not result in a lien against the property)*				x	
Funds Drawn Prior to Consummation from an Existing HELOC	x	x	x	x	
Gift Funds: See additional restriction in Gift Funds		x	x		
Gifts of Equity					x

Individual Development Account: *Provided the account does not require a subordinate lien to be recorded against the subject property.*	x	x	x	x	
Individual Development Account Matching Funds					x
Interested Party Contributions (IPCs)			x		
Lot Value (*when purchased or inherited by the borrower)*	x	x			
Margin Accounts	x	x	x		
Retirement Accounts (401K and IRA) See Retirement Accounts for additional guidance.	x	x	x	x	
Stocks/Bonds/Mutual Funds *70 percent of current market value or evidence of liquidation required*	x	x	x	x	
Vested Stock Options / Restricted Stock Units 70 percent of current market value if used for reserves If funds are needed for closing, file must contain evidence of liquidation	x	x	x	x	

Unacceptable Asset Sources

- Anticipated Savings
- Any type of Virtual Currency (including virtual currency that has been liquidated within 90 days of application date)
- Borrowed funds secured by Virtual Currency - including currency that has been liquidated within 90 days of application date or borrowed funds secured by virtual currency
- Cash-on-Hand
- Cash-out from Subject Transaction
- Community Savings Plans and Lending Clubs (Pooled Savings)

- Donations and Grants other than Disaster Relief Grants
- Down Payment Assistance Programs
- Gifts of Equity
- Individual Development Account Matching Funds
- Irrevocable Custodial Accounts (UGMA/UTMA)
- Lot Value (when received as a gift)
- New Simultaneous Financing on Subject Property
- Non-Vested Restricted Stock Units/Stock Options
- Payment Abatements
- Pension Funds
- Pledged assets
- Private Funds (from a secured or unsecured loan)
- Sales Concessions
- Trade Equity
- Undisclosed IPCs

Minimum Down Payment and Cash to Close

- Evidence must be provided to determine that the borrower has sufficient funds to pay the down payment, prepaid items, and closing costs as well as adequate additional cash reserves as the Loan Program requires.
- Evidence of liquidation of funds necessary for closing must be provided in the closed loan package.
- For all Loan Programs, the borrower is required to make a minimum down payment from his or her own assets.
- All down payment funds and cash to close must be documented and verified. Electronic verifications are acceptable.

Gift Funds

Gift funds are eligible for down payment and closing costs. Additional criteria for the use of gift funds in any transaction are provided below:

- Primary residence and second home only
- Purchase and Limited Cash-out only
- Single Family, PUD, and condominiums only
- May not be used towards reserves
- Minimum 5% borrower contribution from their own demonstrated savings must be documented in a liquid account
- Donors must be individuals and may not be a Business or Trust; refer to Fannie Mae for eligible donors
- Gift funds from foreign assets must meet foreign asset seasoning requirements
- The donor may not be, or have any affiliation with, the builder, the developer, the real estate agent, or any other interested party to the transaction
- Maximum 40 percent DTI for first-time homebuyer program; maximum 43 percent DTI for all other loan programs
- Gift funds for the purpose of paying off or reducing debt prior to or during the loan transaction would be considered eligible gift funds, provided all gift fund criteria are met
- Gifts of equity are ineligible
- Gift funds must be evidenced by a fully executed gift letter, evidence of donor's ability, and evidence borrower has received the funds. Funds wired directly to the closing agent are acceptable with documentation evidencing the gift donor is the remitter of the wire and the bank account that originated the wire belongs to the donor.

Business Assets

Business assets are eligible for the borrower's down payment, closing costs and reserves*. The following must be provided:

- The percentage of business assets used in the transaction or considered for reserves may not exceed borrower's percentage of ownership in their business

- Provide access letters from all additional business owners
- Provide evidence the withdrawal of said funds will not negatively impact the business with any one of the following:
    - Cash-flow analysis covering the most recent three months
    - A current balance sheet for most recent quarter
    - A CPA letter
- Large deposits (atypical/inconsistent) must be sourced and documented if funds are being considered for down payment, closing costs, and/or reserves
- Business assets are eligible from any business owned by the borrower(s)

*Business assets are permitted for reserves for loans locked on or after May 15, 2023

Foreign Assets

- All assets considered in the transaction must be located in US bank accounts. Funds in financial institutions located outside of the US will not be eligible for reserves.
- The borrower's source of funds for the down payment and/or closing costs must comply with the Office of Foreign Assets Control (OFAC) Sanctions Programs for funds originating from countries with OFAC sanctions.
- Funds originally sourced from foreign accounts must be seasoned in US Bank accounts for a minimum 90 days from application date to be considered in subject transaction.

