

Malibu Non-Agency Matrix

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FIXED RATE AND FULLY AMORTIZING ARMs								
PURCHASE AND R&T REFINANCE				CASH-OUT REFINANCE				
Occupancy Units	Max Loan Amount	LTV/CLTV	Min Fico Score	Occupancy Units	Max Loan Amount	LTV/CLTV	Min Fico Score	Max Cash-Out
Primary 1 Unit	\$1,000,000	90%*	720	Primary 1 Unit	\$2,000,000	75%/75%	700	\$500K
	\$1,500,000	90%*	720					
	\$2,000,000	80%/80%	680					
	\$2,000,000	80/90%	740					
	\$2,500,000	70%/70%	720					
	\$3,000,000	70%/70%	720					
Second Home 1 Unit only	\$2,000,000	80%/80%	680	Second Home 1 Unit	\$1,000,000	75%/75%	720	\$350K
	\$3,000,000	65%/65%	720		\$1,500,000	65%/65%	720	\$350K
					\$2,000,000	50%/50%	720	\$500K
Primary 2-4 Unit	\$2,000,000	75%/75%	700	Minimum Loan amount must be \$484,351 effective12/17/2018				
Non-Owner Occupied	\$1,500,000	75%/75%	700					
1 - 4 Unit	\$2,000,000	70%/70%	720					
(*) Rate & Term refinance eligible up to 80% LTV/90% CLTV. Purchase eligible up to 90%. Greater than 80% LTV Fixed Rate Only.								
INTEREST ONLY (5/1, 7/1, 10/1 ARM) Owner Occupied Only								
PURCHASE AND R&T REFINANCE				CASH-OUT REFINANCE				
Occupancy Units	Max Loan Amount	LTV	Min Fico Score	Occupancy Units	Max Loan Amount	LTV	Min Fico Score	Max Cash-Out
Primary 1 – 4 Unit	\$1,500,000	75%/75%	740	Not Allowed				
Second Home	\$1,500,000	70%/70%	740					
<ul style="list-style-type: none">Declining property values - reduce maximum LTV by 5%, max 85% LTV for any property located in an area of declining property values as reported by the appraiser.Condominium restrictions – New Condo project must be Fannie Mae approved. Minimum 400 square foot. Maximum LTV 90%.Purchase over 80% LTV maximum loan amount \$1.5M.Rate & Refinance – not allowed over 80%. Cash out must be lower of \$2,000 or 1% of the new loan amount.New Subordinate Financing – permitted on purchase and rate & term transactions only up to maximum LTV, CLTV, HLTV as per matrixFirst Time Home Buyer – Owner occupied only. Limited to 80% LTV/CLTV. Required 12 months PITIA. Maximum \$1.5M loan amount. Interest Only not allowed.								

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General Guidelines	
Appendix Q to Part 1026- Standards for Determining Monthly Debt and Income	All income use to qualify must be documented to Appendix Q guidelines. In absence of a definition for a specific topic in Appendix Q, Investor or FNMA guidelines applies.
Income Verification	4506T required on all loans
Early Paid Off Policy (EPO)	EPO timeline is 6 months (180 days) from closing date of the loan.
Loan Terms	<ul style="list-style-type: none"> 15 and 30 fixed 5/1, 7/1, and 10/1 Libor ARMS 5/1 IO, 7/1 IO, and 10/1 IO Libor ARMS, 120 month IO period only
ARM Caps / Margins	<ul style="list-style-type: none"> 5/1 ARM 2/2/5: Adjustment = 2.00%; Subsequent Adjustment = 2.00%; Life Cap = 5.00% - Margin = 2.25% 7/1 ARM 5/2/5: Adjustment = 5.00%; Subsequent Adjustment = 2.00%; Life Cap = 5.00% - Margin = 2.25% 10/1 ARM 5/2/5: Adjustment = 5.00%; Subsequent Adjustment = 2.00%; Life Cap = 5.00% - Margin = 2.25%
Qualifying Ratios	<p>Debt-to-Income Ratio: 43% ; LTV > 80% max DTI 40%; LTV/CLTV > 80% max DTI 40%</p> <p>Adjustable Rate Mortgage (ARM) Qualifying Calculation</p> <ul style="list-style-type: none"> <u>Full Amortized</u> <ul style="list-style-type: none"> 5/1 : Qualify at the greater of Note rate plus 2% or the fully indexed rate. 7/1 and 10/1 : Qualify at the greater of the Note rate or the fully indexed rate. 5/1 Interest Only: Qualify at the fully amortized PITI based on 240 month amortizing terms at the higher of the Note Rate plus 2% or the fully index rate. 7/1 Interest Only: Qualify at the fully amortized PITI based on 240 month amortizing terms at the higher of the Note Rate or the fully index rate. 10/1 Interest Only: Qualify at the fully amortized PITI based on 240 month amortizing terms at the higher of the Note Rate or the fully index rate. ARMs is on Libor Index ARMs are non-convertible Interest Only is 120 months interest only period only.
State Restrictions	<ul style="list-style-type: none"> Texas cash out not allowed. In addition, rate and term refinance is not allowed if there was a previous Texas cash out transaction. Hawaii lava zones 3 through 9 allowed only
Minimum Loan Amount	Minimum Loan amount \$484,351
Mortgage Insurance	Not applicable
Max.# of Financed Properties	Up to 4 financed properties * The total number of properties regardless if they are free/clear are up to 15 total properties

