# Table of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Table of Contents</td>
<td>1</td>
</tr>
<tr>
<td>Introduction &amp; Program Restriction</td>
<td>4</td>
</tr>
<tr>
<td>Appraisal Analysis</td>
<td>5</td>
</tr>
<tr>
<td>Collateral Requirements</td>
<td>5</td>
</tr>
<tr>
<td>General Documentation Requirements</td>
<td>6</td>
</tr>
<tr>
<td>Age of Appraisal</td>
<td>9</td>
</tr>
<tr>
<td>Uniform Residential Appraisal Report - FNMA Form 1004/FHLMC Form 70</td>
<td>9</td>
</tr>
<tr>
<td>Individual Condominium Unit Appraisal Report - FNMA Form 1073/FHLMC Form 465</td>
<td>9</td>
</tr>
<tr>
<td>Small Residential Income Property Appraisal Report - FNMA Form 1025/FHLMC Form 72</td>
<td>10</td>
</tr>
<tr>
<td>Transferred Appraisal</td>
<td>10</td>
</tr>
<tr>
<td>Assets</td>
<td>11</td>
</tr>
<tr>
<td>Eligible Assets</td>
<td>11</td>
</tr>
<tr>
<td>Ineligible Assets</td>
<td>12</td>
</tr>
<tr>
<td>Interested Party Contributions</td>
<td>13</td>
</tr>
<tr>
<td>Assumable</td>
<td>13</td>
</tr>
<tr>
<td>Borrower Eligibility</td>
<td>13</td>
</tr>
<tr>
<td>Eligible Borrowers</td>
<td>13</td>
</tr>
<tr>
<td>Non-Permanent Resident Alien</td>
<td>14</td>
</tr>
<tr>
<td>Eligible Title Vesting</td>
<td>16</td>
</tr>
<tr>
<td>Ineligible Borrowers</td>
<td>16</td>
</tr>
</tbody>
</table>
Fresh Start Manual Underwriting Guidelines

Number of Financed Properties ................................................................. 17

- Trusts ........................................................................................................ 17

Chain of Title ........................................................................................... 18

Construction to Permanent Financing ...................................................... 18

Credit Requirements .................................................................................. 19

- Credit Score ............................................................................................ 19
- Non-Traditional Credit Requirements ...................................................... 19
- Housing Payment History ......................................................................... 20
- Derogatory Housing Events ...................................................................... 20
- Multiple Derogatory Housing Events ......................................................... 22
- Additional Credit Requirements .............................................................. 23

Declining Market ...................................................................................... 24

Documentation Type ................................................................................ 24

Escrow Holdbacks ................................................................................... 24

HPML and QM Rebuttable Presumption .................................................. 26

Income ...................................................................................................... 26

- Eligible Income ..................................................................................... 26
- Residual Income Requirements ............................................................... 30
- Ineligible Income .................................................................................. 31

Ineligible .................................................................................................. 32

IRS 1031 Exchange .................................................................................. 32

Mortgage Insurance ................................................................................. 32

Occupancy ................................................................................................ 32
Pre-payment Penalty ................................................................................................................................................. 32

Property Eligibility ..................................................................................................................................................... 33

Eligible Property Types .............................................................................................................................................. 33
Ineligible Property Types ............................................................................................................................................ 33
Acreage ........................................................................................................................................................................ 34
Federally Declared Disaster Areas .......................................................................................................................... 35
Disaster Inspection and Appraisal Requirements ..................................................................................................... 36
Inspection Requirements ............................................................................................................................................ 36

Property Flipping .......................................................................................................................................................... 37

Non-HPML Flipping Rules ......................................................................................................................................... 38
HPML Flipping Rules .................................................................................................................................................. 39

Ratios ............................................................................................................................................................................. 39

Reserves ......................................................................................................................................................................... 39

Subordinate Financing ................................................................................................................................................... 39

Transaction Types .......................................................................................................................................................... 39

Purchase ......................................................................................................................................................................... 39
Refinance Net Tangible Benefit ................................................................................................................................... 40
Rate Term Refinance .................................................................................................................................................... 40
Cash-out Refinance ....................................................................................................................................................... 42

Underwriting .................................................................................................................................................................. 43

Payment Shock Requirements ....................................................................................................................................... 44
These guides are to be used in conjunction with the Fresh Start Program Summary. The topics covered in this addendum are those that are specific to Fresh Start manual underwriting. Refer to the Freddie Mac/Fannie Mae Seller’s Guide and Fresh Start ARM and Fixed Program Summary for any subject not addressed in this guide.

All loans made under this program must meet the standards of the Dodd-Frank Act Ability to Repay Rule (ATR Rule) for mortgages. The eight requirements of ATR are as follows:

1. Current or reasonably expected income or assets
2. Current employment status
3. Monthly Mortgage payment for the loan in question
4. Monthly payments on other loans secured by the same property
5. Monthly payments for property taxes, insurance and home association fees
6. Debts, alimony or child support obligations
7. Monthly debt to income ratio or residual income, that was calculated using the total of all of the mortgage and non-mortgage obligations as a ration of gross monthly income
8. Credit History (Refer to Appendix Q)

Title XIV of the Dodd-Frank Act amends the Truth in Lending Act (TILA) to provide that “no creditor may make a residential mortgage loan unless the creditor makes a reasonable and good faith determination based on verified and documented information that, at the time the loan is consummated, the borrower has a reasonable ability to repay the loan, according to its terms, and all applicable taxes, insurance (including mortgage guarantee insurance), and assessments.”
Appraisal Analysis

Collateral Requirements

- **Purchases:**
  - One appraisal required for all loans $\leq$ $1,500,000$.
  - Two appraisals required for all loans $>$ $1,500,000$

- **Refinances:**
  - One appraisal required for all loans $\leq$ $1,000,000$.
  - Two appraisals required for all loans $>$ $1,000,000$.

- Appraiser must provide at least 5 comparable sales. Preferably all comparable sales should be closed sales. If the appraiser is unable to provide 5 comparable closed sales, the appraiser may use comparable listings or pending sales, but at a minimum 3 of the comparable sales must be closed sales.

- One-unit properties require a Collateral Desktop Analysis (CDA) ordered by the Lender. The CDA must be obtained from Clear Capital. If a CDA is not included in the loan file, Caliber will obtain one. If 2 appraisals are required based on the loan amount and transaction type, the CDA must be ordered on the lower of the 2 appraisals.

- Two-four unit properties require a field review ordered by the Lender. If the field review is not included in the loan file, Caliber will obtain one.

- Value will be assessed at the lesser of the appraised values or field review. If the difference of value between the appraisal and the CDA is within the acceptable variance tolerance percentage per the below waterfall, the appraised value may be utilized.

- An additional appraisal, beyond the above stated requirement may be ordered instead of a CDA or field review. Lowest of the appraisals must be used. The additional appraisal may be charged to the borrower.

- Caliber will order an acceptable Due Diligence Report required for the subject property.