Interested Party Contributions (IPCs)

Jumbo Core does not permit IPCs to be used to make the borrower's down payment, meet financial reserve requirements, subsidize a temporary interest rate buydown or meet minimum borrower contribution requirements. Interested parties include, but are not limited to builders, realtors, brokers, and sellers.

Retirement Accounts

- Retirement accounts are an eligible source of funds for closing, down payment, and reserves. When accessing retirement funds for assets to close, evidence of liquidation must be fully documented.
- The portion of self-directed IRA accounts which are invested in real estate or other non-liquid assets is ineligible for reserves.
- Any existing loans secured by a retirement asset must be deducted from the discounted value of the vested balance.
- If using funds from a retirement account for reserves, a discounted value of 70 percent of the vested balance must be used for qualifying based on market volatility.
- Terms of withdrawal from the account program administrator should be provided when using the account for reserves.
- Terms of withdrawal are not required when the 401(k) funds are associated with a previous employer; however, the discounted value of 70 percent of the vested balance must be used for qualifying.
- Terms of withdrawal from IRA accounts are not required.
- Retirement contributions to 401(k) accounts (including repayment of debt secured by these funds) do not have to be considered in DTI calculation.

Reserve Requirements

- Refer to product snapshot.

AUS Requirements

Jumbo Core requires the use of Fannie Mae's Desktop Underwriter® (DU® or Desktop Underwriter) for automated underwriting decisions on all loans. DO® (Desktop Originator®) findings may not be considered a substitute for DU approval.

Regardless of the underwriting method, a full manual underwrite will be required and additional information may be requested at the discretion of the underwriter.

Documentation Requirements

Loans underwritten by Desktop Underwriter may not follow the DU Underwriting Findings Report, including but not limited to Streamlined Refinance requirements. Documentation requirements for Fannie Mae manual underwriting must be provided unless otherwise stated in these Jumbo Underwriting Guidelines or the applicable snapshot.

DU Resubmission Requirements

- The final DU decision must reflect the proper risk class and/or documentation level as the loan was closed, including occupancy type, product type, amortization terms, loan terms, property type, loan purpose, sales price, and appraised value.
- Verification documents must be reviewed and verified values compared to the data submitted to Desktop Underwriter. The terms of the closed loan must match the terms of the final loan submission.
- Resubmission of a loan to DUis required if:
    - The findings are no longer valid due to an expired submission.
    - If the information on the previous submission was not true, complete, or accurate.
    - The terms of the closed loan do not match the terms of the final loan case-file submission. DU allows specific data tolerances for DTI ratios, assets, reserves, etc.; however, Jumbo Core does not use these tolerances. Post-closing submission of a loan to DU is acceptable when necessary to correct loan data on the report.
- Note: Fannie Mae continuously updates DU with new versions of the system; therefore, when a loan is initially run through a specific version of Desktop Underwriter, any underwriting updates for that same loan must be run through the same version of Desktop Underwriter. Any updated Desktop Underwriter versions will not apply to previously submitted loans. Desktop Underwriter (DU) Decisions.

Acceptable Findings

When a loan is submitted to Desktop Underwriter, the only recommendation in the DU Underwriting Findings Report that is acceptable to Jumbo Core is the following:

Decision	Description
Approve/Ineligible	Based on the data submitted to DU, "Approve/Ineligible" findings would be the result of any of the following: Loan amount, LTV, cash-out amounts allowable in accordance with these jumbo underwriting guidelines, and cash-out amounts resulting from non-purchase money second lien payoffs as a rate and term refinance.
Approve/Eligible	Approve/Eligible findings are acceptable for Agency eligible high-balance loans when submitted and locked on the jumbo loan program. These files will be manually underwritten and must meet all applicable jumbo loan guidelines.

Unacceptable Findings

Loans submitted to DU that receive other Desktop Underwriter Recommendations (including but not limited to the following) are ineligible:

- Refer with Caution
- Out of Scope

References

Reference List
Condo, Co-Op and PUD Eligibility
FEMA
Jumbo Core | Retail Product Snapshot
USCIS

Revision History

Revision History is to be used as a reference only and will only provide a summary of document changes. For complete versioning, refer to the Google Docs versioning functionality, which is the system of record.