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Eligible Borrowers	<p>US Citizens; Permanent Resident Aliens; Revocable Trust; Must have valid Social Security Number; Maximum of 4 borrowers per loan application are allowed</p> <p>Non-Permanent Resident Aliens * Interest Only program not allowed *</p> <ul style="list-style-type: none"> • Required VISAs: A Series E-1, E-2, E-3, G Series (G-1, G-2, G-3, G-4, G-5), H Series (H-1B, H-1C, H-2, H-3, H-4), L Series (L-1A, L-1B, L-2), NATO Series (NATO 1-6), O Series (O-1), TN-1 (Canadian NAFTA VISA), TN-2 (Mexican NAFTA VISA) • Must have SSN • Maximum LTV 80% • Must have a minimum of 2 year employment history in the U.S. and qualifying income must be from the U.S. • WVOE must state that employment is likely to continue. • Must have a 2 year credit history in U.S. and must meet minimum credit requirements • Must have 2 years established U.S. based asset history. No funds from outside the U.S. not allowed. • Owner Occupied, single family primary residence only
Eligible Property Types	<ul style="list-style-type: none"> • 1-4 units attached/detached owner occupied properties. • 1-unit second homes and non-owner occupied properties. • Low/mid/high-rise new and established Fannie Mae or Freddie Mac warrantable condominiums. <ul style="list-style-type: none"> ◦ Warrantable condominium types S only. ◦ Limited review is not eligible. All attached condominiums require full lender review. ◦ The project must be reviewed within the 3 months preceding the date of the note. ◦ Minimum square footage 400.
Reserves	<p><u>LTV/CLTV ≤ 80%</u></p> <ul style="list-style-type: none"> • ≤ \$1,000,000 requires 6 months PITI reserves • > \$1,000,000 to ≤ \$2,000,000 requires 9 months PITI reserves • > \$2,000,000 to ≤ \$3,000,000 requires 24 months PITI reserves <p><u>LTV/CLTV > 80%</u></p> <ul style="list-style-type: none"> • ≤ \$1,500,000 requires 18 months PITI reserves • > \$1,500,000 to ≤ \$2,000,000 requires 24 months PITI reserves <p>* Non-Owner Occupied requires 12 months PITI reserves. Loan amounts > \$1,500,000 requires 18 months PITI reserves.</p> <p>* Borrowers must have 6 months PITI reserves for each additional financed property owned.</p> <p>* Second Homes > \$1,000,000 ≤ \$2,000,000 requires 12 months PITI reserves.</p> <p>* Interest Only requires 18 months PITI reserves.</p>

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Credit Scores and Tradelines Requirements	<p>There may be instances where the borrower's credit score is valid but insufficient credit exists. In addition, the credit risk of the entire borrower profile must be evaluated to determine if the credit history supports the borrower's ability and willingness to repay the loan</p> <p><u>Rescoring and Credit Repair</u></p> <ul style="list-style-type: none"> JMAC prohibits the use of credit repair vendors designed to help a borrower falsely repair their credit profile by intentionally manipulating data to improve their credit score for purposes of loan eligibility, pricing improvement, and/or creditworthiness. <p>Credit score is deemed valid or usable if it has been based on a minimum number of tradelines for each borrower:</p> <ul style="list-style-type: none"> Each borrower must have 2 fico scores. At least 3 open and active tradelines with 24 months history. 2 of the 3 tradelines must show activity within the last 12 months from date of application. 1 tradeline must be an installment, rental or mortgage account. Non-traditional/alternative credit accounts are not considered acceptable trade lines. Authorized user accounts are not considered acceptable trade lines. Trade lines may not show significant adverse history. <ul style="list-style-type: none"> Revolving credit – no more than 2x30 in last 12 months Installment Credit – no more than 1x30 in last 12 months Excessive late payments in the last 24 months prior to date of application would not be acceptable <p>If the credit history are not met listed above the following will be considered:</p> <ul style="list-style-type: none"> No fewer than (8) trade lines are reporting, one (1) of which must be a mortgage or a rental history. At least one (1) trade line has been open and reporting for a minimum of 12 months. The borrower has an established credit history for at least 10 years.
Credit	<p>Liens, Judgements and Collections</p> <ul style="list-style-type: none"> Satisfactory explanation for any delinquent credit from the borrower is required. Borrower must pay off all delinquent credit that has the potential to impact lien position. Collection accounts or charged-off accounts do not need to be paid off if the balance of an individual account is less than \$250.00 or if the total balance of all accounts is \$1,000.00 or less. <p>Bankruptcy, Foreclosure, Deed-In-Lieu of Foreclosure and Short Sales</p> <ul style="list-style-type: none"> At least seven (7) years must have elapsed since bankruptcy discharge or dismissal, foreclosure, short sale or deed-in-lieu measured from the date of completion to the date of application. A satisfactory letter of explanation for the event from the borrower is required. Borrower must show reestablished credit of 24 months and meet the minimum credit requirement.