- Refer to the chart below for collateral requirements:
### Screening Criteria

<table>
<thead>
<tr>
<th>Screening Criteria</th>
<th>Initial Review Type</th>
<th>CDA Recommends Field Review</th>
<th>Variance</th>
<th>&lt;= 65.00%</th>
<th>65.01 - 75.00%</th>
<th>75.01 - 80.00%</th>
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<td>1-Unit</td>
<td>CDA</td>
<td>No</td>
<td>No Variance</td>
<td>Approve</td>
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<td></td>
<td></td>
<td></td>
<td>&gt; 0% and &lt; 5%</td>
<td>Approve</td>
<td>Approve</td>
<td>Review and Approve CDA</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>&gt;= 5% and &lt; 8%</td>
<td>Approve</td>
<td>Review and Approve CDA</td>
<td>Subsequent Field Review Required</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>&gt;= 8% or Indeterminate</td>
<td>Subsequent Field Review Required</td>
<td>Subsequent Field Review Required</td>
<td>Subsequent Field Review Required</td>
</tr>
<tr>
<td>Yes</td>
<td></td>
<td></td>
<td>No Variance</td>
<td>Approve</td>
<td>Approve</td>
<td>Approve</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>&gt; 0% and &lt; 5%</td>
<td>Approve</td>
<td>Review and Approve CDA</td>
<td>Review and Approve CDA</td>
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<td>Review and Approve CDA</td>
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<tr>
<td>2-4 Unit</td>
<td>Field Review</td>
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<td>N/A</td>
<td>Default to Field Review</td>
<td>Default to Field Review</td>
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</table>

### Field Review Variance Threshold

<table>
<thead>
<tr>
<th></th>
<th>8%</th>
<th>8%</th>
<th>5%</th>
</tr>
</thead>
</table>

### General Documentation Requirements

- The appraisal must be Appraisal Independence Requirements (AIR) compliant.
- Transferred appraisals are allowed. Refer to [Transferred Appraisal](#).
- Appraisals may be transmitted electronically as a PDF or XML file. The appraisal report must adequately identify the appraiser, include a reproduced signature of the appraiser whose name appears on the report, and the appraisal was created by the identified appraiser and is complete and unaltered.
- An appraiser may use computer software programs that are designed to reproduce the appraisal report forms. However, the sequence of the information - as well as all of the specific information (including the instructions, entries, directions, etc.) - must be exactly as it appears on the March 2005 hard-copy version of the form(s).
- The appraiser must complete the forms in a way that will clearly reflect the thoroughness of his or her investigation and analysis and provide the rationale for the opinion of market value.
- The appraiser’s analysis should go beyond any limitations of the forms, with additional comments and exhibits being used if they are needed to adequately describe the subject property, document the analysis and valuation process, or support the appraiser’s conclusions.
The appraiser is required, at a minimum, to:

- Perform a complete visual inspection of the interior and exterior areas of the subject property;
- Inspect the neighborhood;
- Inspect each of the comparable sales, at least from the street;
- Research, verify, and analyze data from reliable public and/or private sources, and;
- Report his or her analysis, opinions, and conclusions in the appraisal report.

The following exhibits are required for appraisal reports based on interior and exterior property inspections:

- Evaluation of the Market Conditions Addendum, FNMA Form 1004MC/FHLMC Form 71.
- A street map that shows the location of the subject property and of all comparables that the appraiser used.
- An exterior building sketch of the improvements that indicates the dimensions. (For a unit in a condominium or cooperative project, the sketch of the unit must indicate interior perimeter unit dimensions rather than exterior building dimensions.) Generally, the appraiser also must include calculations to show how he or she arrived at the estimate for gross living area; however, for a unit in a condominium or cooperative project, the appraiser may rely on the dimensions and estimate for gross living area that are shown on the plat. In such cases, the appraiser does not need to provide a sketch of the unit as long as he or she includes a copy of the plat with the appraisal report. A floor plan sketch that indicates the dimensions is required instead of the exterior building or unit sketch if the floor plan is atypical or functionally obsolete, thus limiting the market appeal for the property in comparison to competitive properties in the neighborhood.
- Clear, descriptive interior photographs that, at a minimum, include the main living areas, including bedrooms, bathrooms, kitchen, rec rooms, any/all recent updates, such as restoration, remodeling, renovation, if present, all deferred maintenance, unfinished repairs or adverse condition. Photos are required for all Real Property including outbuildings and structures, pools, spa, etc.
- Clear, descriptive photographs (either in black and white or color) that show the front, back, and a street scene of the subject property, and that are appropriately identified.
Photographs must be originals that are produced either by photography or electronic imaging.

- Clear, descriptive photographs (either in black and white or color) that show the front of each comparable sale and that are appropriately identified. (Caliber Home Loans requires ALL photos to be current and taken by the approved appraiser, (comparable sales, listings and comparable rentals). MLS photos can only be used to exhibit the condition of the comp at the time of sale (if dated sale) but NOT as a replacement for a recent photograph taken by the appraiser. If there is no access to the dwelling (cannot be seen from the street), please include a photo of the mail box or driveway in addition to the MLS photo.

- The following additional forms, if applicable: Appraisal Update and/or Completion Report; Operating Income Statement; Single-Family Comparable Rent Schedule.

- Any other data - as an attachment or addendum to the appraisal report form - that is necessary to provide an adequately supported opinion of market value.

- Each of the appraisal (or property inspection) report forms includes an appraiser’s certification (and, if applicable, a supervisory appraiser’s certification) and a statement of assumptions and limiting conditions. The appraiser may not make a change or a deletion to the appraiser’s certifications, although he or she may make additional certifications on a separate page or form. Acceptable additional certifications might include those required by state law, those related to the appraiser’s continuing education or membership in an appraisal organization, or those related to the appraiser’s compliance with privacy laws and regulations in the development, reporting, and storage of an appraisal and the information on which it is based. (An appraiser may not add additional limiting conditions.) The underwriter is responsible for reviewing any additional certifications made by an appraiser to ensure that they do not conflict with any of the agency policies or with the standard certifications on the various appraisal forms.

- The appraiser’s certification # 23 is an acknowledgment that certain parties to a mortgage finance transaction, other than the lender/client and/or intended user, often rely on the appraisal report. If an appraisal contains additional notices or statements that conflict with certification # 23, the appraisal may not be accepted.
Age of Appraisal

- The appraisal report must not be more than 12 months old on the note date of the subsequent transaction. When an appraisal report will be more than 180 days old on the date of the note (regardless of whether the property was appraised as proposed or existing construction), then the appraiser must inspect the exterior of the property and review current market data using FNMA Form 1004D/FHLMC Form 442, to determine whether the property has declined in value since the date of the original appraisal.
  - At a minimum, when completing the Appraisal Update portion of the report, a photograph of the front of the subject property must be included.
  - If the appraiser indicates that he or she believes that the property has declined in value, a new appraisal must be obtained.
  - If the appraiser indicates that he or she believes that the property has not declined in value, the appraiser must provide an update to the appraisal, based on his or her exterior inspection of the property and knowledge of current market conditions.
  - The inspection and the appraisal update must occur within the 90 days that precede the date of the note.

Uniform Residential Appraisal Report - FNMA Form 1004/FHLMC Form 70

- The *Uniform Residential Appraisal Report* is used to appraise one-unit properties and units in planned unit developments (including those that have an illegal second unit or accessory apartment) based on interior and exterior property inspections.
- In addition, appraisals for units in condominium projects that consist solely of detached dwellings may be documented on this form, if the appraiser includes an adequate description of the project and information about the owners’ association fees and the quality of the project maintenance.

Individual Condominium Unit Appraisal Report - FNMA Form 1073/FHLMC Form 465

- The Individual Condominium Unit Appraisal Report is used to appraise one-unit properties in condominium projects based on interior and exterior property inspections.
Fresh Start Manual Underwriting Guidelines

- If the project is a new project, a newly converted project, or in an area where the property seller owns a substantial number of units, at least 2 of the comps must be outside the influence of the developer, builder, or property seller. Re-sales from within the subject property may be used to meet this requirement. When comps from outside the project are used, they must also be outside the influence of the subject property’s developer, builder, or property seller.

**Small Residential Income Property Appraisal Report - FNMA Form 1025/FHLMC Form 72**

- The *Small Residential Income Property Appraisal Report* is used to appraise two-unit to four-unit properties (including two-unit to four-unit properties in PUD, condominium or cooperative projects) based on interior and exterior property inspections.
- When rental income from the 2-4 unit subject property is being used to qualify the borrower, a *Small Residential Income Property Appraisal Report* must be used to support the income-earning potential of the property.

**Transferred Appraisal**

Transferred Appraisals are allowed per the following guidelines:

- Appraisal Report PDF 1st generation
- Appraisal Independence Requirements (AIR) Certification
- Paid Invoice
- Successful Uniform Collateral Data Portal (UCDP) Fannie & Freddie Submission Summary Report (SSR)
- Appraiser License if not within appraisal report
- Transfer letter authorizing Caliber Home Loans
- Appraisal will not be in Caliber Home Loans name

**Note:** Corrections/Addendums are not allowed to the original appraisal. If supplemental reports require corrections/addendums to the original appraisal, then a new full appraisal report will be ordered and must follow the guidelines in the collateral requirements as addressed in the Appraisal Analysis Chapter.
Eligible Assets

- Refer to the reserves chart.

