



FINANCIAL SERVICES, INC.

TPO Mortgage SolutionsSM

Wholesale • Correspondent • Fulfillment

GOLDEN EQUITY MORTGAGE GUIDELINES

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GENERAL PROGRAM PARAMETERS

GENERAL PROGRAM	
Loan Terms	Fixed Rate with single lump sum disbursement and Adjustable-Rate Line of Credit
Eligible States	<p><u>Fixed Rate Products</u> Broker – AL, AZ, CA, CO, CT, FL, GA, ID, IL, LA, MI, MO, NV, NJ, NM, OH, OK, OR, PA, SC, TX, UT,&VA</p> <p>NC not permitted</p> <p><u>ARM/Line of Credit Product</u> Broker – AZ, CA, CO, CT, DC, FL, ID, IL, MI, NV, NJ, OH, OR, SC, TX, UT, & VA.</p> <p>NC not permitted</p>
Use of Proceeds	Purchase or Refinance
Borrower Counseling	Golden Equity counseling - borrowers must request and complete "Platinum" session
Servicing Fee	Fixed Rate - No monthly servicing fee. ARM/Line of Credit - \$20 a month added to balance.
BORROWER ELIGIBILITY	
Eligible Borrowers	<ul style="list-style-type: none"> • US Citizens, • Permanent Resident Aliens, • Inter Vivos Trust, • Non-Permanent Resident Aliens (with conditions) • Irrevocable Trust
Ineligible Borrowers	<ul style="list-style-type: none"> • Eligible Non-Borrowing Spouse • Foreign nationals, • Limited partnerships, general partnerships, corporations, • Non-occupant Co-borrowers, • Other Non-borrowing person(s)

PROPERTY ELIGIBILITY	
Existing Mortgages	<ul style="list-style-type: none"> All outstanding mortgages and liens on the subject property must be paid off through the settlement of the Reverse mortgage. No subordinate financing permitted
Seasoning Requirement	<p>New applications must meet the following seasoning requirements when going from one program to another. All seasoning requirements are measured from the closing date of the prior loan to the new loan closing date.</p> <p>HECM or Proprietary to Golden Equity and Golden Equity to Golden Equity</p> <ul style="list-style-type: none"> Less than 12 months: No refinance permitted. More than 12 months: The refinance is allowable when there is a clear Net Tangible Benefit to the Borrower(s). <p>Note: Loans with a defined bona fide advantage to the borrower(s) will be reviewed on</p>
Property Value	Minimum value is \$970,800.00
Minimum Draw Amount	<p>Fixed Rate - Borrower(s) must draw at least 80% of available proceeds.</p> <p>ARM/Line of Credit - Borrower(s) must draw at least 25% of available proceeds, and Maximum initial draw is 90.00%.</p>
Eligible Property Types	<ul style="list-style-type: none"> Single family residence 2-4 units Townhomes PUD Condominium (FHA and FNMA Approved or FNMA warrantable projects under a Limited Review process)
Occupancy	<ul style="list-style-type: none"> Primary residence Occupied by borrower(s) for the majority of the year (183 days)
Appraisal Requirements	<ul style="list-style-type: none"> Appraiser must be state licensed and geographically competent. Must be ordered with an approved AMC. Appraisals must be completed in compliance with AIR, FIRREA, USPAP and all State requirements One (1) appraisal with estimated value up to \$2,000,000 plus independent Collateral Desktop Analysis. Two (2) Appraisals with estimated value \$2,000,000 or greater. Lower of two values will be used.
Maximum Loan Amount	<p>Maximum Loan Amount (Principal Limit) is \$4,000,000. A Loan Amount/PL above</p> <ul style="list-style-type: none"> \$2,000,000 requires a 5% LTV reduction and above \$3,000,000 requires a 15% LTV reduction.
Repairs	<ul style="list-style-type: none"> Repair set asides are permitted Any noted repairs that may impact the structural integrity of the subject property and/or the health and safety of the occupant(s) must be completed satisfactorily prior to closing.

CREDIT	
Credit Report	<ul style="list-style-type: none"> • Tri Merge credit report for all borrowers
Minimum Mid Credit Score	<ul style="list-style-type: none"> • Minimum FICO of 600 required (Exceptions allowed down to 550 with TISA).
Credit History	<p>Mortgage History</p> <ul style="list-style-type: none"> • 0x30 in last 12 months • 2x30 in last 24 months • An exception may be approved for limited delinquencies. See Satisfactory Credit <p>Bankruptcy:</p> <ul style="list-style-type: none"> • Chapter 7 – Must be discharged (2) years from loan application date. • Chapter 13 – Must be discharged (2) years from loan application date. <p>Foreclosure or Short Sale:</p> <ul style="list-style-type: none"> • Foreclosure or Short Sale date must be at least two (2) years at time of initial loan application

PROGRAM CODES

LHFS PROGRAM CODES	
LHFS Program Name	Program Codes
Golden Equity Proprietary	WRGEM-000
Golden Equity Fixed Max	WRGEMF-000
Golden Equity LOC	WRGEML-000

APPLICATION

We are required to request borrower(s) to designate, at the borrower(s) discretion, an alternative individual for the purpose of communicating with the lender/servicer if the lender/servicer has not been able to reach the borrower(s) directly. LHFS has included in the application package an Authorization to Communicate that must be completed, signed & dated.

If the borrower(s) choose not to designate an Authorized Person for communication than at a minimum the borrower(s) must provide an Alternate Contact which can be designated on the 1009 or Alternate Contact Disclosure. The contact person's name, complete address, phone #, and relationship to the borrower are required. The borrower(s) must always provide an Alternate Contact. If LHFS is unable to reach the borrower(s) the person whose name appears as the Alternate Contact will be contacted.

Contact will be made in order to inquire about how to contact the borrower(s) and loan details will not be discussed with the alternate.

A transaction is considered an application when the following nine (9) data elements are obtained, and the prospect has indicated their intent to apply:

- Borrower & Co-Borrower Name, as applicable;
- Social Security Number (each borrower);
- Date of Birth (each borrower);
- Gross Monthly Income (each borrower);
- Subject Property Address (cannot be TBD);
- Estimated Value of Subject Property;
- Interest Rate;
- Product Type / Margin; and
- Principal Limit

An application may only be taken by a Mortgage Loan Originator (MLO) that holds an active license or is sponsored by a federally chartered institution in the subject property state.

OTHER APPLICATION REQUIREMENTS

- The Residential Loan Application for Reverse Mortgages (FNMA Form 1009 5/2010) Pages 1 - 8, Addendum to Residential Loan Application FNMA Form 1009(FM 1009 Addendum) Pages 1 – 5 but may be more than 5 pages, Demographic Information Addendum (FM 1009-DIA) 1 for each Borrower, is the standard application used with the HECM product.
- The information used on this form must be obtained directly from the borrower(s) or borrower(s) representative i.e., Power of Attorney or Guardian/Conservator.
- All fields on the initial 1009 are to be completed, noting N/A, as applicable, is acceptable.
- The Mortgage Loan Originator (MLO) is to complete all sections of the application, sign and date page four (4) of seven (7), and identify how the application was taken i.e., face to face, telephone, fax, internet, or mail.
- The borrower(s) must sign and date page four (4) and five (5) of seven, as well as page one (1) if applying jointly.
- The 1009 must list a monthly income for each borrower, and all declaration questions on page three (3) must be completed.
- If the borrower(s) choose not to disclose their race, ethnicity, or sex, the MLO must fill in this information to the best of his or her ability based on the borrower(s) surname.

- If the Date of Birth and/or Social Security Number are incorrect on the 1009, a handwritten and initialed correction from the borrower will be required. Borrower(s) personal identification in the file is to be used to validate information on the 1009.
 - A final 1009 will be prepared for execution at closing.

APPLICATION COMPLETED DEFINITION

For Reg. B purposes, a “completed application” date is the date on which a decision on the loan request can be made. Investor defines this as the date the following items have been received:

- The written application, and
- The counseling certificate, and
- The appraisal, and
- Title report, and
- Credit report, and
- Income documentation.

The latest date of receipt of any of these items if they are not submitted together.

The loan request must be approved, cancelled or denied within 30 days of a “completed application” date.

RE-APPLICATION REQUIREMENTS

The following guidelines apply to situations when a new loan application is required, and when the initial application can continue.

BORROWER REMOVES HIM/HERSELF FROM LOAN

When a borrower chooses to remove him/herself from the loan after the initial application, a new application and loan number are required, and a new credit report must be obtained referencing only the remaining borrower. Any existing services that have not expired may be used for the new loan including the appraisal, and counseling certificate.

Under certain circumstances the **initial application** can continue to be processed when one of the following situations occur:

DEATH OF A BORROWER

A borrower or co-borrower dies during the processing of the loan prior to closing. A death certificate must be provided and added to the file.

CO-BORROWER ADDED AFTER INITIAL APPLICATION

The new co-borrower must sign all existing application documents and disclosures required for initial application. The application must be dated with the date that the co-borrower signs the application and not the date the original borrower executed their application.

A letter of explanation (LOE) from the borrower must be added to the file explaining why there is an addition of the co-borrower.

Co-borrower must receive counseling and provide a fully executed certificate.

COMMITMENT LETTERS

LHFS will generate a commitment letter and when applicable a cover letter/cooling off disclosure and send to the TPO Partner. Any applicable state required cooling off periods can be found in the state specific requirements below.

DISTRICT OF COLUMBIA

We must provide the borrower(s) with a Lender executed Financing agreement at least 72 hours prior to closing. 3 calendar days cooling off from the day the borrower(s) execute/date the Financing Agreement is required.