	<p>Modifications</p> <ul style="list-style-type: none"> • Only lender initiated modifications on owner occupied properties with proof that they were not caused by a distress situation. • The borrower must have made 48 consecutive months of timely mortgage payments on the modified loan before closing on the refinance mortgage loan. • Restructured loans in which the terms of the original transaction have been changed resulting in a partial or absolute forgiveness of debt; or a restructure of debt are not eligible: <ul style="list-style-type: none"> ○ Forgiveness of a portion of principal and or interest in either the first or the second mortgage. ○ Application of a principal curtailment or on behalf of the investor to simulate principal forgiveness. ○ Conversion of any portion of the original mortgage debt to a subordinate mortgage or conversion of any portion of the original mortgage debt from secured to unsecured. • If the lender did not initiate the loan modification than seasoning needs to be at 7 years waiting period from recording date to the Note date. • Disputed Accounts <ul style="list-style-type: none"> • Zero balance and no derogatory information – no action required • Zero balance and derogatory information - remove if less than one (1) year and pull new credit report • A positive balance and no derogatory information – remove and pull new credit report • A positive balance and derogatory information – remove and pull new credit report <p>NOTE: A credit supplement is not allowed to document disputed accounts.</p>
<p>Housing Payment History</p>	<ul style="list-style-type: none"> • A minimum 24-month history of the borrower’s mortgage and/or rental payment history must be provided (This is independent of the housing payment history verification). • Mortgage payment and rental history must reflect 0X30 dates in most recent 24 months. Timeshare is considered a mortgage. <p>Mortgage / Rental history may be document as follows:</p> <ul style="list-style-type: none"> • 24 month mortgage payment history from an institutional lender, as verified through (i) credit bureau report reference for 24 months, (ii) 24 months canceled checks, or (iii) most recent 12 months canceled checks with a VOM for the prior 12 months. • For rental verification a standard VOR completed by a professional management company or 12 months bank statements or canceled checks are required. • If a borrower is refinancing a privately held mortgage the following payment verification requirements apply: <ul style="list-style-type: none"> ○ The privately held mortgage payments must be verified with either cancelled checks or bank statements (if the payment is automatically withdrawn from the borrower’s account). ○ Evidence must be included in the loan file that the lien being paid off is a current recorded lien against the subject property.

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Revolving Debts	Paying off some revolving debts for qualification is allowed but it's subject to Ability-to-Repay under the ATR/QM rule. The accounts are required to be closed prior to funding.
Assets and Source of Funds	<p>For information regarding assets and source of funds not addressed below please refer to the most recent Fannie Mae Selling Guide.</p> <p>Source of Funds</p> <ul style="list-style-type: none"> • The borrower must have sufficient liquid assets to meet the requirements for down payment, pre-paid items, closing costs and reserves. • Funds needed for closing must be verified with copies of the most recent two (2) months bank statements including all pages. • Vested funds from individual retirement accounts (IRA/SEP/Keogh/401K accounts) are acceptable sources of funds for reserves. If the retirement assets are in the form of stocks, bonds, or mutual funds, in order to be considered for reserves, the account must be discounted by 30% to account for market volatility. • Large deposits inconsistent with monthly income or other deposits must be verified. • Acceptable sources of verified funds include: <ul style="list-style-type: none"> ○ Bank deposits ○ Stocks, stock options, bonds, and mutual funds. Stocks and bonds will be discounted at 70% of value for reserves. ○ Sale of real property. ○ Sale of personal property with supporting documentation. ○ Disbursement from a Trust Fund. ○ Disbursement from an IRA/401K. ○ Cash Value from life insurance policy can be used for reserves • Business funds can be used for down payment and closing costs with a letter from an accountant verifying the following: <ul style="list-style-type: none"> ○ The amount of business assets that can be used must correspond to the borrower's percentage of ownership in the business. ○ The funds are not a loan. ○ Withdrawal of the business funds will not negatively impact the business. ○ Business funds may not be counted toward cash reserves. • Gift funds are an acceptable source of funds as follows for primary residences with LTV <= to 80% as follows: <ul style="list-style-type: none"> ○ Borrower must contribute at least 5% from their own funds. ○ Gift donor must be an immediate family member.