- Full Asset Documentation is required for both funds to close and reserves. For all asset types, this would include all pages of the most recent two months statements or the most recent quarterly statement or Verification of Deposit.

- The Down Payment must be sourced and seasoned at least 60 days before application date.

- Borrower can provide an acceptable paper trail to source the funds if two months bank statements cannot be provided (inheritance, insurance settlement, lottery, legal settlement, etc.).

- Gifts and gifts of equity are allowed for down payment, closing costs, and reserves with the following restrictions:
  - If the gift/gift of equity is coming from a relative, a minimum borrower contribution from the borrower’s own funds is not required. All funds needed to complete the transaction can come from a gift.
    - Relative: borrower’s spouse, child, or other dependent or any other individual who is related to the borrower by blood, marriage, adoption, or legal guardianship, domestic partner (an unrelated individual who shares a committed relationship with the primary wage earner, currently resides in the same household as the primary wage earner, and intends to occupy the security property with the primary wage earner), fiancé, or fiancée to pay part of the closing costs or to supplement his or her financial reserves.
  - If the gift/gift of equity is not coming from a relative, a 5% minimum borrower contribution from the borrower’s own funds is required. After the minimum borrower contribution has been met, gifts can be used to supplement the down payment, closing costs, and reserves.

- Primary residence only

- Gifts are not allowed on non-arms- length transactions.

- Gifts/gift of equity are not required to meet seasoning requirement.

- Executed gift letter required.
Evidence that sufficient funds to cover the gift are either in the donor’s account or have been transferred to the borrower’s account is required.

- Borrower must disclose, and lender must verify, all liquid and retirement assets.
- Business accounts may be used for down payment, closing costs, and reserves if the borrower is 100% owner of the business. A cash flow analysis or a letter from the business accountant is required to confirm that the withdrawal will not negatively impact the business.
  - Stocks/Bonds/Mutual Funds - 70% may be used for reserves.
- Vested Retirement Account funds – 60% may be considered for reserves, unless borrower is of retirement age (59 ½) at time of application. (70% can be used for reserves). The terms of withdrawal must show the borrower has access to the funds.
- If needed to close, verification that funds have been liquidated (if applicable) is required.
- Large deposits in excess of 25% of monthly qualifying income or any large deposit that is out of the ordinary are required to be explained and source documented in the file.

## Ineligible Assets

- Grant Funds
- Builder Profits
- Employer Assistance Assets
- Cash advance on credit card
- Cash for which the source cannot be verified (cash on hand)
- Commission from sale of subject property
- Salary advance
- Sweat equity (contribution to the construction or rehabilitation of a property in the form of labor or services rather than cash)
- Unverifiable source of funds
- Margined Assets listed within client accounts are not eligible as a source of funds or reserves.
- Stock options and non-vested restricted stock
- Non-vested stock
- Reverse mortgage
- Pension fund
Interested Party Contributions

Amounts in excess of the below limits or additional cash back to the borrower for any contributions that exceed the actual amount of closing costs are considered to be sales concessions and must be treated accordingly (deducted from sales price when calculating LTV).

<table>
<thead>
<tr>
<th>Occupancy Type</th>
<th>LTV Ratio</th>
<th>Maximum IPC</th>
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</thead>
<tbody>
<tr>
<td>Principal residence or second home</td>
<td>All LTV ratios</td>
<td>6%</td>
</tr>
</tbody>
</table>

Assumable

Not eligible for assumption

Borrower Eligibility

Eligible Borrowers

- U.S Citizens
- Permanent Resident Aliens
- Non-Permanent Resident Aliens with an unexpired, acceptable Visa/Employment Authorization Document and a minimum two-year history of credit and employment in the U.S. Refer to the [Non-Permanent Resident Alien](#) section below.
- Non-arms length transactions allowed on primary residences only
- First time homebuyers:
  - A First Time Homebuyer is an individual that has not had a mortgage in the past or owned a home in the past three years.
- Non-Occupant co-borrowers are allowed with the following underwriting requirements:
  - Non-occupying co-borrower’s income may be used for qualifying purposes.
Non-occupying co-borrower’s assets may be used to meet minimum borrower contribution requirements.

Non-occupying co-borrower’s liabilities must be included in the combined DTI.

Combined DTI of ≤ 43%.

All borrowers, regardless of occupancy status, must sign the security instrument and mortgage note.

The non-occupying co-borrower arrangement may not be used to develop a portfolio of rental properties.

Non-Occupant co-borrowers must be family members. Family members are defined as:

- a child is defined as a son, stepson, daughter, or stepdaughter;
- a parent or grandparent includes a step-parent/grandparent or foster parent/grandparent;
- spouse or domestic partner;
- legally adopted son or daughter, including a child who is placed with the Borrower by an authorized agency for legal adoption;
- foster child;
- dependent brother, stepbrother;
- sister, stepsister;
- uncle;
- aunt;
- any other individual related to the borrower by blood.

- Maximum number of borrowers is four.

**Non-Permanent Resident Alien**

- Occupancy type is restricted to primary residences and second homes.
- A valid social security number is required. However, a social security card may not be used as evidence of employment eligibility.
Fresh Start Manual Underwriting Guidelines

- All non-permanent resident aliens must provide evidence of a valid, acceptable visa or EAD as listed within documentation requirements below.

- When utilizing an acceptable visa, a copy of the unexpired visa and a copy of passport must be included in the loan file. The following are acceptable visa classifications:
  - A Series (A-1, A-2, A-3) - These visas are given to officials of foreign governments, immediate family members and support staff. Only those without diplomatic immunity, as verified on the visa, are allowed.
  - E Series (E-1, E-2) Treaty Trader - This visa is essentially the same as an H-1 or L-1. The title refers to the foreign country's status with the United States.
  - G series (G-1, G-2, G-3, G-4, G-5) - These visas are given to employees of international organizations that are located in the United States. Some examples include the United Nations, Red Cross, World Bank, UNICEF and the International Monetary Fund. Verification that the applicant does not have diplomatic immunity must be obtained from the applicant’s employer and/or by the viewing the applicant’s passport.
  - H-1, Temporary Worker - This is the most common visa given to foreign citizens who are temporarily working in the United States.
  - L-1, Intra-Company Transferee - An L-1 visa is given to professional employees whose company’s main office is in a foreign country.
  - TN, NAFTA visa - Used by Canadian or Mexican citizens for professional or business purposes.
  - TC, NAFTA visa - Used by Canadian citizens for professional or business purposes.

- I-797 documents can be utilized in lieu of a visa if it meets the following criteria:
  - I-797 evidences an approval for an acceptable visa class
  - The approval term is not expired
  - Visa extension is current with an end date that meets Caliber Home Loans policy.

- Employment Authorization Documents are permitted as long as they meet the following criteria:
  - If the borrower has <2 years within the US, a copy of a Passport used to enter the country and a copy of the I-94 issued by the USCIS are required.
  - If the borrower has ≥ 2 years within the US, copies of the current and previous EAD cards are required.
Loans to non-citizens who have been granted political asylum require underwriting to non-permanent resident alien guidelines. A grant of asylum is for an indefinite period. Asylees and refugees must provide:

- An unexpired Arrival and Departure Records (INS Form I-94); and
- Copies of their employment authorization documents.

If the authorization for temporary residency status will expire within 3 months or if it is set to expire, confirmation from USCIS that employer has re-filed petition of extension is required. If there are no prior renewals, proof of a three year continuance must be determined, based on information from USCIS.

An individual classified under Diplomatic Immunity, Temporary Protected Status, Deferred Enforced Departure, or Humanitarian Parole is not eligible. Verification the borrower does not have diplomatic immunity can be determined by reviewing the visa, passport or the U.S. Department of State’s Diplomatic List at http://www.state.gov/s/cpr/rls/dpl/.