ILLINOIS

State law requires that we provide the borrower(s) with a written commitment and a cooling off period. The cover letter & commitment letter must be signed & dated, by the borrower(s) and returned to the lender. We must provide a 3 full business day cooling off period that starts the day the borrower(s) date the cover & commitment letters. A Sunday or legal public holiday do not count as a business day.

Illinois State law requires a 3-day cooling-off period for Reverse mortgage loans, during which time potential borrower(s) cannot be required to close or proceed with the loan. The purpose of this requirement is to provide potential borrower(s) with 3 business days to consider their decision whether to secure a Reverse mortgage or not. Potential borrower(s) may want to seek additional information from a Reverse mortgage counselor during this 3-day period. The 3-day cooling-off period cannot be waived.

LOUISIANA

State law requires that we provide the borrower(s) with a written commitment and a cooling off period. The cover letter & commitment letter must be signed & dated, by the borrower(s) and returned to the lender. We must provide a 7 Calendar day cooling off period that starts the day the borrower(s) date the cover & commitment letters.

Louisiana State law requires a 7-day cooling-off period for Reverse mortgage loans, during which time potential borrower(s) cannot be required to close or proceed with the loan. The purpose of this requirement is to provide potential borrower(s) with 7 Calendar days to consider their decision whether to secure a Reverse mortgage or not. Potential borrower(s) may want to seek additional information from a Reverse mortgage counselor during this 7-day period. The 7-day cooling-off period cannot be waived.

UTAH

State law requires that we provide the borrower with a written commitment and a cooling off period. The cooling off disclosure & commitment letter must be signed & dated, by the borrower(s) and returned to the lender. We must provide a 7-calendar day cooling off period that starts the day the borrower's date the disclosure & commitment letter.

Utah State law requires a 7-calendar day cooling-off period for Reverse mortgage loans, during which time a potential borrower cannot be required to close or proceed with the loan. The purpose of this requirement is to provide potential borrowers with 7 calendar days to consider their decision whether to secure a Reverse mortgage or not. Potential borrowers may want to seek additional information from a Reverse mortgage counselor during this 7-day period. The 7-day cooling-off period cannot be waived.

GOOD FAITH ESTIMATE (GFE)

The timing on when a GFE can be generated is based upon how the application is taken. Applications may be taken telephone, face to face, mail, fax, or Internet.

- When all data elements and intent is received over the **telephone or internet**, the MLO's application date is that day, application disclosures including a GFE can then be mailed or handdelivered to the borrower(s). The borrower(s) should date the documents the day that he/she/they execute same.
- When an application is taken **face-to-face** (data elements and intent not received over the phone) then the GFE should not be included with the application docs. After the data is received, MLO/Loan Opener should then print a GFE and send it to the borrower(s). The application date is the date of the face-to-face interview. If the MLO has the ability to print documents during the face-to-face interview than a GFE can be issued the same day. If the MLO does not have the ability to print documents during the face-to-face interview than upon the Loan Opener being provided with an executed application package he/she will print the GFE and mail it to the borrower(s). This must occur within 3 business days of receipt of the signed application package.
- A GFE **cannot** be sent with a **mail or fax** application, since data elements have not been obtained. Not until the MLO receives all information then a GFE can be issued. Upon receiving a signed application package then the MLO/Loan Opener is to print the GFE and mail it to the borrower(s). This must occur within 3 business days of receipt of the signed application package.
- The Date of GFE will be used to ensure compliance based on how the application was taken.
- GFE's printed prior to application or outside of the three-day window is considered an incurable error and the file cannot proceed.

ADDITIONAL GFE REQUIREMENTS

- A GFE can only be given to the borrower(s) after an **application** is taken and must be included in all loan submissions.
- The GFE must be provided to the borrower(s) within three (3) days of the application as per RESPA requirements.
- The GFE must include an estimate of all allowable fees being charged to the borrower(s) at closing.
- Any cross outs must be initialed by the borrower(s), and an explanation provided by the borrower(s).
- The borrower(s) are to complete, sign & date the Acknowledgement of Receipt of the Good Faith Estimate and Other Disclosures.
- Origination fee limit includes expenses incurred in originating, processing, and closing the Reverse mortgage.
- Costs incurred for obtaining a 24-month tax certificate, Condominium Questionnaire, Verification of Employment or Assets, and/or HOA/Condo/PUD payment history, permitting that it's disclosed on the Good Faith Estimate in compliance with RESPA.

ORIGINATION FEE AND STATE FEE CAPS

The maximum loan origination fee is \$20,000.00 unless otherwise limited by state law.

Note: Fixed rate loans **ONLY** - A Broker providing a credit towards borrower(s) closing costs is not permitted.

ALABAMA

The total amount of compensation earned by a broker must meet the following:

- Fixed Rate – Origination fee is limited to 5.00% of the Unpaid Principal Balance (UPB) at closing. Adjustable Rate – Origination fee is limited to 5.00% of the gross Principal Limit (PL).

CALIFORNIA

The following fee caps are in place for broker loan transactions in the State of California.

Fixed Rate - When the gross Unpaid Principal Balance (UPB) at time of closing is \$30,000 or less, the origination fee must be no more than five percent (5%) of the UPB and not greater than \$700.

Adjustable Rate - When the gross Principal Limit is \$30,000 or less, the origination fee must be no more than five percent (5%) of the gross Principal Limit and not greater than \$700.

Note: For both fixed and arm loans the following fees are included when determining the cap: Appraisal fee, notary fee, and settlement fees.

If the origination calculation on the above is less than \$390, then \$390 can be charged on the loan.

CONNECTICUT

The total of the origination fee **and** the broker compensation paid will be limited to the **greater of** \$2,000 or 5.00% of the Unpaid Principal Balance (UPB) at closing.

For a Refinance transaction that has been financed by the investor - the original loan within the prior 2 years, the total of the origination fee and broker compensation on the current transaction is limited to the greater of \$2000 or 5.00% of the UPB at closing of the original transaction. The 2 years starts the date the original Note was signed and ends the date the Note is signed on the new loan.

NEW MEXICO

A Lender or Broker may not collect, charge or receive fees in excess of:

- Fixed Rate - The origination fee is limited to 6.00% of the Unpaid Principal Balance (UPB) at closing. Adjustable Rate - The origination fee is limited to 6.00% of the gross Principal Limit at closing.

Note: Origination fee **also includes** broker compensation paid for both fixed and adjustable rate loans.

SOUTH CAROLINA

The state of South Carolina allows a maximum origination fee of \$6,000.00.

VALID CHANGE OF CIRCUMSTANCE (VCC)

TPO PARTNER PROCESS

When a Good Faith Estimate or other loan terms change then LHFS will re-disclose the terms based on the valid change circumstance fee sheet provided to us.

The TPO Partner must provide their LHFS Pipeline Coordinator with a completed VCC sheet within 3 days of being notified of the change. Form must be completed in its entirety. Any fees that need to be adjusted need to be included. Only fees affected by the change can be updated. If you are changing the margin enter that in the valid change reason notes section.

LHFS will update Reverse Vision Fee screen, generate the re-disclosure package, complete the Valid Change of Circumstance, and email the re-disclosure package to the partner for distribution to the borrower(s).

The Valid Change of Circumstance form will print as part of the re-disclosure package, and it **must** be completed by the Pipeline Coordinator and include the following:

- The fee name(s) (i.e. Mortgage Insurance, Recording Fee, Transfer Tax, etc.);
- The previous fee amount, as disclosed on the most recent GFE;
- The new fee amount of the charge as listed on the revised GFE; and
- The reason(s) the GFE is being re-disclosed with updated fees and/or terms i.e., appraised value, natural disaster, repairs, inspections, change in margin, etc.)
- Note: We may only update or add fees that are affected by the change. For example, Estimated appraised value \$150,000 and actual appraised value \$200,000. The increased value will affect the Lender's Title Insurance Premium, and if applicable City/County tax/stamps deed.

REVERSE MORTGAGE COMPARISON

We must inform potential borrower(s) of all LHFS's HECM and Proprietary Reverse Mortgage products and features. The RM Comparison must include Golden Equity Fixed and ARM products and HECM loan products.

Note: When borrower(s) are less than 62 years old the HECM loan products cannot be disclosed on the Loan Comparison due to the borrower(s) not being age eligible for HECM.

STATE SPECIFIC DISCLOSURES

CALIFORNIA – REQUIRED DISCLOSURES PRIOR TO COUNSELING

California regulations state that a Reverse mortgage loan application shall not be taken unless the loan applicant(s), PRIOR TO RECEIVING COUNSELING, have received from the Mortgage Loan Originator (MLO) a list of HUD Approved Counselors, the Important Notice to Reverse Mortgage Loan Applicant and the Reverse Mortgage Worksheet Guide.

BROKER PROCESS

California regulations state that a Reverse mortgage loan application shall not be taken unless the loan applicant(s), PRIOR TO RECEIVING COUNSELING, have received from the Mortgage Loan Originator (MLO) the Important Notice to Reverse Mortgage Loan Applicant and the Reverse Mortgage Worksheet Guide.

To comply with California regulations, the following requirements must be met:

- MLO must provide to prospective borrower(s) the required disclosures prior to counseling. These disclosures are in the Reverse Vision Proposal Package. The proposal package must

be generated in its entirety in RV and it should show up in the history of the documents. Please ensure you don't close out of the loan in RV before the package has been fully generated.

- For loan transfers, the borrower(s) must provide the disclosures they received from their prior Lender or the Counselor before the MLO can take an application. If the disclosures are not dated prior to counseling, the disclosures must be provided to the borrower(s) and he/she/they must be re-counseled prior to taking the loan application.
- For Face to Face counseling, the borrower(s) are required to have the Counselor sign the RM Worksheet at time of counseling and return the disclosure to the MLO.
- If the prospective borrower is counseled *PRIOR* to meeting with the MLO and the Counselor did not provide the Important Notice and Worksheet noted above then the MLO must provide the required disclosures and the borrower(s) must be re-counseled.
- At time of loan submission to underwriting the signed and dated disclosures must be in the loanfile.
- If the prospective borrower received counseling prior to receiving the disclosures and is not re-counseled, LHFS will refuse the loan submission.