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	<ul style="list-style-type: none"> ○ Gift letter from donor that includes name, address, telephone number and relationship to borrower ○ Evidence of funds transfer and receipt prior to closing. ○ Gift funds are not allowed for investment property transactions. ○ Gift funds are not allowed to meet reserve requirements.
Appraisal Requirements	<ul style="list-style-type: none"> • Two (2) full appraisals are required for loan amounts > 1.5 million. Transferred Appraisals not acceptable. LTV will be based on lower of the two values. All inconsistencies between the two appraisals must be addressed and reconciled. • Appraisal must be dated within 120 days prior to the Note date else a new appraisal needs to be performed (Re-cert of Value is not allowed). Any additional cost needs to be paid by borrower or broker. • Desk review (CDA) is required on all loans (Lender to order): <ul style="list-style-type: none"> ○ If desk review produces a value in excess of a 10% negative variance to the appraised value, the loan is not eligible for purchase; provided, the client has the option to request to order a Field Review to support value and if the field review also produces a value in excess of a 10% negative variance to the appraised value the loan remains not eligible for purchase. ○ Field review cost needs to be paid by borrower or broker.
Ineligible Properties	<ul style="list-style-type: none"> • Acreage greater than 10 acres (appraisal must include total acreage), Agricultural zoned property (unless property is intended for residential use and must have like comps) * Unwarrantable condos * Condo in litigation * Condo Gut Conversion * Condo Newly Converted Non-Gut Projects * Condo Hotel * Co-Ops * Hobby Farms * Income Producing properties * Log Homes * Manufactured Housing * Mixed Used properties * Factory/Modular homes * Properties subject to oil and/or gas leases * Title may not be held in a business name * Unique properties * Working farms, ranches or orchards * Timeshare units * Geothermal homes * properties held as leasehold
Purchases	<ul style="list-style-type: none"> • Must adhere to Agency guidelines. • LTV/CLTV is calculated using the lesser of the purchase price or the appraised value of the subject property. • If seller has taken title to the subject property within ninety (90) days prior to the date of sales contract following requirements apply; <ul style="list-style-type: none"> ○ Property seller on the purchase contract is the owner of record. ○ Second full appraisal is required. ○ Increases in value should be documented with commentary from the appraiser. <p>Loans that are bank of relocation sales are exempt from the above requirements.</p> <ul style="list-style-type: none"> • Personal property may not be included in the purchase agreement/sales contract. Personal property items should be deleted from the sales contract or reasonable value must be documented and the sales price adjusted. Items that are customary to residential real estate transactions such as lighting fixtures, kitchen appliances, window treatments and ceiling fans are not considered personal property.

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Seasoning Rate/Term and Cash Out	<ul style="list-style-type: none"> • Rate & Term: <ul style="list-style-type: none"> ○ Properties listed for sale are ineligible for refinance unless the listing was withdrawn (or expired) prior to the date of closing. ○ Minimum of 6 months seasoning from the note date of the new transaction required if previous refinance was cash-out, including the pay-off of a non-seasoned subordinate lien. ○ For properties purchased 6 months of closing date the LTV will be based upon the lesser of the original sales price or the current appraised value conclusion from the appraiser. Original sales price will be determined from the HUD-1 Settlement Statement/Closing Disclosure from the subject acquisition transaction. ○ Inherited properties are exempt from this seasoning requirement. LTV will be calculated off current appraised value. ○ For properties purchased more than 6 months prior to the closing date the current appraised value may be used to calculate LTV. ○ The mortgage amount may include the: <ul style="list-style-type: none"> ▪ Principal balance of the existing lien. ▪ Payoff a purchase second lien with no draws exceeding \$2,000 within the past 12 months from date of application. Withdrawal activity must be documented with a transaction history of the line of credit. ▪ Pay off a co-owner pursuant to a written agreement. ▪ Payoff of a non-purchase second lien seasoned a minimum of 12 months from date of application. The second lien must not evidence draws exceeding \$2,000 within the past 12 months from date of application. Withdrawal activity must be documented with a transaction history of the line of credit. • Cash-Out: <ul style="list-style-type: none"> ○ 6 months seasoning from recording to application date for cash out transaction. Inherited properties are exempt from this seasoning requirement. ○ Properties that have been listed for sale within the past 6 months of closing date are not eligible for a cash-out refinance. If the property was listed within the previous 6-12 months from closing date, a letter from the borrower explaining the reason for retaining the property is required. ○ If the subject property was purchased within the 6-12 month period prior to the closing date for the new loan the LTV will be based on the lesser of the sales price or the current appraised value. ○ If the subject property was purchased more than 12 months from the closing date for the new loan LTV will be based off the current appraised value. ○ For properties owned free and clear, the maximum cash out guideline applies. ○ TX cash-out refinances are ineligible. ○ Cash-out is limited to the maximum amounts stated on the product matrix.
Delayed Financing	<p>Delayed financing refinances in which the borrowers purchased the subject property for cash within ninety days (90) from the date of the application are eligible for purchase. Cash back to the borrower in excess of the original purchase price or appraised value (whichever is less) is not allowed. Delayed financing refinances are not subject to cash-out refinancing program limitations. The original purchase transaction must be documented by a Closing Disclosure confirming that no mortgage financing was used to obtain the subject property.</p> <p>A Delayed Financing may be treated as a Rate/Term refinance transaction if the following criteria are met:</p> <ul style="list-style-type: none"> • Primary Residence only • 5% reduction to the maximum LTV/CLTV per program matrix section • No asset depletion