Non-permanent residents must be employed in the U.S.

If a non-permanent resident alien is borrowing with a U.S. citizen, it does NOT eliminate or reduce any ISA or other non-permanent resident alien documentation requirements.

ITIN’s are not allowed.

Transitional Status (change of status/categorization) will be reviewed on a file by file basis.

Eligible Title Vesting

- Individuals
- Joint Tenants
- Tenants in Common
- Revocable Trusts, where individual Borrower(s) execute both the Note and Security Instrument
- Non-Purchasing Spouse allowed

Ineligible Borrowers

Ineligible Borrowers include, but are not limited to:

- Irrevocable trusts or blind trusts
- Limited Liability Partnerships (LLPs) and Limited Liability Corporations (LLCs)
Fresh Start Manual Underwriting Guidelines

- General partnerships, corporations
- Foreign Nationals that do not meet the USCIS documentation requirements as defined in the Non-Permanent Resident Alien section.
- An individual classified under Diplomatic Immunity, Temporary Protected Status, Deferred Enforced Departure, or Humanitarian Parole

**Number of Financed Properties**

- Primary Residence
  - Unlimited financed properties permitted
- Second Home:
  - Maximum 20 financed properties w/FICO >=700
  - Maximum 10 financed properties w/FICO <700 - 660
  - Maximum 4 financed properties <660
- Maximum four financed properties with Caliber Home Loans

**Trusts**

Living (“inter-vivos”) trusts must comply with local state regulations and the following requirements to be eligible for financing.

To be eligible the borrower must be:

- The settler, or the person who created the trust, and
- The beneficiary, or the person who is designated to benefit from the trust, and
- The trustee or the person who will administer the trust for the benefit of the beneficiary, the borrower.

Eligible borrowers include:

- One or more borrowers with one living trust, or
- Two or more borrowers with separate living trusts, or
- Multiple borrowers with one or more holding title as an individual and one or more holding title as a living trust.

Eligible property includes:
Fresh Start Manual Underwriting Guidelines

- 1-4 unit primary residences
- 1 unit second homes

The following documentation is required:

- The trust was validly created and is duly existing under applicable law,
- Attorney's Opinion Letter from the borrower's attorney verifying all of the following:
  - The trust is revocable,
  - The borrower is the settler of the trust and the beneficiary of the trust,
  - The trust assets may be used as collateral for a loan,
  - The trustee is:
  - Duly qualified under applicable law to serve as trustee,
  - The borrower,
  - The settler,
  - Fully authorized under the trust documents and applicable law to pledge, or otherwise encumber the trust assets.

- A complete copy of the trust documents certified by the borrower to be accurate, or a copy of the abstract or summary for jurisdictions that require a lender to review and rely on an abstract or summary of trust documents instead of the trust agreements must be provided in the loan file.

Chain of Title

All transactions require 12 month chain of title that also includes sales price of property at time of transfer. Preliminary Title or Title Commitment must be no more than 60 days from the note date.

A date down/title supplement is required after 60 days. Property seller on the purchase contract or borrower (on a refinance) must be the owner of record on title.

Construction to Permanent Financing

A two time close in which the proceeds are used to pay off interim construction financing and replace with permanent financing is allowed.
Credit Requirements

Credit Score

- Residential Mortgage Credit Report or tri-merged in file from all three repositories is required
- The representative credit score for each borrower is the median of the three scores (or lesser of two, if only two scores are returned); the representative score for the loan is that of the borrower with the lowest representative score
- Each Borrower must have a minimum of 2 open tradelines (installment, revolving, mortgage, etc.) that have been reporting for a minimum of 12 months. Joint accounts count as one tradeline for each borrower.
  - 1 of the 2 must be open and active within the last 12 months
- Authorized User Accounts cannot be used to satisfy minimum trade line or FICO requirements.
- A borrower not using income to qualify and showing $0 earned or is not employed; does not need to meet the minimum tradeline requirements listed above.

Non-Traditional Credit Requirements

- IF the borrower cannot meet the above tradeline requirements, the following can be considered to offset the absence of standard credit reporting:
  - Provide a minimum of 2 account references with a 0x30 payment history in the most recent 12 months (monthly, quarterly, semi-annual, and annual payments are allowed). 2 of the following may be used as credit references:
    - Rental housing payment
    - Utility Bills (if utilities are not included into a rental housing payment) which could include but not limited to electricity, gas, water, phone or cable/satellite television service
    - Medical Insurance that is not deducted from payroll
    - Automobile Insurance
    - Life Insurance Policies
    - Payment of household or renters insurance
- Credit References must be in the borrower’s name.
Fresh Start Manual Underwriting Guidelines

- Credit References are required to be provided to a credit reporting vendor to create a non-traditional credit report to validate payment history.
- Non-traditional credit is allowed with the following parameters:
  - Primary Residence only
  - Purchase and rate term refinance transactions only
  - Max 43% DTI
  - Refer to the Program Summary for FICO requirements
  - 3 additional months of reserves per program guidelines
  - Non Traditional credit is not allowed to be used for a 0 FICO or 0 reporting accounts. Non Traditional credit must be used in conjunction with existing established credit.

Housing Payment History

- No prior mortgage or rental payment history required.

Derogatory Housing Events

- No seasoning required for any derogatory housing event (BK/PFC/FC/DIL/SS), but the derogatory housing event must be completed prior to application. However, a letter of explanation from the borrower is required to explain the reason for why the derogatory housing event occurred.

  - Bankruptcy, pre-foreclosure, foreclosure, mortgage charge-off, deed-in-lieu, and Short Sales:
    Borrower’s currently in Foreclosure process may refinance the distressed loan provided that there is a substantial reduction in PITIA payment above and beyond the standard Net Tangible Benefit requirement of 5% based on the underwriter’s discretion. An explanation must be obtained explaining the cause of the foreclosure and how the new loan will assist in preventing foreclosure in the future. If a foreclosure is included in a Bankruptcy, the foreclosure must be transferred out of the borrowers name prior to the application date and the Bankruptcy dismissal/discharge date must be prior to the application date.

  - Loan Modifications/Restructured Loans or Short Payoff Refinances:
    - Transactions where the subject property will be a short payoff are not eligible for financing.
    - Transactions where the subject property is a subsequent refinance of a previously modified/reestructured loan is allowed as long as it is complete prior to application.
Transactions where the modified/restructured loan or short payoff was completed on a property other than the subject property is allowed as long as it is complete prior to application.

- **Loan modification definition:** A loan that was legally modified after loan closing in a way that changed any of the loan terms or attributes reflected in the original note.

- **Restructured or short payoff refinance definition:** A loan in which the terms of the original transaction have been changed resulting in either 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:
  - Forgiveness of a portion of principal 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.

- In many cases, a borrower may not disclose that their existing mortgage loan has been restructured. The credit report may show a restricted loan as “settled for less than owed”. If the credit report does not specify this, scrutinize the mortgage balance reported on the credit report versus the payoff balance. If the two balances do not match and the difference is more than unpaid interest or prepayment penalties, the loan may have been restructured.

**CAIVRS**

- Borrowers do not need to be screened using HUD’s Credit Alert Interactive Voice Response System (CAIVRS); however if the Lender is aware that the borrower is currently on CAIVRS, the loan may still be eligible if the below parameters are met.

- CAIVRS delinquency records on the following do not need to be seasoned:
  - the Department of Housing and Urban Development (HUD);
  - the Department of Veterans Affairs (VA);
  - the Department of Education (DOE);
  - the Department of Agriculture (USDA); and
  - the Small Business Administration (SBA) loans.
CAIVRS delinquency records are **not** allowed if they are loan defaults on one of the following:
- the Federal Deposit Insurance Corporation (FDIC); and
- the Department of Justice (DOJ).