TEXAS

The State of Texas Constitution makes specific requirements that must be followed. If the following requirements are not met the loan cannot close:

- Important Notice to Borrowers Related to Your Reverse Mortgage – mandatory 12 calendar day waiting period between date the disclosure is signed by all borrower(s) and the date of closing.

PROPERTY ADDRESS

LHFS requires the use of the USPS address for all loan documents. Loan documents include but not limited to; counseling certificate, credit report, appraisal, title (if noted within), deed (if noted within), flood certificate, homeowner's & flood insurance (if applicable), closing documents. File must contain a USPS address for the subject property. In cases where the USPS address is not deliverable then verification of a deliverable mailing address for the borrower(s) is also required.

The credit report must have the borrower(s) current address for a Purchase transaction.

TRUTH-IN-LENDING (TIL) RE-DISCLOSURE TOLERANCE

The TIL will be re-disclosed if:

- The change in APR is more than **+0.125%** of the amount quoted to the borrower(s) in the last Truth in Lending (TIL) disclosure; OR
- The finance charge has increased by more than \$35.00 on transactions that are subject to rescission; OR
- The finance charge has increased by more than \$100.00 on transactions that are NOT subject to rescission.

IMPORTANT: Re-disclosure of the TIL triggers a three-to six (3-6) business day waiting period. The TIL is **ONLY** to be re-disclosed when the loan is over tolerance.

WAITING PERIODS

7 Days – Borrower(s) elected to change product from an ARM to a Fixed Rate and have never received a TIL.

6 Days – Loan may be closed on the 7th day following the re-disclosure date. (3 days for mailing and 3 days waiting period)

3 Days – If borrower(s) signed disclosures are received, then the 3-day mailing period can be waived.

BORROWER ELIGIBILITY

All borrowers must be 55* years of age or older on the day he/she executes the closing documents.

*For the states of Louisiana, and New Jersey all borrower(s) must be at least 60 years old, for the states of Texas and Utah all borrower(s) must be at least 62 years old on the day he/she executes the closing documents.

Borrower(s) must be residing in the subject property as their primary residence at time of closing for a refinance transaction. Documentation to support the borrower(s) occupancy of the subject property as his/her/their primary residence is required prior to loan closing. Documentation includes but is not limited to:

- Income documentation i.e., paystub,
- Asset/bank statements,
- Cable bill or evidence of cable service installation,
- Telephone bill (landline or cellular),
- Garbage bill,
- Evidence of homestead exemption from the subject property tax authority,
- Heating fuel oil/propane bill.

For a Purchase the borrower(s) must occupy within 60 days of closing.

However, if a co-borrower is temporarily in a hospital, nursing home, rehabilitation center, etc. an exception may be approved by the Underwriting Manager. Evidence of release date must be obtained from the facility.

BORROWER WITH MORE THAN ONE (1) REVERSE MORTGAGE

The borrower(s) may not have more than one (1) Reverse mortgage at any one time. The loan terms of a HECM or Proprietary Reverse Mortgage require that the subject property be the borrower(s) primary residence and the borrower(s) may not have more than one (1) primary residence at one time. We

define the borrower's primary residence as the place of residence for the majority (183 days) of the calendar year.

If the borrower(s) have a **HECM or a Proprietary Reverse Mortgage** on any other property the borrower(s) are eligible to obtain another Reverse mortgage if the existing HECM or Reverse mortgage is satisfied prior to or at closing, **or** the borrower provides legal documentation evidencing the release of the borrower's financial obligation to satisfy the existing HECM or Reverse mortgage. This alleviates the requirement for the borrower to demonstrate a final divorce decree.

Current HECM or Proprietary Reverse mortgage borrower(s) that plan to sell their existing residence and use the Purchase program to obtain a new principal residence must pay off the existing HECM or Reverse mortgage.

CITIZENSHIP AND IMMIGRATION STATUS

All borrower(s) must be a U.S. Citizen or a lawful Permanent or Non-Permanent Resident Alien.

A borrower with lawful permanent resident alien status may be eligible provided the borrower satisfies the same requirements, terms and conditions as those for U.S. citizens. The file must include evidence of the permanent residency and indicate that the borrower is a lawful permanent resident alien on the Uniform Residential Loan Application (URLA). The U.S. Citizenship and Immigration Services (USCIS) within the Department of Homeland Security provides evidence of lawful, permanent residency status.

PERMANENT RESIDENT ALIEN

- A copy of the front and back of the valid (un-expired) Resident Alien card indicating permanent residency is required, and
- The loan application to indicate that the borrower is a lawful permanent resident alien.

NON-PERMANENT RESIDENT ALIEN

- A copy of the front and back of the valid (un-expired) Non-Permanent Resident Alien card;
- The borrower must have a valid Social Security Number (SSN); and
- The borrower must be eligible to work in the U.S. as evidenced by the Employment Authorization Document issued by the USCIS.
- **Note:** The Social Security card **CANNOT** be used as evidence of work status.

The Employment Authorization Document is required to substantiate work status. If the Employment Authorization Document will expire within one year and a prior history of residency status renewals exists, the lender may assume that continuation will be granted. If there are no prior renewals, the lender must determine the likelihood of renewal based on information from the USCIS.

A borrower residing in the U.S. by virtue of refugee or asylee status granted by the USCIS is automatically eligible to work in this country. The Employment Authorization Document is not required, but documentation substantiating the refugee or asylee status must be obtained. Non-U.S. citizens without lawful residency in the U.S. are not eligible.

DATE OF BIRTH VERIFICATION

Date of birth must be verified for all borrower(s), and Ineligible Non-Borrowing Spouse. Acceptable documentation includes but is not limited to:

- Valid (unexpired) Driver's license;
- Birth Certificate;
- Passport;
- Written verification from the Social Security Administration; or
- State/Federal Government issued ID.

OFFICE OF FOREIGN ASSET CONTROL (OFAC)

An OFAC report is required for all borrower(s). A search may be conducted using the following link: <https://sanctionssearch.ofac.treas.gov/>. Enter the Borrower Name and Address and leave all fields as "ALL". For a Purchase, be sure you use the borrower's **CURRENT** address. OFAC information may also be reflected on the credit report.

PHOTO IDENTIFICATION

Valid photo identification for all borrower(s) and Power of Attorney, as applicable, is required.

Note: MLO certifications are not permitted.

UN-EXPIRED PHOTO ID REQUIREMENTS

One of the following unexpired items **MUST** be collected from all borrower(s) to verify their identity:

- State issued driver's license
- State issued ID card
- Military ID card
- Passport
- U.S. Alien Registration Card

Customer Identification Program (CIP) procedures must be followed at closing. The title company is responsible for knowing the state requirements and following them at the time of loan closing.

EXPIRED PHOTO ID REQUIREMENTS (EXPIRED WITHIN FIVE (5) YEARS)

The following items **MUST** be collected from all borrower(s) to verify their identity:

- Two forms of government issued ID as listed above; and
- LHFS to obtain a clear Interthinx report.

CIP procedures must be followed at closing. The title company is responsible for knowing the state requirements and following them at time of loan signing.

NO PHOTO IDENTIFICATION

If the borrower(s) do not have any photo identification (expired or unexpired) elevate the file to Management. An explanation for lack of photo identification is required.

CUSTOMER IDENTIFICATION PROGRAM (CIP) REQUIREMENTS

The closing/settlement agent (notary public) must comply with the state requirements for CIP at closing.

If the borrower(s) and/or POA photo ID is expired, validate the borrower's and/or POA's identity according to the laws of the state in which the loan closing occurs.

If state law is silent, LHFS requires establishing the borrower(s) identity at closing by means of oaths from:

- Two (2) credible witnesses if photo ID expired more than five (5) years
- One (1) credible witness if photo ID expired five (5) years or less

The oath for each credible witness **must** affirm that all the following are true:

- The borrower(s) signing the loan documents is the person named in the documents;
- The credible witness knows the signer;
- The credible witness believes that the borrower would have difficulty or an impossible time obtaining un-expired photo identification;
- The borrower does not have any unexpired documents authorized by law to establish the borrower's identity;
- The credible witness does not have a financial interest and is not named in the loan closing documents.

The closing/settlement agent **must** validate the borrower(s) and/or POA's identity at closing.

If a discrepancy is noted, the closing agent must contact the LHFS Closer, and the loan may NOT close without further instruction from the LHFS Closer or appropriate Manager.

The loan CANNOT close unless the discrepancy is resolved, and a detailed resolution is documented in the loan file.

LHFS and the closing/settlement agent must be fully satisfied that there is no deception or mistake concerning the true identity of the borrower(s) and/or POA.

In cases where an individual borrower is not physically present at the loan closing, the mortgage **CANNOT** be closed unless there is a properly executed and LHFS approved Power of Attorney. See **Power of Attorney**. The closing/settlement agent must validate the identity of the attorney-in-fact as per this policy.

PRINCIPAL RESIDENCE

The property must be the principal residence of each borrower at the time of loan closing.

A principal residence is defined as the dwelling where the borrower maintains his or her permanent place of abode and spends the majority of the calendar year (a minimum of 183 days of the calendar year). A person may only have one principal residence at any one time.

Married spouses or other co-borrowers may be living apart because one of them is temporarily in a health care facility; however at least one borrower must be living in the home in order for the loan to close.

Purchase – each borrower must occupy the property within 60 days of closing.