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	<ul style="list-style-type: none"> Property not listed for sale since acquisition. Property not located in Texas
Continuation of Obligation	<p>For a refinance transaction to be eligible for purchase there must be a continuity of obligation of the outstanding lien that will be paid through the refinance transaction.</p> <p>Continuity of obligation is met when any one of the following exists:</p> <ul style="list-style-type: none"> At least one borrower is obligated on the new loan who was also a borrower obligated on the existing loan being refinanced. The borrower has been on title and residing in the property for at least 12 months and has either paid the mortgage for the last 12 months or can demonstrate a relationship (relative, domestic partner, etc.) with the current obligor. The loan being refinanced and the title to the property are in the name of a natural person or a limited liability company (LLC) as long the borrower owns at least 25% of the LLC prior to transfer. Transfer of ownership from a corporation to an individual does meet the continuity of obligation requirement. The borrower has recently been legally awarded, the property (divorce, separation or dissolution of a domestic partnership). <p>Loans with an acceptable continuity of obligation may be underwritten, priced, and delivered as either cash-out or limited cash-out refinance transactions based on the requirements for each type of transaction.</p>
Non-Arm's Length Transaction	<p>All of the parties to a transaction should be independent of one another. Except as indicated below if a direct relationship exists between or among the parties, the transaction is a non-arm's length transaction and the related loan is not eligible for purchase. The following non-arm's length transactions are eligible provided that such transactions and the related circumstances are properly documented:</p> <ul style="list-style-type: none"> Sales or transfers between members of the same family. Transaction may not be due to any adverse circumstances. Property seller acting as his or her own real estate agent. Borrower acting as his or her own real estate agent. Borrower is the employee of the originating lender. Borrower purchasing from his or her current landlord (cancelled checks or bank statements required to verify satisfactory pay history between borrower and landlord). Investment property transactions must be arm's length. Family member representing buyer as real estate agent is allowed. No credit from agents commission can be given toward the borrowers closing costs, prepaids, down payment or reserves. Broker can be the buyer's agent and loan originator on the loan. No credit from agents commission can be given toward the borrowers closing costs, prepaids, down payment or reserves.
Debt-To-Income	<ul style="list-style-type: none"> The Debt-to-Income (DTI) ratio is based on the total of existing monthly liabilities and any planned future monthly liabilities divided by gross monthly income. Liabilities include but are not limited to all housing expenses, revolving debts, installment debts, other