### Multiple Derogatory Housing Events

- If there are multiple housing events tied to a bankruptcy, such as properties that were included in the bankruptcy, which reported pre-foreclosure, foreclosure, deed-in-lieu, modification, or short sale on the credit report, Caliber would consider the Bankruptcy a single event.
- A derogatory housing event (defined above) that occurs within [24] months of a Chapter 7 Bankruptcy and is the result of the same event should be viewed as a single derogatory event so long as the borrower had only one housing event. Caliber has discretion to determine that a bankruptcy linked with a single housing event, regardless of time, may be viewed as a single derogatory event so long as there is a satisfactory letter of explanation (LOE) included in the loan file.
- Multiple housing events that occurred within 24 months of each other on the same property may be viewed as a single derogatory event. Caliber has discretion to determine that multiple housing events on the same property, regardless of time, may be viewed as a single derogatory event so long as there is a satisfactory letter of explanation (LOE) included in the loan file.
- Two or more borrowers with individual 1 time derogatory housing event are not cumulative, and do not constitute as multiple derogatory housing events. For example, if the borrower has a bankruptcy and the co-borrower has a foreclosure, this is not be considered multiple derogatory housing events.
- **Multiple Derogatory Housing Events** (Foreclosure, Short Sale or Deed in lieu that were not included in the bankruptcy) per borrower are allowed within a 7 year period per the Multiple Derogatory Housing Event Matrix. Only 1 bankruptcy is allowed in the last 7 years. Multiple derogatory housing events could be separated by months or years depending upon the activity, location or action taken. Each multiple derogatory housing event loan will require a write up with an explanation of why each event occurred. The derogatory housing events must be complete prior to application. Refer to the [Program Summary](#) for FICO, LTV, loan amount, and reserve requirements.
Additional Credit Requirements

- A written explanation for all inquiries within 90 days is required
- All Judgments or liens affecting title must be paid
- Non-title charge-offs and collections exceeding $1,000 (either individually or in aggregate) must be paid subject to the below additional factors.

- Medical Collections:
  - IF the aggregate balance is \( \leq \$2,000 \), the balance does not need to be paid off prior to close
  - IF the aggregate balance is \( > \$2,000 \) but \( \leq \$5,000 \), the borrower is not required to pay off the collection but is required to have a 5% payment included in the DTI calculation based upon the balance reported on the credit report.
  - IF the aggregate balance is \( > \$5000 \), the borrower is required to pay off the collection prior to closing with proof paid provided.

- Student Loan Collections:
  - If the aggregate balance is \( \leq \$25,000 \), the borrower is not required to pay off the collection but is required to have a 5% payment (or actual payment if in payment plan) included in the DTI calculation based upon the balance reported on the credit report.

- All past due accounts must be brought current prior to closing. Excluding Student Loans and collections that are under the above thresholds.

- Disputed Tradelines
  - Unresolved disputed accounts must be removed.
    - However, unresolved disputed accounts with both a $0 balance and last active date greater than 24 months ago are not required to be removed.
    - Unresolved disputed accounts that were either active within the last 24 months or have a balance, must have documentation in the file to support the dispute or the dispute must be removed.
    - Upon review of the documentation the Underwriter must determine if the dispute should be removed or may be allowed to remain on credit (such as in the case of consumer identity theft).
Declining Market

If appraiser denotes declining market, reduce LTV by 5% from maximum financing limits.

Documentation Type

- Full income and asset verification per Appendix Q.
- Completed, signed and dated final Fannie Mae 1003 Application.
- All credit documentation must be dated within 90 days of closing. The most recent bank statement to verify the source of funds must be dated no more than 45 days earlier than the date of the loan application, and not more than 90 days earlier than the date of the Note.

Escrow Holdbacks

- All Escrow Holdback items must be:
  - Minor in Nature (minor plumbing leak, holes in window screens, etc.)
  - Not considered a safety or soundness issue.
  - Does not affect livability or structural integrity of the subject dwelling/property.
  - Does not impact the marketability of the subject property.
  - Does not affect the ability to obtain an occupancy permit (if required by local jurisdiction).
- Note: The appraiser may complete the appraisal “as is” but these items must be reflected in the appraiser’s opinion of value.
- Maximum allowable holdback cannot exceed 5% of the value of the property.
  - Exceptions will be considered for these amounts per Portfolio exception policy.
- Allowed on purchase and rate/term refinance transactions on new or proposed construction and existing properties.
- Allowed on Cash-Out transactions where the funds are to be used for the improvements.
- All occupancy types allowed.
- Only available on 1 -4 unit properties, PUD (attached and detached), Condos (detached only) and Modular Homes.
Fresh Start Manual Underwriting Guidelines

- The Escrow amount will be calculated at 150% of the cost to cure estimate. If the contractor or builder offers a guaranteed fixed-price contract for completion of the improvements, the funds in the completion escrow only need to equal the full amount of the contract price.

- Appraisal guidelines per the Collateral Requirements section are required.

- A certified contractor /appraiser must provide a written estimate itemizing all items that are considered incomplete with a cost to cure.
  - The items that are considered incomplete must state the improvements were completed in accordance with the requirements and conditions in the original appraisal report and be accompanied by photographs of the completed improvements. Final Inspection would tie out if the work was completed as planned, condition and establishment of value per the 1004d.

- The completion escrow may not adversely affect the mortgage insurance or title insurance.

- When the certificate of completion is obtained, the Seller must release the final draw from the escrow account which will include any funds in excess of the amount needed to pay for the completion of the postponed items stated on the certificate of completion.

- Escrow Holdback period not to exceed 180 calendar days (exceptions outside of this timeframe due to weather, parts of the sale contract, or does not affect the ability to obtain a occupancy permit can be considered).

- Borrower Disclosure Information:
  - Terms of the escrow holdback account are to be communicated to the borrower at the time of discovery.
  - Process is to be defined as follows:
    - Upon discovery that the property is incomplete or damaged, a review of cost to cure (if provided by appraiser) is to be discussed with the borrower.
    - In case that the appraiser is unable to provide a cost to cure, a certified/licensed contractor is to be contacted by the client to obtain an estimate for all items that are outstanding or considered damaged/nonfunctional at the time of the appraiser.
  - An internal account must be established from the borrowers own funds to hold in escrow until the repairs/work is completed.
  - A satisfactory final inspection will be required to confirm completion.
Fresh Start Manual Underwriting Guidelines

- Caliber will leave the work of managing the escrow funds with the Seller at time of loan funding. It will be the Seller’s responsibility to monitor and disburse the funds in escrow and provide Caliber with a clear final inspection.
- Caliber will require delivery of the 1004D confirming completion on loans where appraisal is "subject to" completion of improvements and the final title policy endorsement that ensures the priority of the first lien.

HPML and QM Rebuttable Presumption

Caliber will purchase Portfolio loans that exceed the federal higher priced mortgage loan ("HPML") threshold and/or are classified as QM Rebuttable Presumption Loans. Lenders must comply with all HPML and Ability to Repay regulations.

Income

Eligible Income

- Full income documentation is required per Appendix Q.
- Employed Borrowers: Most Recent Paystub dated within 120 days of note date, but no more than 30 days prior to application date. Paystub should cover a minimum of 30 days. Two years W2’s are required. If a Request for Verification of Employment, Form 1005 is used, the file must also include paystubs covering a 30 day period and the most recent year’s W-2. If an automated verification system, such as The Work Number is utilized, then no Paystub or W-2 is required. If the paystub does not contain YTD earnings, then a WVOE of employment is required.
- Bonus or Overtime:
  - Bonus and overtime income can be used for qualifying if the income has been received for the past two years, and income is likely to continue.
  - Periods of less than two years may be acceptable, provided the underwriter can justify and document in writing the reason for using the income for qualifying purpose.
  - If either type of income shows a continual decline, the underwriter must document in writing a sound rationalization for including the income when qualifying.
A period of more than two years must be used in calculating the average overtime and bonus income if the income varies significantly from year to year.

Obtain the following documents:

- A completed Form 1005 or Form 1005(S), or
- The borrower’s recent paystub and IRS W-2 forms covering the most recent two-year period.

- Military Income:
  - Military personnel may be entitled to different types of pay in addition to their base pay. Flight or hazard pay, rations, clothing allowance, quarters’ allowance, and proficiency pay are acceptable sources of stable income, as long as the lender can establish that the particular source of income will continue to be received in the future.