DISCREPANCIES

Potential occupancy discrepancies include, but are not limited to:

- Driver's license address differs from subject property or is recently issued;
- ID recently issued or having a different address from the subject property;
- Credit report shows a different address as current;
- 1009 home phone number is tied to a different address;
- Documents in file show a different mailing address (e.g., homeowner's insurance, payoff letter(s), bank statement(s), Social Security award letter(s), etc.);
- Borrower(s) own multiple properties;

- P.O. Box listed as mailing address, and USPS confirms the subject property as a deliverable address;
- Homestead exemption claimed on another property;
- Subject property has recently been listed for sale;
- Mailing address is different from the subject property address;
- Interthinx report alerts to address discrepancy, or Reverse directory alert.

In these circumstances when file documentation raises concerns that the borrower(s) primary occupancy is in question, underwriting reserves the right to request additional supporting documentation along with a written letter from the borrower(s) explaining discrepancies or disposition

of other residences and/or real estate owned. A loan approval CANNOT be rendered until primary occupancy can be determined with certainty and is adequately supported.

DOCUMENTATION

Acceptable evidence to support occupancy by the borrower(s) in the subject property can be obtained by providing LHFS with one (1) item from List A and two (2) items from List B.

List A	List B
Copy of borrower(s) driver's license, if not recently issued	Copy of borrower(s) voided check
Copy of Social Security Award Letter or copy of a bank statement with SS direct deposit	Copy of borrower(s) mortgage statement
Copy of borrower(s) bank statement that reflects sufficient monthly activity	Copy of borrower(s) auto insurance policy page
Copy of borrower(s) state issued ID, if not recently issued	Copy of borrower(s) credit card statement(s)
	Copy of borrower(s) utility statements/bills (e.g., phone (cell and/or landline), cable, gas/propane, garbage, internet service)
	Copy of federal tax return(s)
	Voter registration card
	Car registration or title

Note: At the underwriter's discretion other forms of documentation may be acceptable to support occupancy.

SOCIAL SECURITY NUMBER (SSN) REQUIREMENTS

All borrower(s) must have a valid Social Security Number. All of the following apply:

- Borrower(s) must provide evidence of his/her/their SSN;
- The borrower(s) SSN must be consistent on all documents provided by the borrower.

Acceptable evidence of Social Security Number includes but is not limited to:

- Social Security Card
- Social Security Form SSA-1099
- W2
- Written verification from the Social Security Administration
- 4506T Tax Transcripts

Note: Borrower(s) federal or state income tax return is not adequate evidence of SSN.

PROGRAM ELIGIBILITY

AGE OF DOCUMENTATION

A loan must **disburse/fund** prior to the document(s) expiration date. The only exception is the appraisal, and it must be within 120 days at time of closing, see below.

NO EXPIRATION DATE

The following documentation does not expire:

- Flood Certificate

60 DAY EXPIRATION

The following documentation is valid for 60 days:

- Employment and/or Income,
- Asset documentation. Can be up to 120 days at Lender discretion.

90 DAY EXPIRATION

The following documentation is valid for 90 days:

- Wood Destroying Insect Inspection Report. Valid for 90 days from the initial date of inspection.

120 DAY EXPIRATION

The following documentation is valid for 120 days:

- Appraisal – Underwriter may extend for 30 days. See Appraisal Expiration for extension requirements. The appraisal must be within 120 days at time of the closing date;
- Credit report(s);
- Preliminary title binder/title commitment; and
- Exclusionary List verification.

180 DAY EXPIRATION

The following documentation is valid for 180 days:

- Counseling Certificate

COUNSELING POLICY

All loans must comply with state requirements for Reverse mortgage counseling.

COUNSELING AGENCIES

The MLO **must** provide the prospective borrower(s) with a list of approved Counseling Agencies (a list of counseling agencies will be provided within the proposal package from LHFS). The following agencies are approved to provide counseling for the Golden Equity program*:

Cambridge Credit Counseling	888-764-7460
Consolidated Credit Solutions	800-728-3632
Debt Helper	800-920-2262
GreenPath Debt Solutions	877-385-1941
Money Management International	866-834-0428
National Foundation of Debt Management	888-738-8233
Project Sentinel	888-324-7468 Ext. 8012
QuickCert	888-383-8885
SpringBoard Nonprofit Consumer Credit Management, Inc. DBA Credit.org	888-890-0176
Horizon Counseling Inc.	888-315-4326

*Borrowers must request & complete the "Platinum" counseling session

WHO MUST RECEIVE COUNSELING

- Borrower(s): Individuals or current trust beneficiaries who are eligible and seeking a Golden Equity Reverse mortgage **must** receive counseling. If a borrower lacks competency, individuals with durable power of attorney, or court appointed conservators or guardians receive the counseling, and then execute the counseling certificate on the borrower's behalf.
- Ineligible Non-Borrowing Spouse: Counseling is required to ensure that the borrower and Ineligible Non-Borrowing Spouse both understand the implications of a Reverse mortgage.
- Life Estate: Person(s) holding a life estate interest must receive counseling. Only the borrower(s) may hold a life estate interest in the subject property.
- Remainder men(s): It is strongly recommended, but not required that all Remainder man(s) receive counseling.
- Trustee(s): It is strongly recommended, but not required that all Trustee(s) that are not also a Reverse mortgage borrower receive counseling.
- Trust Contingent Beneficiaries: It is strongly recommended, but not required for Contingent Beneficiaries of the Trust to be counseled. These individuals will neither receive any benefit from the Trust, not have any control over Trust assets until the borrower(s) are deceased or the mortgage has been released/satisfied.
- Borrower(s) Children: Counseling for the children of the prospective borrower(s) are not required. However, it is permissible, and will be available by an approved counseling agency if the child requests it.

COUNSELING CERTIFICATE

- The Certificate must reflect the borrower(s) name(s), and the subject property address;
- Slight variations in name and/or address are allowed at underwriter discretion;
- Name of Power of Attorney (POA) or Guardian/Conservator, as applicable;
- All counseled parties must sign & date the counseling certificate; and
- A copy of the fully executed certificate is required prior to closing unless state law requires that counseling be completed earlier in the loan process. i.e., prior to application.

LHFS will accept counseling certificates from an Investor approved Golden Equity Counseling Agency where the counseling was completed for another Proprietary Fixed rate product.

For Proprietary Adjustable rate we will accept counseling certificates from a Golden Equity approved agency for counseling completed for FAR/AAG HomeSafe/Advantage LOC product.

Investor will review counseling certificates for proprietary fixed products completed by a non-Golden Equity approved counseling agency to determine eligibility.

PURCHASE TRANSACTION

- If the contract of sale is dated prior to counseling than the subject property address must be listed on the counseling certificate.
- If the counseling date is prior to the contract of sale date than the borrower(s) current residence address on the counseling certificate is acceptable. A certificate reflecting To Be Determined (TBD) is unacceptable.

COUNSELING DELIVERY METHODS**FACE-TO-FACE COUNSELING**

Counselors should make every effort to provide counseling on a face to face basis, which allows for greater participation by the borrower(s) and allows the Counselor to more accurately determine that the borrower(s) understand the program.

CALIFORNIA

California Civil Code requires Counselors to provide face to face counseling unless the borrower(s) elect to receive the counseling in another manner. The Counseling Certificate and/or Addendum to the Counseling Certificate will reflect if the borrower(s) chose to receive Face to Face or Telephone Counseling.

TELEPHONE COUNSELING

Telephone counseling is an alternative only when face to face counseling is not feasible.

An MLO should not discuss telephone counseling as an alternative unless the borrower(s) completely rule out face to face counseling.

TELECOMMUNICATION DEVICE FOR THE DEAF (TTD SERVICES)

Borrower(s) who are mentally competent but have a hearing impairment **must** still be counseled. The borrower(s) **must** locate a Counselor who provides this service.

COUNSELING STATE REQUIREMENTS**ARIZONA**

The state of Arizona requires lenders to complete the following steps BEFORE accepting a final and complete application for a Reverse mortgage, OR accept any fees or deposits from the borrower(s):

- Provide the borrower(s) with a list of at least five (5) counseling agencies, including two (2) agencies that can provide telephone counseling.
- Obtain the Counseling certificate from the borrower(s) that was completed by an approved counseling agency. The certificate must:
 - Be signed and dated by the Counselor and borrower(s);
 - Counseling completed date must be filled in; and
 - Include the name and address of the Counselor and borrower(s).

CALIFORNIA

All Reverse mortgage borrower(s) and Ineligible NBS must receive Reverse mortgage counseling and may not be waived on a refinance transaction for any reason. Upon the borrower(s) receiving Reverse mortgage counseling we must apply a seven (7) calendar day cooling off period from the date that counseling is completed as evidenced by the counseling completed date on the counseling certificate. During the cooling off period ONLY the following activities may be conducted:

- Taking an initial loan application;
- Ordering a credit report; and
- Ordering a preliminary title search.

Upon the cooling off period expiring on the 8th day additional services may be ordered, i.e., appraisal report, flood certificate, trust review, etc.

SOUTH CAROLINA

A lender cannot accept an application for a Reverse mortgage until they obtain a statement from the South Carolina Housing and Development Authority indicating that independent Reverse mortgage counseling services are available. We cannot commit to a Reverse mortgage unless the borrower(s) state in writing that he/she/they received the statement from the lender at the time of initial loan inquiry. The required disclosure is included in loan application package

TEXAS

Reverse mortgage counseling **cannot** be completed more than 180 days prior to the loan closing. Texas law requires the loan to close no later than 180 days after counseling was completed. In addition, counseling cannot be completed less than 5 days prior to closing. If the counseling certificate expires during the loan process the borrower(s) and Ineligible NBS, as applicable, **MUST** be re-counseled, provide a fully executed Golden Equity counseling certificate, and the loan may not close until the 6th day after re-counseling was completed. Borrower(s) or Ineligible NBS may not elect to waive counseling on a refinance transaction.