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	<p>mortgages, rent, alimony, child support, and other consistent and recurring expenses. The seller must ensure that all liabilities are included in qualifying.</p> <ul style="list-style-type: none"> • Business debts cannot be excluded. • Co-Signed debt (installment/mortgage only) can be excluded as long as primary borrower is making the payments with 12 months consecutive proof of payments. Provide copy of the note to show other party making payment is on the note.
Installment Debt	<ul style="list-style-type: none"> • Installment debt, including car lease payments, must be included in the qualifying ratio regardless of months remaining. • Student loans must be included as a long term debt even if payments are deferred. If the monthly amount of a student loan is not shown on the credit report a payment of one percent (1%) of the balance may be used for qualifying. • Payments related to a 401(K) loan do not need to be included in total debt obligation. • Child support payments with 10 months or less remaining do not need to be included in total debt obligation. • Installment debt may be paid off to qualify either before or at closing using cash-out proceeds. • Gift funds may not be used to pay off debt to qualify.
Revolving Debt	<ul style="list-style-type: none"> • All revolving debt is included for qualifying regardless of number of payments remaining. • The monthly payment amount of a revolving account shown on the credit report may be used for qualifying. • If the monthly payment amount of a revolving account is not shown on the credit report a payment of five percent (5%) of the balance may be used for qualifying. • The payment may only be excluded if the account is documented as paid in full and closed. • Revolving debt may be paid off to qualify either before or at closing using cash-out proceeds. Documentation that the revolving debt has been paid off and the account is closed is required. • Gift funds may not be used to pay off debt to qualify.
Home Equity Line of Credit (HELOC)	For HELOC loans paid off at closing the line must be closed to any future draws. Requirement on title commitment for payoff and cancellation of HELOC is acceptable to document.
Rent Back	Max 60 days
1031 Exchange	Allowed
Seller Contribution	Maximum 6% of the sales price
Conversion of Departing Resident to Investment Property	<p>If the current primary residence is being converted to an investment property the following applies:</p> <ul style="list-style-type: none"> • Departing property must have 25% of equity position. • The rental income from the departing residence may be used if the borrower has a loan to value of 75% or less, as evidenced by either: a current residential appraisal (no more than 6 months old from application date), an Exterior Only appraisal (2055 + 1007). A 25% expense /vacancy deduction must be applied to all rental income. Copies of the signed lease are required. • Reserves of six (6) months of PITI must be documented in addition to the required reserves for the primary residence. <p>Note: The borrower does not require previous landlord history to use rental income from departing property.</p>
Subordinate Financing	<ul style="list-style-type: none"> • New subordinate financing is permitted up to the maximum allowable LTVs. Only institutional financing is permitted.

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	<ul style="list-style-type: none"> Maximum LTV / CLTV / HLTV for subordinated HELOCS will be based on the fully drawn balance. Subordination of an existing loan is permitted up to maximum LTV allowed. Cash-out transactions are not eligible for subordination of existing liens. Subordinate liens must not have negative amortization, no balloon within 5 years, and no prepayment penalties. In cases in which a HELOC is resubordinated to the subject mortgage, monthly amount on credit report will be used. If no monthly payment amount is shown on credit report, 1% minimum payment of the maximum line amount will be used for qualifying. If HELOC has a zero balance and no draws within 24 months of application no payment need be include in DTI. Withdrawal activity must be documented with a transaction history for the line of credit.
Additional Restrictions	<ul style="list-style-type: none"> Gift of Equity Transactions not allowed Non-Occupant Co-Borrowers not allowed Temporary Buydown / Leasehold: Not Allowed Balloon mortgages are not eligible for purchase Prepayment penalty mortgage loans with prepayment penalties are not eligible for purchase HERO/PACE/Solar Panels: <ul style="list-style-type: none"> Paying off a HERO loan is considered rate and term with the final CD showing the payoff of the HERO taxes. Paying off a HERO taxes in the loan amount would be considered Rate and Term refinance. No solar items can be remain on title. Escrow holdbacks not allowed
Construction Loan Refinancing	<p>Construction loan refinances are eligible as rate and term or cash-out refinances and must meet the following criteria:</p> <ul style="list-style-type: none"> Borrower must have held title to the lot for a minimum of 6 months prior to the closing of the permanent loan. The LTV will be based on the current appraised value of the lot if the borrower has held title to the lot for 12 or more months prior to the closing date of the permanent loan. If the lot was acquired less than 12 months before the closing date of the permanent loan the LTV will be based on the lesser of a) the original purchase price of the lot plus the total acquisition costs (sum of construction costs) or b) the current appraised value of the lot plus the total acquisition costs. Appraiser's final inspection is required. A certificate of occupancy is required from the applicable governing authority. If the applicable governing authority does not require a certificate of occupancy proof must be provided. Cash out is limited to the maximum amounts stated on the Product Matrix. Construction loan refinances in which the borrower has acted as builder are not eligible for purchase.
Credit Documents Age	For all transaction types credit documents may not be older than 90 days from the Note date.