- Commission Income
  - Commission income must be averaged over the previous 2 years; however, commission income that has been received for 12 to 24 months may be considered as acceptable income, as long as the income will continue and sound rationale for accepting the commission income.
  - To qualify commission income, the following must be provided:
    - Copies of signed tax returns for the last two years; and
    - The most recent pay stub
  - Any non-reimbursed business expenses must be subtracted from the gross commission income.

- Secondary Employment:
  - Verification of a minimum history of two years of uninterrupted secondary employment income is recommended. However, income that has been received for a shorter period of time (no less than 12 months) may be considered as acceptable income, as long as there are positive factors to reasonably offset the shorter income history.
  - A borrower may have a history that includes different employers, which is acceptable as long as income has been consistently received.

- Seasonal Employment:
Verify that the borrower has worked in the same job (or the same line of seasonal work) for the past two years.

Confirm with the borrower’s employer that there is a reasonable expectation that the borrower will be rehired for the next season.

- Self-employed Borrowers (sole proprietorships, corporation, “S” corporation/limited liability, or partnership), where borrower has ≥25% or more ownership interest, must provide the following documentation:
  - Signed, dated individual tax returns, with all applicable tax schedules for the most recent two years; and
  - For a corporation, “S” corporation, or partnership, signed copies of Federal business income tax returns for the last two years, with all applicable tax schedules; and
  - Full profit and loss (P&L) statement and balance sheet for current year to date. The previous year P&L and Balance Sheet are also required if the previous year’s income is not documented by validated personal and business income tax returns.
  - Income documents are required regardless of whether income is being used for qualifying purposes per Appendix Q.
  - Follow FNMA’s calculation for Self Employed borrowers.

- Gaps in Employment (per Appendix Q): The borrower’s employment must be verified for the most recent two full years. Allowances can be made for seasonal employment, typical for the building trades and agriculture, if verified.
  - The end dates/start dates of any job changes within the most recent two full years must be verified with either paystubs, VOEs, or employment contracts to ensure that there are no gaps in employment history.
  - Any gaps in employment over one month in the past two years must be satisfactorily explained in writing by the borrower.
  - Multiple job gaps or frequent changes in employment in the past 24 months should be carefully reviewed to determine if the borrower’s employment is stable and likely to continue.
  - If the borrowers have been employed less than two years but were previously in school or in the military, a copy of the diploma or discharge papers must be obtained.
If the borrower is re-entering the workforce, obtain documentation to support that the borrower has been at the current employment for a minimum of six months and documentation to show a previous work history.

- In addition, Verbal Verification of Employment required for all borrowers and must be completed:
  - Within 10 business days prior to the closing date for employment income
  - Within 30 calendar days prior to the closing date for self-employment income (VVOE for Self Employed income should include verification of a phone listing and address for the borrower’s business OR verification through a third party such as a CPA, regulatory agency or applicable licensing bureau. If contact is made verbally, the loan file must be documented to identify both the source of the information obtained and the name & title of the person who obtained the information.

- 4506T/Tax Transcript Policy:
  - IRS Form 4506T is required to be signed and executed during the origination process, and transcript documentation for the most recent two years must be provided in the closed loan file.
  - For self-employed borrowers, this applies to both personal returns and business returns (for businesses where borrower has 25% or more ownership and the income from the businesses are being used for qualification).
  - Full 1040 tax transcripts for all years of income received must match W-2s and signed tax returns.
  - Income not used in Qualifying Income (either as income or liability) should not require IRS transcripts.
  - Form 4506T must also be signed at closing.

- Rental Income:
  - Rental income derived from a multiple unit subject property where the borrower resides in one or more units and charges rent to tenants of other units may be used for qualifying purposes.
  - Rental income cannot be used on purchase transactions, but can be considered for refinance transactions.
The rental income can be considered when the borrower has claimed the rental income from the other units on Schedule E of their 1040 tax return (as evidenced by the 1040 IRS transcript) for at least the most recent tax year.

- Projected rent:
  - May be considered gross income, only after deducting vacancy and maintenance factors, and
  - May not be used as a direct offset to the mortgage payment.

**Rental Income Calculation:**

- If the property was acquired subsequent to the most recent tax filing year, a signed lease agreement should be used to calculate qualifying rental income.
- Rental income should be calculated using the 1040 tax return (Schedule E) information.
  - In the event rental income is reporting for only 1 year, a 12 month average of the rental income can be used.
  - If the rental property has been owned by the borrower for equal to or more than two years, the rental income should be calculated using 1040 tax return (Schedule E) information averaged for the last 24 months. If the rental income declined in the most recent tax return then a 12 month average of the prior year rental income should be used.
  - Current lease is required to be provided on each rental property.

**Boarder income:**

- Rental income from roommates or boarders in a single family property occupied as a primary residence is acceptable.
- The rental income may be considered effective income if shown on the borrower’s tax return. If not on the tax return, rental income paid by the roommate or boarder may not be used in qualifying.

**Residual Income Requirements**

- All loans are required to be validated thru the Caliber Home Loans Residual Calculator and verified with the Residual Income Table.
- The residual income must be equal to or more than the minimum requirement per the Residual Income Table. Loans that fail to meet the minimum requirements are not eligible for loan approval.
- Residual income is calculated per the below:
Add all proposed housing costs, including monthly mortgage payments, insurance and taxes or the monthly escrow account charges. Also include the estimate of monthly utility charges, such as electricity, water, and if applicable heating oil or natural gas. For estimated maintenance and utilities, multiply the square feet living area of the property by $0.14.

Add the total monthly payments that the borrower makes for car loans, credit cards, alimony, child support and other regularly recurring monthly debts.

Add the proposed housing costs and monthly payments together.

Subtract the combined total of the proposed housing costs and monthly payments from the monthly gross income, and, if applicable the spouse’s gross income.

**Ineligible Income**

- Asset Dissipation
- Asset Depletion
- Educational benefits, such as VA benefits or scholarships
- Lump sum payments such as inheritances or lawsuit settlements (may be verified as assets to close)
- Payments that are received for purchase or reimbursement of specified items
- Retained earnings
- Reverse Mortgage Loan proceeds
- Secondary income that will continue for less than three years
- Taxable forms of income that the borrower does not declare on federal income tax returns
- Unverifiable income
- Value of a company furnished automobile
- Value of employment benefit packages that are not received as cash wages
- Lump sum payments of lottery earnings that are not ongoing
- Non-borrower spouse income
- Student loans/grants
- Allowance income (for example, an allowance received from a family member)
- Stock options
- Room and board received for the borrower’s principal residence.
- Severance Pay
Fresh Start Manual Underwriting Guidelines

- Trailing wage earner income
- Projected Income
- Marijuana Related Business (MRB) employment and income

Ineligible

- Temporary buy downs
- Conversion (modification) loans
- Construction loans
- Texas Section (a)(6)
- Balloon Mortgages
- Section 32 (HOEPA)
- Caliber does not offer Portfolio Products in Hawaii, Maine and New York.

IRS 1031 Exchange

Not allowed.

Mortgage Insurance

Not required.

Occupancy

- Primary
- Second Home

Pre-payment Penalty

Not permitted
Eligible Property Types

Eligible property types include:

- Single Family (Detached, Semi Detached, Attached)
- 2-4 units
- PUD (Detached, Attached)
- Townhomes
- Leasehold Estates
- Multiple parcels allowed per Fannie Mae guidelines.
- Warrantable condominiums. (Attached and Detached) Warranty must meet FNMA’s project review guidance. Caliber Home Loans will not finance more than 25% of the units in any one project.

Non-Warrantable Condominiums will be reviewed and approved by Caliber Home Loans’ Condo Team. Refer to the Non Warrantable Condominium Risk Level. Final Risk Levels are determined by the Condo Team after a Full Review is performed.