Date	Description	Approver
5.16.23	Added additional clarification under Documenting Housing and Payment History section for first-time and non first-time homebuyers	Kristen Bellon

5.16.23	Added clarification under Gift Fund Eligibility that donors may not be businesses or Trusts; added gifts from foreign assets must meet seasoning requirement; added direction for funds wired directly to the closing agent	Kristen Bellon
5.16.23	Added High Cost Loans under Ineligible Transactions	Kristen Bellon
5.16.23	Added additional exception to Property Flipping guidance clarifying when the property being transferred via quit claim deed (or transfers) between the property seller and their business, the transaction is not considered a flip	Kristen Bellon
5.16.23	Updated Eligible Condo Project Review Types to align with FNMA review requirements on 2-4 unit condominiums	Kristen Bellon
5.16.23	Added additional eligible VISA types for Non-Permanent Resident Aliens. Added guidance for VISA eligibility when the document expires within 6 months of loan consummation	Kristen Bellon
5.16.23	Added clarification under Self-Employed Documentation Requirements for Profit and Loss and Balance Sheet requirements when the prior year tax returns have not yet been filed	Kristen Bellon
5.16.23	Added Cryptocurrency/Virtual currency and Rental Income from an Accessory Unit Associated with the Subject Property on a purchase transaction as ineligible income sources	Kristen Bellon
5.16.23	Added Mortgage Loans with unrelated multiple significant derogatory credit events are ineligible	Kristen Bellon
5.16.23	Added Pledge Assets as an unacceptable asset source	Kristen Bellon
5.16.23	Updated Business Assets as an eligible source for reserves	Kristen Bellon
3.20.23	Updated guidelines in various areas to align with new product investor	Kristen Bellon
10.27.22	Aligned several topics with FNMA guidance	Kristen Bellon
10.27.22	Removed LPA as an eligible AUS engine; loans must be ran	Kristen Bellon

	through DU only	
10.27.22	Removed Ability to Repay section	Kristen Bellon
10.27.22	Removed all temporary COVID-19 overlays	Kristen Bellon
12.13.21	Immaterial changes. Corrected grammar and formatting to align with company standards.	—
6.23.21	(Effective for loans locked on or after 6/22/21) Added additional clarification for properties with deed restrictions	Kristen Bellon
6.23.21	(Effective for loans locked on or after 6/22/21) Added a second full appraisal as an acceptable valuation product	Kristen Bellon
6.23.21	(Effective for loans locked on or after 6/22/21) Added Deferred Compensation and Asset Depletion as eligible income types	Kristen Bellon
6.23.21	(Effective for loans locked on or after 6/22/21) Self-reported tradelines such as utilities added as an unacceptable tradeline	Kristen Bellon
6.23.21	(Effective for loans locked on or after 6/22/21) Added guidance for borrowers living rent-free	Kristen Bellon
6.23.21	(Effective for loans locked on or after 6/22/21) Added guidance for rental income and mortgage obligation on properties with split-ownership	Kristen Bellon
6.23.21	(Effective for loans locked on or after 6/22/21) Removed several temporary COVID-19 overlays	Kristen Bellon
6.23.21	(Effective for loans locked on or after 6/22/21) Removed requirement for a CPM Expedited Review for a 2-4 unit condominium	Kristen Bellon
6.23.21	(Effective for loans locked on or after 6/22/21) Mortgage loans with gift funds; loan limit increase to $2.0MM	Kristen Bellon
5.26.21	Updated COVID-19 Clarification and Temporary Updates section	Kristen Bellon
10.21.20	• Added guidance for use of multiple accounts when documenting a 3-year continuance of Retirement Income • Updated LTV ratio to 75% for equity in vacated	Kristen Bellon

	property and removed comparison between unpaid principal balance to original sales price as a means to document value • Clarified requirements for omission of installment debts with less than 10-months payments remaining • Updated COVID 19 temporary requirements to clarify that at the time of application, no mortgage loans or rental agreements for which the borrower is obligated on may be in forbearance	
10.20.20	Removed COVID 19 temporary requirement for Prior to Purchase Re-Verification of Employment	Kristen Bellon
7.29.20	Updated COVID 19 Clarification and Temporary Updates section	Kristen Bellon
7.21.20	Added COVID 19 Clarification and Temporary Updates section	Ellen Clayson
1.2020	• Mississippi removed as an ineligible geographic location • Added Texas Section 50(a)(3) as an ineligible transaction • Clarified using any portion of the allowable cash-back from a limited cash-out refinance transaction to pay off debt at the time of consummation will result in the loan being deemed a cash-out refinance • Added lenders can follow Fannie Mae guidance related to 2-4 unit condominium projects • Removed requirement to warrant attached PUD Projects • Added clarification to Non-Permanent Resident Aliens that two full years of uninterrupted employment in the United States is only required for borrowers whose income is being used to qualify • Updated requirements for Retirement Income • Updated Alimony, Child Support and Maintenance Payments to requirement payments be received for a minimum of 10 months and continue for three years from the date of closing • Added to Retirement Accounts that self-directed IRA accounts which are invested in real estate or other non-liquid assets are ineligible for reserves. Added terms of withdrawal from IRA accounts are not required	Ellen Clayson
6.2019	Formatting Changes; Minor Revisions	Ellen Clayson