Income	<p>Rental Income</p> <ul style="list-style-type: none"> Rental income from other properties must be documented with the borrower's most recent signed federal income tax return that includes Schedule E. Leases are required for all properties where rental income is used to qualify. Proposed rental income from the comparable rent schedule may be used for qualifying if there is not a current lease or assignment of lease on purchase of an investment property. Properties with expired leases that have converted to month to month per the terms of the lease will require bank statements for the lesser of 12 months or the time period after the lease expired. A 25% vacancy factor must be applied to the gross rent used for qualifying. Multiply the gross rent by 75% and subtract the PITI to arrive at the rental income/loss used for qualifying. Commercial properties owned on schedule E must be documented with a rent roll and evidence that the primary use and zoning of the property is commercial. On owner occupied purchase transaction with property types of 2-4 units, 75% of the rents to qualify; lesser of the rent survey or actual leases. For refinance transaction, rental income is based on Schedule E. <p>First Time Investor does not require landlord history.</p> <p>Retirement or pension income Retirement of Pension Income may be verified by the following:</p> <ul style="list-style-type: none"> Copies of retirement award letters. Copies of last two (2) months bank statements to document the regular deposit of payments. Distributions from a retirement account (401K, IRA, Keogh, SEP) must be documented with a distribution letter and copies of last two (2) months bank statements to document the regular deposit of payments. <p>Annuity retirement benefits must have a minimum continuance of three years from the date of the application to be considered as qualifying income.</p> <p>Social Security Income Social Security Income may be verified by the following:</p> <ul style="list-style-type: none"> Copy of the Social Security Administrations award letter. Copies of last two (2) months bank statements to document the regular deposit of payments. <p>Benefits must have a minimum continuance of three years from the date of the application to be considered as qualifying income.</p> <p>The non-taxable portion of fixed income such as Social Security income, VA benefits, Pensions and Annuity income may be grossed-up twenty five percent (25%).</p>
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Alimony and Child Support Income

Alimony and Child Support are allowable sources of income with proof of a minimum of three year continuance and with a minimum of no less than six (6) months of the borrower's recent regular receipt of the full payment. Refer to Fannie Mae guidelines.

Foreign income used for qualifying must be supported by the most recent two (2) years U.S. tax returns.

Unreimbursed business expenses must be deducted from income. This includes borrowers who earn commission income regardless of the percentage of commission income to total income.

Unacceptable income sources include the following:

- Any source that cannot be verified.
- Income that is temporary.
- Rental Income (Boarder Income) received from the borrower's primary residence.
- Expense account payments.
- Retained earnings.
- Non-occupant income.

Income not allowed:

- RSU income
- Capital Gain

IRS Payment allowed with the following requirements:

- Copy of the contract and 3 months proof of payments made prior to application is required to not paid said debt off
- Payment must be included in the DTI
- Credit report and title must not indicate an IRS tax lien

Trust Income allowed with the following requirements:

- Need 3 month history and 3 years continuance is required
- Provide copy of the trust agreement, trust assets and letter from trust administrator stating the monthly distribution amount.

Job Gaps:

- Borrower(s) must have a minimum of two (2) years employment and income history. Gaps in employment over thirty (30) days during the most recent two (2) year period require a satisfactory letter of explanation from the borrower. All borrowers contributing income for qualification **must be employed at present employment for a minimum of six (6) months to qualify** if there is a gap in employment during the previous two (2) years.

Income Documentation Requirements	<p>Note Regarding Documentation: Appendix Q states that a borrower with a 25 percent or greater ownership interest in a business is considered self-employed. Any borrower for whom the ownership of 25 percent or more of a corporation, limited liability company, partnership, sole proprietorship or other entity appears in the loan file must have the supporting documentation that is required by the relevant portions of the “Self-Employed Borrowers” subsection below. This documentation is required even if the borrower is a salaried employee of such business entity and/or another company, and even if the lender only relied upon the borrower’s salary or other income to establish eligibility. All required documentation as described here and in the following sections must be obtained prior to closing and submitted in the closed loan file.</p> <p>Salaried Borrowers:</p> <ul style="list-style-type: none"> • Completed, signed and dated final Uniform Residential Mortgage Application. Most current form must be used. • W-2’s from all employers for the past two (2) years. All W-2’s must be computer generated. • If the borrower does not have 2 years of employment due to previously being in school a copy of the school transcript is required. • Most recent paystubs, covering a thirty-day (30) period with YTD earnings. All paystubs must be computer generated. • Tax returns are required for salaried borrowers. • Unreimbursed business expenses must be deducted from income regardless if the borrower’s commission income is less than 25% of total income. • Borrowers employed in a family business must provide evidence that they are not owners of the business with a CPA letter from the business and personal tax returns. • Signed IRS Form 4506T. The 4506T transcripts need to be obtained from the IRS prior to closing and used to validate the income documentation used to underwrite the loan. Any income documentation discrepancy between the IRS transcripts and the supporting income documentation (Paystubs, W-2’s, tax returns, etc.) as provided by the borrower must be reconciled and adequately addressed by the lender. <p>Salaried Borrowers who also file Self-Employed and/or Supplemental Income/Loss Tax Return Schedules:</p> <ul style="list-style-type: none"> • Salaried borrowers who also own 25% or more of a business or other entity are required to provide a year-to-date P&L and balance sheet for that business or entity <u>even if the income from that business or entity is not being used to qualify</u>. This requirement includes <u>all</u> businesses and entities including those organized as pass through entities. • Salaried borrowers who file a schedule C (sole proprietorship) will be considered as self-employed and required to provide a year-to-date P&L and balance sheet. This includes borrowers who may be filing the Schedule C as a tax write off for accounting purposes. • Most recent signed two (2) years business tax returns are required for businesses where the borrower owns 25% or more and the business reports an income loss on the schedule K-1. Loss must be deducted from income.
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Salaried Borrowers with Commission/Bonus:

- For borrowers receiving bonus, commission, or any other non-base salary compensation in addition to base salary, a 2 year history of the receipt of the income is required.
- This must be addressed with a written VOE breaking down the bonus or commission income for the past 2 years, further supported by a year-to-date paystub.
- A year-to-date paystub, W-2's and tax returns alone will not satisfy the documentation requirements for bonus, commission or any other non-base salary compensation.