Ineligible Property Types

Ineligible Property Types include, but are not limited to:

- Cooperative units
- Manufactured homes
- Dome properties
- Mixed use properties
- Log Homes
- Unique properties
- Agricultural zoned
- Properties with more than 10 acres
- Mobile homes
- Houseboats
- Timeshares
Fresh Start Manual Underwriting Guidelines

- Hobby farms
- Working farms, ranches, orchards, and/or commercial operations
- Property used for commercial purposes
- Unimproved land
- Residences lacking full kitchen and full bathroom facilities
- Hotel Condominiums (Condominium Hotel) Hotel or motel conversions, or conversions of other transient properties (i.e.; lodge, motor inn, etc.)
- Properties in less than average condition as documented by the appraisal
- Properties sold at auction by the builder, developer, or construction lender are not eligible.
- Previously approved condominium and Planned Unit Development (PUD) projects are not acceptable if they have been sold at auction.
- Foreclosed properties located in a state where a redemption period is allowed (allowed in some states for both Tax Sales and Judicial Foreclosures) until: The redemption period has expired AND the foreclosure sale had been confirmed AND clear and marketable title can be obtained.
- Land Contracts
- Any property not zoned residential.

Acreage

- Max 10 acres
- Maximum land value for all acres:
  - Rural properties – Not to exceed 35%. The land value would be based on total acreage.
  - Non-rural Properties – No maximum land value as long as the property conforms to the area.
- Working farms, commercial operations, or any other income producing properties are not allowed.
- The primary use of the property must be residential and zoning must allow for residential use. Some communities have enacted a zone comprised of land located in an agricultural area but not suited to farming. An example of this type of zoning is A-3. Residential development is allowed in this zone, and while not limited to, is typically one home on one acre or less with sewer services or the minimum acres needed for on-lot sewage disposal. As the intended and
allowable use of the land in this zone is residential and not agricultural, despite a prefix of agricultural in the zoning, properties are eligible as long as all other eligibility requirements are met.

- Properties on privately owned and maintained streets require a private road maintenance agreement, except for properties in California. If the property is located within a state, other than California, that has statutory provisions that define the responsibilities of property owners for the maintenance and repair of a private street, no separate agreement or covenant is required as long as the statutory provisions provided in the file.
- The appraiser must consider all acres of the subject property and the comparables must be of similar size.
- The property must be appraised and the final conclusion and estimate of value must be based on the actual acreage and lot size.

**Federally Declared Disaster Areas**

- If the property is located in a county where a Disaster Declaration has been issued, an acceptable recertification of value is required prior to closing the loan.
- If the property is not in a county where a Disaster Declaration has been issued, no additional action is required.
- If the property is in a county with an Emergency Declaration, no additional action is required. Should the county receive a Disaster Declaration by FEMA at a later date; a recertification will be required prior to closing the loan.
- Caliber Home Loans, at its discretion may choose to require a property inspection in advance of a FEMA Disaster announcement to confirm no property damage prior to closing/funding.
- Lock extensions due to a disaster related delay will be handled on a case by case basis.
- Properties located in or within close proximity to federally declared disaster areas for which individual assistance is available are subject to additional restrictions.
- Note that these restrictions do not apply to counties for which no individual assistance is available unless otherwise determined by Caliber Home Loans or individual Investor requirements.
- All federally declared disaster areas with incident end dates within the past 12 months can be found on [FEMA’s Disaster Website](https://www.fema.gov/disaster-website).
All loans with appraisals:

- If the appraisal was performed on/after the FEMA incident end date, the appraiser must comment on the condition of the property and any affects to the marketability. If the appraisal indicates damage, a disaster inspection is required, refer to the below inspection requirements.
- If the appraisal was performed before the FEMA incident end date, then a Disaster Inspection must be performed, but before closing. Refer to the below inspection requirements.

**Inspection Requirements**

**Standard Disaster Inspection**

- The Disaster Inspection must include exterior photos, verifying that the property is undamaged and that the recent disaster event has had no effect on the property’s value or marketability. Inspection should be performed by the original appraiser when possible, or may be performed by another licensed appraiser, by a licensed Property Inspector, or by a nationally recognized field company.
- If Damage is Noted by the Inspection:
  - If the property has been damaged and the damage does not affect the safety, soundness, or structural integrity of the property and the repair items are covered by insurance, the loan may close/fund before the damages are completed. A certified contractor/vendor/appraiser (not the borrower) must provide a written estimate itemizing all incomplete work and the cost to complete each item. Evidence that proof of sufficient insurance is available for the borrower’s benefit to guarantee the completion of the repairs must be documented. Form 1004D/442 “Appraisal Update and/or Completion Report” (Part B) must be provided to document that the repairs have been completed within 30 days of closing.
  - If the property was damaged and the damage is uninsured or the damage affects the safety, soundness, or structural integrity of the property, the property must be repaired prior to closing.
Property Flipping

- Property flip transactions refer to the process of purchasing an existing property, then immediately reselling it for a profit. Property flips are not necessarily illegal unless the transaction includes an act of fraud or misrepresentation such as an inflated appraised value. Property flip transactions most often, but not always, involve distressed properties acquired at a discounted price, then resold at an increased sales price to an uninformed buyer.
  - Acceptable property flip transactions are sales of properties that have been substantially improved through legitimate and verified renovations since the property was acquired by the seller. Any increase in the sales price over the seller’s acquisition cost should be representative of the market given the improvements made to the subject property.

- Property flip transactions will be considered as follows:
  - The property seller must be the owner of record.
  - A complete/full appraisal is required.
  - Loan must not reflect any interested party characteristics.

- There are several indications that are common to property flipping. Loan files with property flipping indication(s) require a higher level of scrutiny during the loan review. Some examples of indicators include, but are not limited to:
  - Several ownership changes within a few months reflected on title or in Core Logic report.
  - The appreciation of the subject property exceeds the typical appreciation in the market.
  - The seller recently acquired the property for a significantly lower price, or there have been several transfers of the property according to the tax assessment records.
  - No real estate agent is involved in the transaction.
  - The property was recently in foreclosure, or acquired at an REO sale at a considerably lower sales price.
  - Parties to the transaction are affiliated by business relationships, or related by birth or marriage.
  - Owner listed on the appraisal and/or title does not match the property seller on the sales contract.
  - Sales contract has an unusually large earnest money deposit held by the property seller.
Unusual fees or credits are reflected on the HUD-1/Closing Disclosure.

Title commitment references other deeds to be recorded simultaneously.

Property seller is a corporation such as an LLC.

Comparable sales used in the appraisal report are properties involving the same seller and/or the same real estate broker as the subject property in an attempt to artificially inflate the market.

- Exempt transactions include:
  - Re-sales of properties purchased by an employer or relocation agency in connection with an employee relocation. A relocation agency DOES NOT include individual real estate agents that advertise themselves as relocation experts and who purchase properties from persons who are relocating from the area.
  - Property inherited by the seller.
  - Sales of properties by state and federally charted financial institutions (lender or servicer), Government Sponsored Enterprises (e.g. Fannie Mae and Freddie Mac), U.S. Government, local or state agencies, or MI Companies when the property was acquired through foreclosure or deed in lieu of foreclosure.
  - Sales of properties acquired through a divorce settlement.

**Non-HPML Flipping Rules**

**Sales within 0-90 days of the seller’s acquisition**

- Properties acquired by the seller within 90 days preceding the current sales contract are acceptable provided the increase in the sales price is less than 20%.

- Properties with a sales increase of 20% or more require either a Collateral Desktop Analysis (CDA) or Desk Review to support the increase in value.
  - If the value increase is due to recent renovations or improvements, the appraiser must supply interior photos of the renovations and comment on the cost of the repairs/renovations and likely contribution to the value increase.
  - Receipts, building permits and/or signed contracts must be submitted.

**Sales > 90 days of the seller’s acquisition**
Fresh Start Manual Underwriting Guidelines

- If the sales price has increased 20% or more since the most recent purchase, the increase must be justified.
  - If the value increase is due to recent renovations or improvements, the appraiser must supply interior photos of the renovations and comment on the cost of the repairs/renovations and likely contribution to the value increase.
  - Receipts, building permits and/or signed contracts must be submitted.