UTAH

The state of Utah requires that Reverse mortgage borrower(s) receive counseling PRIOR to a lender taking an initial loan application. We will validate the requirement was met based on the counseling completed date on the certificate.

LENDER AND COUNSELOR INTERACTION RULES

LHFS requires that the borrower(s) receive the following documents at least 24-48 hours prior to counseling:

- Loan Comparison;
- TALC;
- Amortization Schedule;
- “Use Your Home to Stay at Home” booklet; and
- “How to Prepare Yourself for a Counseling session” booklet

The Counselor is ultimately responsible for providing these documents to the borrower(s). However, if the Lender provides a Reverse mortgage client with a loan proposal package then the Lender must provide a copy of the loan printouts to the Counselor prior to the borrower(s) session. For proposal packages generated in Reverse Vision the Counselor can be provided with the Counseling Access Code and then access the proposal package by going to www.Counselingdocs.org.

The Lender can mail, fax or email a copy of what was provided to the borrower(s) once a Counselor has been selected by the borrower(s). RV Proposal package includes a Counseling Access Code that the borrower(s) can provide to the Counselor. The Counselor can then access the proposal package from Counselingdocs.org.

The following rules are in place regarding requesting counseling:

- The MLO may not contact a Counselor or counseling agency to refer a borrower, discuss a borrower's personal information, including the timing or scheduling of the counseling, or request information regarding topics covered in a counseling session;
- The MLO may not attend or listen in to the borrower(s) counseling session; and
- The prospective borrower(s) must initiate communication with the counseling agency on his or her own, when he or she is comfortable with commencing with the counseling process, and without the assistance of the MLO.

Example 1: The MLO may not dial the counseling agency's phone number and hand the phone to the borrower to schedule counseling.

Example 2: The MLO may not enter the borrower's contact information into a web-based system which automatically put the borrower(s) name in queue to be called by a Counselor.

Counseling must be performed by an independent 3rd party that is neither directly or indirectly associated with the mortgage transaction.

MLO's are only permitted to communicate with Approved Counselors under one (1) of the following conditions:

- A borrower has scheduled a counseling session and needs the required documentation for counseling to be sent directly to the Counselor in advance of the counseling session. The MLO is then permitted to mail, fax or email the documentation directly to the Counselor; or
- A borrower has re-scheduled a counseling session and updated documentation must be sent directly to the Counselor in advance of the counseling session. The MLO may mail, fax or email the documentation directly to the Counselor; or

A borrower has made a change to the original documentation provided in advance of counseling (including but not limited to; estimated home value, date of birth, product type), and the updated documentation must be sent directly to the Counselor in advance of the counseling session. The MLO is then permitted to mail, fax or email the documentation directly to the Counselor.

DEATH CERTIFICATE

A death certificate is required when a deceased person is being removed from title. This includes any person named in a Trust.

An affidavit of death may also be required based on state requirements as determined by the title company. The settlement agent or title company must state in writing that the deceased party can be removed from title at closing without probate.

DISBURSEMENT LIMITS

The following are requirements and definitions applicable to Adjustable and Fixed interest rate Golden Equity Reverse mortgages.

Adjustable Interest Rate:

- Initial Disbursement Limit (IDL): The IDL shall not exceed the Principal Limit amount established at loan closing. The borrower(s) may bring other verified assets to closing to satisfy the mandatory obligations,
- Borrower(s) must draw at least 25% of the Principal Limit at the time of loan closing, and
- Maximum initial draw is 90.00%.

Fixed Interest Rate:

- Initial Disbursement Limit (IDL): The IDL shall not exceed the Principal Limit amount established at loan closing. The borrower(s) may bring other verified assets to closing to satisfy the mandatory obligations,
- Borrower(s) must draw at least 80% of available proceeds. For borrower(s) who elect to take less than 100% of the Available Principal Limit must provide a Letter of Explanation for why they wish to take less than 100% Available PL, acknowledge that funds are not accessible after loan closing, and there is an 12-month waiting period to complete a Proprietary to Proprietary refinance,
- A single lump sum disbursement at loan closing, and
- Cannot provide for future draws by the borrower(s).

DOCUMENTATION REQUIREMENTS

We **CANNOT** accept or use documents relating to assets, employment or income of the borrower(s) that have been handled by, or transmitted through, the equipment of unknown parties or interested third parties. We **CANNOT** accept or use any third-party verifications that have been handled by or transmitted from or through, any interested third party or the borrower(s).

We **MUST** authenticate all documents received electronically by examining the source identifiers (e.g., fax banner header or the sender's email address) or contacting the source of the document by

telephone to verify the document's validity. We **MUST** document the name **AND** telephone number of the individual with whom we verified the validity of the document.

We **MUST** authenticate documents obtained from the Internet including the uniform resource locator (URL) address, as well as the date and time the documents were printed. We **MUST** visit the URL, or the main website listed in the URL if the page is password protected to verify the website exists and print out evidence documenting our visit to the URL and website.

Documentation obtained through the internet **MUST** contain the same information as would be found in an original hard copy of the document.

ELECTRONIC SIGNATURES

An electronic signature conducted in accordance with the Electronic Signature Performance Standards (Performance Standards) is accepted on application documents requiring signatures, unless otherwise prohibited by law. The Performance Standards are the set of guidelines that govern acceptance of an electronic signature.

The use of electronic signatures is voluntary. However, Lenders choosing to use electronic signatures must fully comply with the Performance Standards. A Lender's electronic signature technology must comply with all requirements of the E-SIGN Act, including those relating to disclosures, consent, signature, presentation, delivery, retention and any state law applicable to the transaction. Electronic signatures on third party documents (originated and signed outside of the control of the Lender) in accordance with the E-SIGN Act and the Uniform Electronic Transactions Act (UETA) are acceptable. An indication of the electronic signature and date should be clearly visible when viewed electronically and in a paper copy of the electronically signed document.

Electronic signatures will be accepted on all application documents requiring signatures. Electronic signatures on closing documents is not acceptable.

FLOOD DETERMINATION CERTIFICATE

A flood determination certificate, including Life of Loan, must be included in every file to determine if the subject property is located within a flood zone, and therefore requires flood insurance coverage.

Review the Standard Flood Hazard Determination (SFHD) and ensure the following:

- The subject property address matches the USPS address for the subject property
- Correct lender and loan number are populated on the determination.
- Handwritten loan numbers or Lender IDs are not acceptable

A property is not eligible if a residential building and related improvements to the property are located within a Special Flood Hazard Area (SFHA) and insurance under the National Flood Insurance Program (NFIP) is not available in the community.

A property is not eligible if the improvements are, or are proposed to be located, within a Coastal Barrier Resource System (CBRS).

APPRAISER REQUIREMENTS

Appraisers are required to review the applicable FEMA FIRM and make appropriate notations on the applicable appraisal reporting form. If the property is located within a SFHA, the appraiser must:

- Attach a copy of the flood map panel to the appraisal report;
- Enter the FEMA zone designation on the reporting form, as well as identify the map panel number and map date; **and**
- Quantify the effect on value & marketability, if any.

Note: If the property is not shown on any map, the appraiser must enter “not mapped.”

Appraisers are required to perform the due diligence necessary to determine if a property is located within a CBRS. If the property is located within the CBRS boundaries, appraisers are instructed to immediately stop work on the assignment and return the file to the Lender.

DEFINITION/DESCRIPTION

Flood hazard areas identified on the Flood Insurance Rate Map are identified as a Special Flood Hazard Area (SFHA). SFHA are defined as the area that will be inundated by the flood event having a 1-percent chance of being equaled or exceeded in any given year. The 1-percent annual chance flood is also referred to as the base flood or 100-year flood. SFHAs are labeled as Zones A, AO, AH, A1-A30, AE, 99, AR, AR/AE, AR/AO, AR/A1-A30, AR/A, V, VE, and V1-V30.

DISPUTING A FLOOD ZONE

If a borrower feels the subject property is located outside of a flood hazard area, they must obtain a Letter of Map Revision (LOMR) or Letter of Map Amendment (LOMA) from Federal Emergency Management Agency (FEMA), and the flood certificate must be updated.

Any disputes to the findings must be reconciled with the flood certificate provider, and not LHFS.

A dispute or re-determination should only be requested when there is verified documentation to support the request (e.g., survey, appraisal, city or county flood reports, elevation certificate, etc.)

Additional information/documentation must enable a LOMA or LOMR request to be reviewed and approved by FEMA.

- A LOMA or LOMR is a letter issued by FEMA that officially addresses whether an existing structure or parcel of land is or is not located in a SFHA.
- A LOMA deals with structures or land that has not been elevated by fill, and a LOMR deals with structures or land that have been elevated by fill. Fill is any material, usually soil, which is placed on a property to elevate the grade so that any structure(s), existing or proposed, located on the property meet(s) FEMA's criteria for removing a structure(s) located on the property from the SFHA.

Possible sources for this information would be a Community Flood Plain Administrator, City Engineer, or Surveyor who has "shot" the topography of the site (a written statement by the surveyor is not acceptable; the survey must show the elevations).

Retain a copy in the loan file of all material used by the Flood Determination vendor to make the final flood determination, include a copy of the effective NFIP map (Flood Hazard Boundary Map (FHBM) or Flood Insurance Rate Map (FIRM) panel for the community in which the building is located with the location of the building(s) indicated.

Documentation must be supplied to the flood determination vendor to evaluate and provide a revised certificate, if applicable.