Verbal VOE:

- Verbal VOE dated within 10 business days of closing documented in writing. The verbal VOE must cover 24 months of employment. If the borrower has changed jobs during the past two years the verbal VOE must show the start and end dates for each job. Any employment gaps exceeding 30 days must be addressed with a satisfactory letter of explanation from the borrower. Any employment gap over 30 days must be addressed.

Self-Employed Borrowers:

- Borrowers with a 25 percent or greater ownership interest in a business are considered self-employed and will be evaluated as a self-employed borrower for underwriting purposes.
- Completed, signed and dated final Uniform Residential Mortgage Application. Most current form must be used.
- For business income being used for qualifying the most recent signed two (2) years tax returns, including all schedules, both individual and business returns are required. All personal and business tax returns must be signed and dated prior to closing.
- Self-employed borrowers using wage income to qualify paid by their business need to fully document the income with W-2's for the past two (2) years and most recent paystubs, covering a thirty-day (30) period with year-to-date earnings. W-2 and paystubs must be computer generated.
- If tax return schedules show a loss in the prior year for any business where the borrower owns 25% or more, business tax returns including all schedules are required for this business in order to calculate the average loss. This is required regardless if this business income is being used to qualify. Tax returns must be signed and dated prior to closing.
- Signed IRS Form 4506T. The 4506T transcripts must be obtained from the IRS for personal tax return prior to closing and used to validate income documentation used to underwrite the loan. Any income documentation discrepancy between the IRS transcripts and the supporting income documentation (Paystubs, W-2's, tax returns, etc.) as provided by the borrower must be reconciled and adequately addressed by the lender. The transcripts must be included in the file submission.

P&L and Balance Sheet Requirements:

- Year-to-date P&L statement and balance sheet are required if note date is beyond 120 days from the end of the last fiscal year.
- All borrowers owning 25% or more of a business or entity must provide a year-to-date P&L statement and balance sheet for that entity, regardless of whether or not the business income is being used to qualify. This requirement includes all business entities including those organized as pass through entities.
- If the tax return for the previous tax year is not filed a 12 month P&L and balance sheet for this period is required.
- If the most recent year's tax returns have not been filed by the IRS deadline, an executed copy of the borrower's extension request for both personal and business tax returns must be provided.
- The P&L and balance sheet is required even if the borrower does not have a business checking account.
- P&L and tax returns must show stable or increasing income from all business entities and income sources for the period relative to previous periods. Income cannot decline by 20% or more from the prior tax period.

Verification of Active Business:

- The lender must verify the existence of the borrower's business within 30 calendar days prior to closing. Methods of verifying business include:
 - Verification from a third party such as a CPA, regulatory agency or by an applicable licensing bureau. If CPA letter is used it must indicate the borrower has been self-employed for a minimum of 2 years.

Malibu Non-Agency Matrix

Submission's Requirements		Salary/Wage Earner	Self-Employed
	<ul style="list-style-type: none"> • The Borrower's application (1003) must include all sources and amounts of income • Borrowers must have completed two years of employment with the same employer or in a similar line of work • If self-employed, the Borrower must have the same business entity for two years • If self-employed, copy of website is not acceptable source to verify the business. 	<u>Required:</u> <ul style="list-style-type: none"> • IRS Form W-2's for the past two years and most recent paystub with YTD earnings • WVOE showing earnings for the past two years and YTD earnings (if using bonus, overtime, commission, and other type of income other base income) • WVOE for previous employer as noted on 1003 • Two years personal tax returns with all schedules 	<u>Required:</u> <ul style="list-style-type: none"> • Two years personal tax returns with all schedules and K1's. • Twenty-five percent (25%) or more ownership interest in an Partnership 1065 and S Corp 1120S requires: Two years business tax returns with all schedules • Two years Corporate 1120 tax returns. • If wage is paid by borrower's business, two years W2's and most recent paystubs covering 30 period with year-to-date earnings. W-2 and paystubs must be computer generated.
	NOTE: Lender will use broker's credit report if report was pulled within 30 days of submission. Rapid re-score for purpose of pricing is not allowed.		