**HPML Flipping Rules**

- Applies to loans exceeding the Higher Priced Mortgage Loan threshold under 1026.35:
  - Sales within 0 – 90 days of seller’s acquisition and purchase price increased > 10%
  - Sales within 91 – 180 days of seller’s acquisition and purchase price increased > 20% an additional appraisal with an interior inspection of the subject property is required (borrower cannot be charged for the 2nd appraisal)

**Ratios**

Debt to income ratios are capped at 50%. All loans must meet residual income requirements.

**Reserves**

Refer to the Fresh Start ARM and Fixed Program Summary.

**Subordinate Financing**

Not allowed.

**Transaction Types**

**Purchase**

Allowed
Refinance Net Tangible Benefit

A Net Tangible Benefit is required for all refinance transactions. A letter of explanation for the refinance must be included in the loan file.

- A Net Tangible Benefit is defined as a 5% reduction in PITIA, a 2% reduction rate, a reduced term, and/or a change from an ARM to a fixed rate mortgage that results in a financial benefit to the Borrower.
- For cash-out transactions, if one of the above net tangible benefits is not met, then the amount of the cash out must equal at least twice the borrower’s cost for completing the transaction.

Rate Term Refinance

- Payoff of a non-purchase money closed end and HELOC 2nd liens will be considered a rate/term refinance if they are seasoned > 12 months and the draw on the HELOC is not greater than $2,000 within the last 12 months.
- Payoff of a home improvement junior lien that is seasoned less than year subject to the following restrictions:
  - A final inspection is required if the appraisal is made subject to completion of the improvements.
  - If completed, improvements must have been completed within the 12 months prior to the loan application, and the appraisal must note the improvements being made.
  - Closing costs, financing costs, and prepaids may be financed.
- Cash back to the borrower in an amount no greater than $2,000.00.
- There is zero cash back allowed for primary/homestead refinance transactions in the state of Texas.
- Borrower owned the property for less than 12 months (measured from the HUD-1 closing date to the application date of the new loan): The LTV is based on the lesser of the current appraised value or the sales price plus any documented improvement costs. HUD-1 closing date to date of application.
- No seasoning of first mortgage.
- Refinancing a first lien that was previously a cash out refinance requires the loan to be seasoned for a minimum of 12 months in order to be considered a rate and term refinance.
• A net tangible benefit is required. Refer to Refinance Net Tangible Benefit.

• Properties listed for sale: The listing agreement must be canceled at least six months prior to the application date. A copy of the canceled/expired listing should be placed in the file and a search of the current multiple listing service should be completed to verify that the property is not currently listed by a different agency.

• NY CEMA rate/term refinance transactions are allowed.

• Evidence of continuity of obligation is not required; however, evidence that the borrower is the owner of record on title is required.

• Delayed Financing is allowed.
  o Borrowers who purchased the subject property within the past 12 months (measured from the date on which the property was purchased to the disbursement date of the new mortgage loan) are eligible for a rate term refinance if all of the following requirements are met.
    o **Note:** If the appraiser denotes a declining market, the transaction must be treated as a cash-out refinance transaction.
    o The original purchase transaction was an arms-length transaction.
      - The borrower(s) may have initially purchased the property as one of the following: a natural person;
      - an eligible inter vivos revocable trust, when the borrower is both the individual establishing the trust and the beneficiary of the trust;
      - an eligible land trust when the borrower is the beneficiary of the land trust; or
      - an LLC or partnership in which the borrower(s) have an individual or joint ownership of 100%.
    o The original purchase transaction is documented by a HUD-1/Closing Disclosure, which confirms that no mortgage financing was used to obtain the subject property. (A recorded trustee's deed [or similar alternative] confirming the amount paid by the grantee to trustee may be substituted for a HUD-1/Closing Disclosure if a HUD-1/Closing Disclosure was not provided to the purchaser at time of sale.) The preliminary title search or report must confirm that there are no existing liens on the subject property.
    o The sources of funds for the purchase transaction are documented (such as bank statements, personal loan documents, or a HELOC on another property).
If the source of funds used to acquire the property was an unsecured loan or a loan secured by an asset other than the subject property (such as a HELOC secured by another property), the HUD-1/Closing Disclosure for the refinance transaction must reflect that all cash-out proceeds be used to pay down, if applicable, the loan (unsecured or secured by an asset other than the subject property) used to purchase the property. Any payments on the balance remaining from the original loan must be included in the debt-to-income ratio calculation for the refinance transaction. Note: Funds received as gifts and used to purchase the property may not be reimbursed with proceeds of the new mortgage loan.

The new loan amount can be no more than the actual documented amount of the borrower's initial investment in purchasing the property plus the financing of closing costs, prepaid fees, and points on the new mortgage loan.

May be underwritten and priced as a rate term refinance.

Maximum LTV is per the LTV Matrix. LTV is based on the lesser of the Purchase Price or current appraised value.

Maximum loan amount is per the LTV Matrix. Rate term cash back amount restriction does not apply.

Cash-out Refinance

- The mortgage amount may include the present first mortgage payoff, subordinate liens, closing costs, payoff of debt and additional cash to the borrower.
- Borrower must have owned the property for a minimum of 6 months (date vested on title to note date.)
- All liens on the property must be seasoned six months in order for the loan to eligible for a cash-out refinance transaction.
- Borrower owned the property for less than 12 months (measured from the HUD-1 closing date to the application date of the new loan): The LTV is based on the lesser of the current appraised value or the sales price plus any documented improvement costs. HUD-1 closing date to date of application.
- Cash back to the borrower in an amount no greater than $350,000.00.
Fresh Start Manual Underwriting Guidelines

- The maximum cash out limit is the aggregate amount between debt being paid off (including non-purchase money 2\textsuperscript{nd}) and cash in hand.
- Cash Out refinances on primary/homestead residences are not allowed for properties in Texas.
- A net tangible benefit is required. Refer to Refinance Net Tangible Benefit.
- Properties listed for sale: The listing agreement must be canceled at least six months prior to the application date. A copy of the canceled/expired listing should be placed in the file and a search of the current multiple listing service should be completed to verify that the property is not currently listed by a different agency.
- Evidence of continuity of obligation is not required; however, evidence that the borrower is the owner of record on title is required.

Underwriting

General Guidelines

- Loans must be manually underwritten. Loan amounts \(<\) conforming/high balance loan limits must be run through AUS to determine if Caliber Portfolio Loan product meets the borrower’s best execution. Loan is ineligible for a Caliber Portfolio Loan product if the borrower qualifies for an Agency product unless the property is a Non-Warrantable Condo.
- The following documents must be included in the loan file to verify borrower’s best execution requirements:
  - AUS Approve Ineligible or Refer Ineligible findings ran by the Lender indicating that the borrower does not qualify for an Agency product. (Prior to Close Review)
  - Underwriting Transmittal Summary (1008) with Underwriter’s signature and explanation as to why the borrower does not qualify for an Agency product. (Prior to Close Review)
  - Borrower ATR Attestation (Prior to Purchase)
  - Underwriter ATR Attestation provided by the Lender (Prior to Close Review)
- Cash out may not be used to pay down debt to qualify for the loan.
- Borrowers cannot pay down revolving debt within 90 days of the credit report in order to qualify for the loan nor pay down installment debt to 10 payments or less to exclude payment from DTI calculations. Revolving and installment debt can be excluded from calculations if the accounts are closed and proof is provided.
Payment Shock Requirements

- Payment shock not to exceed 250% for:
  - first time homebuyers
  - borrowers with less than 5 years job history and or consistent earned income. (If the borrower sold their home within the last 180 days, use the prior mortgage payment for purposes of payment shock calculation. A copy of the HUD1 for the sale of the home is required.)
- Calculation: Difference in payment/Existing PITIA x 100 = Payment Shock %
  - Example:

    Proposed PITIA is $5000.
    Existing PITIA is $3000.
    Payment differential is $2000.
    $2000 (Payment differential) / $3000 (Existing PITIA) = 0.6667
    0.6667 * 100 = 66.667% payment shock.