ELIGIBILITY FOR CONDOMINIUMS IN SFHAS

We must ensure the Homeowners' Association (HOA) obtains insurance under the NFIP on buildings located within the SFHA. The flood insurance coverage must protect the interest of the Borrower(s) who hold title to an individual unit, as well as the common areas of the Condominium Project.

ELIGIBILITY FOR EXISTING CONSTRUCTION IN SFHAS

When a residential building and related improvements to the property is determined to be located within a SFHA, insurance under the NFIP must be obtained.

ELIGIBILITY FOR PROPOSED OR NEW CONSTRUCTION IN SFHAS

If any portion of the property improvements (the dwelling and related structures/equipment essential to the value of the property and subject to flood damage) is located within an SFHA, the Property is not eligible **unless**:

- A final Letter of Map Amendment (LOMA) or final Letter of Map Revision (LOMR) that removes the Property from the SFHA is issued by FEMA; **or**
- Lender obtains a FEMA National Flood Insurance Program (NFIP) Elevation Certificate ([FEMA Form 086-0-33](#)) prepared by a licensed engineer or surveyor. The elevation certificate must be completed based on finished construction and document that the lowest floor (including the basement) of the residential building and all related improvements/equipment essential to the value of the Property, is built at or above the 100-year flood elevation in compliance with the NFIP criteria.

Lender must obtain insurance under the NFIP when a flood elevation certificate documents that the property remains located within an SFHA.

FLOOD ELEVATION CERTIFICATE AND/OR FLOOD INSURANCE

When a lender is uncertain about whether a property is located within a SFHA, it may require a flood elevation certificate. In addition, the Lender has discretion to require flood insurance even if:

- The residential building and related improvements to the property are not located within the SFHA, **but**
- The lender has reason to believe that the building and related improvements to the property may be vulnerable to damage from flooding.

MAPPING AND NFIP PARTICIPATION

When an area is Not Mapped and NFIP is not available, the property is not eligible.

FLOOD ZONE D, NOT MAPPED/UNDETERMINED

The Zone D, Not Mapped or Undetermined, designation is used for areas where there are possible but undetermined flood hazards, as no analysis of flood hazards has been conducted. The designation of Zone D is also used when a community incorporates portions of another community's area where no map has been prepared.

Flood insurance is available in Zone D should the area that the subject property is located within be subject to potential flooding. However, unlike Flood Zones A and V, flood insurance is not federally required.

For a property located in any of these designations, the file must be documented with some form of due diligence to determine that the subject property is not located in any area with a potential flood hazard.

The file must be documented with any one of the following:

- Interflood maps,
- Google maps,
- FEMA maps,
- Elevation certificate,
- Letter from the insurance company stating that flood insurance is not necessary, or
- Letter from the local municipality.

REQUIRED FLOOD DISCLOSURE NOTICES

If the subject property is within a flood zone as per the flood certificate then the borrower(s) must be provided with The Notice of Special Flood Hazards and Availability of Federal Disaster within a reasonable time frame. A reasonable time frame is considered 10 days prior to closing. Less than 10 days is permitted if the borrower(s) currently have a flood insurance policy.

HIGH-COST TEST

The State of Utah requires that a High-Cost Test be completed. We must have a High-Cost Test completed at the time of application and at the time of closing. The loan must pass the High-Cost Test to be eligible for the Golden Equity Program.

HMDA ULI REQUIREMENTS

The Home Mortgage Disclosure Act (HMDA) requires each loan to have a Universal Loan Identifier (ULI) for all loan applications generated on or after January 1, 2018. The ULI takes the place of the application or loan number for lenders HMDA LAR (Loan Application Register).

The ULI can be retrieved by selecting the "Get ULI for Lender" button on the RV Processing Input screen.

LAND TRUST

A Land Trust is an agreement whereby one party, the Trustee, agrees to hold ownership of a piece of real property for the benefit of another party, the Beneficiary.

Property owners use Land Trusts to keep information about their assets private. The value of the property is available through public records, but the records reflect the name of the Trust as the owner.

A Land Trust is most common in the State of Illinois. An eligible Land Trust **must** meet the following requirements:

- All Beneficiaries of the Trust are eligible borrower(s) at the time of loan application, and until the mortgage is released. Contingent Beneficiaries do not need to be an eligible borrower as they have no benefit from the Trust and have no control over the assets;
- The Borrower/Beneficiary must occupy the property as a principal residence;
- No new Beneficiaries can be added to the Trust; and
- The Note and Mortgage/Deed of Trust include the Number of the Trust, and the date the Trust was created.

The Borrower/Beneficiary signs the standard closing package, and the following documents:

- Letter of Direction. This document lists all the documents that the Trustee is to execute.
- Collateral Assignment for Beneficial Interest
 - Must be signed by all Beneficiaries
 - Must be signed by the Lender

Note: Cook County IL - If a lender is filing a Collateral Assignment for property located in Cook County, a Facsimile Assignment of Beneficial Interest must be recorded prior to closing as required by law.

Note: Chicago IL - If the subject property is in the City of Chicago, you will need to obtain an Exempt Full Payment Certificate from the City of Chicago Department of Water before the document can be recorded.

Note: Other Municipalities - If the municipality where the property is located has an exempt transfer stamp ordinance, this stamp must be obtained prior to recording. The title company to confirm if this is a requirement in the subject property municipality.

The **Trustee** must sign the following documents:

- Note;
- Mortgage/Deed of Trust and all Riders (as applicable);
- Notice of Right to Cancel; and
- Truth-In-Lending Disclosure or Important

Terms the Trustee does **NOT** sign:

- Loan Agreement

Note: The Borrower/Beneficiary may issue instructions to a Lender to permit the Trustee to exercise one or more rights stated in the Loan Agreement on behalf of the Beneficiary, such as the right to receive loan advances, or to request changes in the payment plan.

Verify that the trust:

- Is valid and enforceable;
- Meets the requirements of this guide; and
- Notifies the lender of any change of occupancy or transfer of beneficial interest

ANONYMOUS LAND TRUST

For anonymous Land Trusts, the Beneficiary does not sign the Mortgage/Deed of Trust or Rider(s), as applicable.

Attorney Opinion Letter

A full copy of the Land Trust agreement with any amendments or addendums must be reviewed and approved by investor approved outside counsel, Paul Lovegrove. Outside counsel must provide an Attorney Opinion Letter.

DEFINITIONS

Beneficiary(ies) or Beneficial Owner(s):

This refers to the property owner or owners and must be the borrower(s).

Power of Direction:

The holder of the power of direction is the person authorized to direct the Trustee to executed documents, including loan documents.

Letter of Direction:

This letter, signed by the holder of the power of direction, authorizes the Trustee to execute the document(s) contained in the letter of direction.

Collateral Assignment of Beneficial Interest:

This is the agreement that secures the Lenders interest in the beneficial interest of the Trust and puts alien on the beneficial interest in the Trust. It is the Land Trust equivalent of the mortgage. However, since it is not recorded, it does not show up as a lien on record title. Most significantly, it gives the Lender a power of direction in the Land Trust and may allow foreclosure outside the court-monitored foreclosure process through a UCC Article 9 personal property foreclosure.

Facsimile Assignment of Beneficial Interest for Collateral Purposes:

One-page document used to notify state, county and municipal bodies of a transfer of interest within the Land Trust. This only needs to be recorded if the subject property is in Cook County, and it **must** be recorded prior to closing.

LIFE ESTATE

A life estate is a form of joint ownership that allows a person to remain in a house until his or her death, when it passes to the other owner. Life estates can be used to avoid probate and to give a house to children without giving up the ability to live in it.

The person(s) holding the life estate -- the life tenant(s) -- possesses the property during his or her life. The other owner -- the remainderman -- has a current ownership interest but cannot take possession until the death of the life estate holder(s). The life tenant has full control of the property during his or her lifetime and has the legal responsibility to maintain the property as well as the right to use it, rent it out, and make improvements to it.

The life tenant cannot sell or mortgage the property without the agreement of the remaindermen. A remainder man(s) **MUST** be an individual or individuals. A Trust, LLCs or other entities are not permitted as remaindermen(s). A Trust may be permitted on an exception basis if the Trust meets guidelines as evidenced by an Attorney Opinion Letter obtained from investor approved outside legal counsel. Trustee(s) must execute as Remainder man(s).

Closing in a Life Estate is permitted, however, to encumber fee simple interest in the property the following requirements apply:

- The life tenant(s) are the borrower(s) and execute all origination and closing documents;
- The promissory note **must** be executed by the holder of the life estate (the holder of the life estate is the borrower(s));
- The Mortgage(s)/Deed of Trust(s) **must** be executed by the holder of the life estate **and** Remainder men(s);
- The remainder men(s) must execute the Mortgage(s)/Deed of Trust(s) and any Riders, Notice of Right to Cancel, and the Truth-In-Lending disclosure or Important Terms;
- Underwriters must add the following at PTF condition when title is vested in a life estate: "All parties on title must sign the Mortgage/Deed of Trust, Notice of Right to Cancel, Truth-In- Lending or Important Terms disclosure, HUD-1, and Compliance Agreement.";
- Title must list such borrower(s) as holding title;
- The intervening assignments, if applicable, must reflect such borrowers; and
- The Nearest Living Relative document must be completed with all remainder man(s) information on every loan vested in a life estate.

Note: Holder(s) of a future interest (remainder man(s)) do not have rights to loan proceeds.

Note: Closing in the State of Texas with Life Estate Interest is **NOT** permitted.

ENHANCED LIFE ESTATE

With a "regular" life estate deed, the owner of the real estate makes a gift of the property to beneficiaries, called remaindermen. He/she/they can't mortgage or sell the property during his lifetime without the permission and "joinder" of the remaindermen. Joinder means that they're parties to the mortgage or sale. He/she/they effectively give the property away and unilateral control of the property during his lifetime.

With an "enhanced" life estate, the owner of the real estate, referred to as the "life tenant," retains complete control over the property during his/her/their lifetime. He/she/they have the right to mortgage or sell the real estate without the consent of his/her/their beneficiaries or the remaindermen named in the deed because he/she/they haven't actually given the property to them yet. The property doesn't transfer until the death of the Life Tenant(s).

An enhanced life estate deed functions in a manner very similar to a beneficiary deed or transfer-on-death deed. Beneficiary and TOD deeds don't take effect and transfer property to the beneficiary until after death, and the language in the deed must specifically state this. These must be prepared, signed and recorded in the county land records office just like any other deed.

Closing in an Enhanced Life Estate is permitted, however, to encumber fee simple interest in the property the following requirements apply:

- The life tenant(s) are the borrower(s) and execute all origination and closing documents;
 - The promissory note **must** be executed by the holder of the life estate (the holder of the life estate is the borrower(s));
 - The intervening assignments, if applicable, must reflect such borrowers;
 - Title must list such borrower(s) as holding title;
- Note:** Holder(s) of a future interest (remainder man(s)) do not have rights to loan proceeds.

Note: Closing in the State of Texas with an Enhanced Life Estate Interest is **NOT** permitted.

Since any Remainder men(s) will not have a vested interest in the subject property until the death of the Life Tenant(s) they **are NOT** required to sign the Mortgage(s)/Deed of Trust(s), Notice of Right to Cancel, Truth-In-Lending or Important Terms disclosure, HUD-1, or Compliance Agreement.

MANDATORY OBLIGATIONS

Mandatory Obligations refers to fees and charges incurred in connection with the origination that are permitted to be:

- Paid at loan closing that are a condition or a requirement for loan approval; or
- Any disbursements for a Repair Set-Aside, including the cost of repairs.

REFINANCE MANDATORY OBLIGATIONS

- Loan origination fee;
- Reasonable and customary amounts, but not more than the actual amount paid by the lender for any of the following items;
 - Recording fees and recording taxes, or other charges incident to the recordation of the insured mortgage;
 - Credit report;
 - Survey, if required by the lender or the borrower(s);
 - Title examination;
 - Lender's title insurance;
 - Fees paid to the AMC and Appraiser for appraisal report(s);
 - Condo Questionnaire fee;
 - Tax & HOA payment verification fees;
 - Third Party Verification fees for Employment, Income, or Assets;
- Repair Set-Aside;
- Amounts required to discharge any existing liens on the property;
- PACE/HERO liens;
- Customary fees and charges for warranties, inspections, surveys, engineer certifications;
- Funds to pay contractors who performed repairs as a condition of closing, in accordance with standard requirements for repairs required by the appraiser and/or underwriter;
- Property tax, flood and hazard insurance payments required to be paid at closing;

- Judgment(s), State and/or Federal tax liens appearing in Public Records;
- Payoff of debt not secured by the property. Payoff must be made directly to the creditor; and
- Other charges, as allowed by law, authorized by the Investor.

Note: Borrower(s) may elect to pay off debt not secured by the property or a Lender may require that debt not secured by the property for the borrower(s) to qualify be paid off at time of closing.

PURCHASE MANDATORY OBLIGATIONS:

- Loan origination fee;
 - Reasonable and customary amounts, but not more than the amount actually paid by the mortgagee of any of the following items:
 - Recording fees and recording taxes, or other charges incident to the recordation of the insured mortgage;
 - Credit report;
 - Survey, if required by the mortgagee or the mortgagor;
 - Title examination
 - Lender's title insurance
 - Fees paid to the AMC and Appraiser for appraisal report(s);
 - Condo Questionnaire fee; and
 - Tax & HOA payment verification fees;
 - Third Party Verification fees for Employment, Income, or Assets;
 - Fees and charges for real estate purchase contracts, warranties, inspections, surveys, engineer certifications;
 - Property tax, flood and hazard insurance payments required to be paid at closing;
 - The amount of the Principal that is advanced towards the purchase price of the subject property;
 - Judgment(s), State and/or Federal tax liens appearing in Public Records; Payoff of debt not secured by the property. Payoff must be made directly to the creditor; and
 - Other charges, as allowed by law, authorized by the Investor
- Note: Borrower(s) may elect to pay off debt not secured by the property or a Lender may require that debt not secured by the property for the borrower(s) to qualify be paid off at time of closing.

MAXIMUM LOAN AMOUNT (PRINCIPAL LIMIT (PL))

The Maximum Loan Amount (Principal Limit) is \$4,000,000. A loan amount/PL above \$2,000,000 requires a 5% LTV reduction and above \$3,000,000 requires a 15% LTV reduction.

NMLS

NMLS Consumer Access, a free service for consumers or mortgage professionals to use to confirm that the MLO with whom the borrower(s) have chosen to conduct business with is authorized to originate mortgage loans in the subject property state.

LHFS requires a printout from the NMLS site at <http://www.nmlsconsumeraccess.org/>, to evidence that the MLO who has executed the 1009 is licensed to conduct business in the state that the subject property is located in.

NON-BORROWING SPOUSE (NBS)

When a borrower is legally married and his or her spouse will NOT be a borrower on the Reverse mortgage the loan is not eligible for the Golden Equity program. When a borrower is legally married and his or her spouse does not reside in the subject property as his or her principal residence then the loan is eligible for the Golden Equity program. Documentation to support that the spouse does not reside in the subject property is required.

The Ineligible NBS (INBS) must attend counseling and the Reverse mortgage closing to execute an Ineligible Non-Borrowing Spouse certification and any additional loan closing documents as determined by the title company in order to have a valid lien position. An Ineligible NBS will not benefit from a deferral period of the Reverse mortgage due and payable status now nor in the future.

APPLICATION REQUIREMENTS

The borrower(s) must state whether or not he or she is legally married at the time of initial application and confirm this information at closing. An Ineligible NBS does not have to be 60 years old in order for a fully qualified Borrower to obtain a Reverse mortgage.

CHANGES TO PRINCIPAL LIMIT

When determining the Principal Limit, do not use the age of any Ineligible Non-Borrowing Spouse. A origination Lender will use the required factor tables and the age of the youngest borrower to determine the Principal Limit.

CREDIT REPORT FOR INELIGIBLE NBS

A credit report for an Ineligible NBS is not required.

DEFINITIONS

Borrower - Means the original borrower under a mortgage. The term does not include successors or assigns of a borrower.

Ineligible Non-Borrowing Spouse – defined as the spouse of the Borrower at the time of closing, and who is not a borrower, and does not reside in the subject property as his or her principal residence.

DETERMINATION

At application, we must identify any current Non-Borrowing Spouse and must determine if the Non-Borrowing Spouse is currently Ineligible. This determination is a factual determination and cannot be changed or waived by any election.

At closing, we must obtain the appropriate certification from each borrower identified as married as well as from each Ineligible Non-Borrowing Spouse.

INCOME

Income from an Ineligible NBS may not be used to qualify the borrower(s).

REQUIRED BORROWER AND INBS CERTIFICATIONS AT CLOSING

Verification of marital status is not required, however a signed certification at closing from the borrower(s) and Ineligible NBS, if any, verifying the truth and accuracy of the information provided in the application with respect to the borrower's marital status and NBS, if applicable, is required.

BORROWER CERTIFICATION: INELIGIBLE NON-BORROWING SPOUSE

At closing, obtain the following certification from each borrower identified as married to an Ineligible Non-Borrowing Spouse:

I hereby certify that I am currently, legally married, that the information I have provided with respect to my spouse, _____, is true and correct, and my spouse is not eligible and cannot become eligible for a Deferral Period for the following reason:

_____ My Spouse does not occupy the property securing the Reverse mortgage as his or her Principal Residence. My Spouse's current Principal Residence is _____.

The above statements are factual and cannot be changed.

INELIGIBLE NON-BORROWING SPOUSE CERTIFICATION

At closing, obtain the following certification from each Ineligible Non-Borrowing Spouse of a borrower:

I hereby certify that I am currently, legally married to _____, a Golden Equity Reverse mortgage borrower, and the information provided about me is true and correct. I understand that the Deferral

Period contained in the loan documents for which my spouse is applying will not defer a due and payable status to prevent my displacement from the property following the death of the last surviving borrower because I am not eligible and cannot become eligible for a Deferral Period for the following reason:

_____ I do not occupy the property securing the Golden Equity Reverse mortgage as my Principal Residence. My Principal Residence is _____.

I understand that because I am ineligible, the Deferral Period referenced in my spouse's Platinum Reverse Mortgage loan documents is inapplicable and will not defer a due and payable status to prevent my displacement. I acknowledge that were I eligible the maximum equity available to my spouse to access under the Golden Equity Reverse Mortgage would be \$_____. I acknowledge that solely due to my ineligibility that access to this equity is being made available to my spouse. I further understand that my spouse's lender is relying on my certification to my factual ineligibility in making this mortgage the amount identified in the Loan Agreement. I consent to my spouse gaining access to this equity because I acknowledge, and I certify that I am not eligible and cannot become eligible for a Deferral Period.

I consent to my spouse gaining access to this equity. The above statements are factual and cannot be changed.

ORDERING OF SERVICES

California has a 7-day cooling off period from the date counseling was completed to assessing any fees the borrower(s). The required Cooling off period cannot be waived by the Borrower(s).

The following applies to all loans secured by a property located in California:

Allowed during the Cooling Off Period	<u>NOT allowed</u> during the Cooling Off Period
<ul style="list-style-type: none"> • Taking the initial loan application • Ordering a credit report, and • Ordering a preliminary title search 	Processing the loan application including, but not limited to: <ul style="list-style-type: none"> • Ordering the appraisal report • Ordering of the flood certificate

PACE/HERO LIENS

For a refinance transaction the loan proceeds may be used to satisfy a PACE/HERO lien that appears in title. For a Purchase, the Seller(s) must satisfy any outstanding PACE/HERO lien at or prior to closing. Properties which will remain encumbered with a PACE/HERO obligation are not eligible.

Property Assessed Clean Energy (PACE) /Home Energy Renovation Opportunity (HERO) refers to an alternative means of financing energy and other PACE/HERO allowed improvements to residential properties using financing provided by private enterprises in conjunction with state and local governments.

Generally, the repayment of the PACE/HERO obligation is collected in the same manner as a special assessment tax is collected by the local government rather than paid directly by the borrower to the party providing the PACE/HERO financing.

Generally, the PACE/HERO obligation is also secured in the same manner as a special assessment against the property. In the event of a sale, including a foreclosure sale, of the property with outstanding PACE/HERO financing, the obligation will continue with the property causing the new homeowner to be responsible for the payments on the outstanding PACE/HERO amount. In cases of foreclosure, priority collection of delinquent payments for the PACE/HERO assessment may be waived or relinquished.

APPRAISAL

Where it's determined that the property is subject to a PACE/HERO obligation, the lender must notify the Appraiser that the PACE/HERO obligation will be paid off as a condition of loan approval.

AT TIME OF APPRAISAL ORDER

We must provide to the selected Appraiser with a complete copy of the subject contract of sale including all addendums, amendments, or change orders, land lease, surveys and other legal documents, as known & as applicable, contained in the mortgage file necessary to analyze the Property.

We must disclose all known information regarding any environmental hazard that is in or on the subject property, or in the vicinity of the property, whether obtained from the Borrower, the real estate broker, or any other party to the transaction.

The Appraiser must review the contract of sale and property tax records to determine the amount of any outstanding PACE/HERO obligation.

- When the Appraiser observes that the property taxes for the subject property are higher than average for the neighborhood and type of dwelling; **or**
- When the Appraiser observes energy-related building components or equipment or is aware of other PACE/HERO allowed improvements during the inspection process.

If the appraiser identifies that the subject property has an outstanding amount on a PACE/HERO obligation then he/she must report same within the appraisal report.

PURCHASE

Where the subject property is encumbered with a Property Assessed Clean Energy/Home Energy Renovation Opportunity (PACE/HERO) obligation, the sales contract must include a clause specifying that the PACE/HERO obligation will be satisfied by the Seller(s) at, or prior to closing. The Seller(s) must satisfy any outstanding PACE/HERO obligation and it's not to be considered a concession or contribution by an interested party.

PAYOFFS

All taxes, liens, judgment(s), state and/or federal Tax lien(s), and outstanding mortgages listed on title and all taxes, liens, judgments, state and/or federal tax lien(s) still outstanding in public records must be paid off at closing.

Payoffs Statement:

- The payoff statement expiration should extend to the funding date. If the payoff statement expiration does not extend to the funding date, it must also include per diem.
- If the payoff statement does not have an expiration date and does have per diem, it will be valid up to 30 days from the date of the payoff demand
- Any payoff statement must contain at least one of the following: an expiration date or per diem
- Expired payoff statements are not acceptable and must be updated.

POWER OF ATTORNEY (POA)

If a borrower(s) is deemed incompetent a POA, Conservator or Guardian may be used. If using a POA it must clearly be established that the borrower was of sound mind at the time of executing the POA document(s) but is currently not of adequate mental competency to handle his or her own financial affairs. Some POA's will require two (2) physician's letters to establish mental competency.

A written acknowledgment from the title company indicating the POA is acceptable to insure is required.

REQUIREMENTS

General Power of Attorney (POA) guidelines;

- The POA grants the power to mortgage or sell property rights in the subject property, complies with state law, and allows for the Note to be enforced in the jurisdiction;
- The POA must be acknowledged by a Notary Public authorized under applicable law; and
- The POA must be Durable (continues to be in effect if the borrower becomes incompetent after execution of the POA).
- A POA **cannot** be used to execute on behalf of a Trustee of a Trust. A Successor Trustee **must** be in place to execute on behalf of the Trust.

The Attorney-In-Fact must be directed to sign the loan documents as indicated in the following example: "John Doe by Jane Doe as attorney-in-fact/AIF".

The POA must provide valid (un-expired) photo identification.

INCAPACITATED BORROWER

This POA is utilized for a mentally competent borrower who has a physical limitation or limited ability to sign loan documents.

In order for the Attorney-In-Fact to execute all disclosures and the closing documents, the General POA criteria listed above, **PLUS** the following must be met:

- A doctor's letter certifying the borrower is unable to execute loan documents and the date (month/year) of the incapacity,
- The POA will sign the 1009, Addendum to 1009 and Demographic Information Addendum;
- The counseling session must be conducted with the borrower and the POA; the POA will sign the counseling certificate for borrower and self,
- A notarized copy of the fully executed Durable POA,
- A written acknowledgment from the title company indicating the POA is acceptable to insure, and
- A POA **cannot** be used to execute on a behalf of a Trustee of the Trust. A Successor Trustee **must** be in place to execute on behalf of the Trust.

MENTALLY INCOMPETENT BORROWER

This POA is used for a mentally incompetent borrower.

In order for the Attorney-In-Fact to execute all disclosures and the closing documents, the General POA criteria listed above, **PLUS** the following must be met:

- Physician's letter (on letterhead, signed, and dated) from the borrower's primary care physician, another physician who regularly treats the borrower for medical issues OR an American Board of Medical Specialties certified specialist in geriatrics or neurology who has completed a recent physical examination of the borrower;
- The letter must state that the physician has completed an examination of the borrower's physical and mental competency, and the borrower is not competent to make his/her own business decisions;
- The letter must indicate the approximate date of the diagnosis of incompetency, which must be AFTER the POA was executed;
- If the POA document requires that 2 licensed physicians verify a borrower's mental capacity, then 2 doctor's letters are required,
- If POA is used in conjunction with a Trust Agreement additional documentation (e.g., a second (2nd) physician's letter confirming incompetency) may be required as outlined in the Trust Agreement,
- A POA **cannot** be used to execute on behalf of a Trustee of the Trust. A Successor Trustee **must** be in place to execute on behalf of the Trust,
- The POA must execute all application and closing documents,
- The POA must receive counseling on the borrower's behalf, execute the counseling certificate on the borrower's behalf, and sign and date as POA,
- The counseling certificate must identify the borrower and the POA at the top of the certificate;
- A notarized copy of the fully executed Durable POA is required. The title company may require the original POA to be recorded at the time of closing, and
- A written acknowledgment from the title company indicating the POA is acceptable to insure.

CONVENIENCE POWER OF ATTORNEY

This POA is utilized for a mentally competent borrower who is unavailable on the date of the application and/or scheduled closing. For borrower(s) with a physical limitation on ability to sign loan documents, see section Incapacitated Borrower above.

In order for the Attorney-In-Fact to execute loan documents, the General POA criteria listed above, plus the following must be met:

- A Letter of Explanation from the Borrower(s) explaining the reason for use of a Convenience POA is required. Letter must be signed by the borrower(s) and not the POA.
- The borrower(s) and POA must be counseled and execute the counseling certificate.
- A notarized copy of the fully executed Durable POA must be provided. The title company may require the original POA to be provided at the time of closing to be sent for recording.
- A written acknowledgment from the title company indicating the POA is acceptable to insure.
- A POA **cannot** be used to execute on behalf of a Trustee of the Trust. A Successor Trustee **must** be in place to execute on behalf of the Trust.

CONSERVATORSHIP/GUARDIANSHIP

In the case of an incompetent borrower where a POA is unsatisfactory or was never executed, a court-appointed Conservator or Guardian can act on behalf of the incompetent borrower(s) to obtain a Reverse mortgage.

A conservatorship or guardianship must be valid, and in force with no expiration date so the borrower has legal representation for the life of the loan. Temporary conservatorships or guardianships are not allowed. Borrower(s) must have a legal representative for the life of the loan.

DOCUMENTATION

If the borrower(s) have a Guardian, the file must contain the following documents:

- A copy of the letter of Conservatorship or Guardianship;
- A copy of the executed court order/approval of the conservator/guardian to enter into the Reverse mortgage on the behalf of the borrower. If the executed court order identifies specific Reverse mortgage loan terms, i.e., interest rate, loan amount, etc. those terms **MUST** be met, or an updated executed court order is required;
- Title company must review and provide written approval for the use of the Conservator or Guardian;
- Conservator/Guardian must attend counseling to be counseled on the borrower's behalf, the borrower and Conservator/Guardian must be identified at the top of the counseling certificate, and the Conservator/Guardian must sign and date the counseling certificate on the borrower's behalf, and as the Conservator/Guardian; and
- Provide a copy of his/her valid (un-expired) photo identification.

SIGNING WITH A MARK

If the borrower is mentally competent and can only make a Mark we will accept the Mark on the 1009, Addendum to 1009, Demographic Information Addendum, and counseling certificate as long as the Subscribing Witness Affidavit is executed which indicates two (2) disinterested parties, one of which may be the Notary Public, witnessed the Mark and attest this is the Mark of the borrower.

It's recommended, but not required, for a POA to be utilized for the execution of the closing documents. If the borrower prefers to close and make his or her Mark on all documents, an attestation must identify that each document that was signed with the Mark was the Mark of the borrower.

PRINCIPAL LIMIT

The Principal Limit is established at closing and is the maximum amount that the borrower(s) may receive from the Reverse mortgage before any disbursements are made.

The Principal Limit is determined by multiplying the Appraised Value by the Principal Limit Factor for the borrower(s) selected loan product and corresponding to the age of the youngest borrower.

PURCHASE

On a Purchase, in addition to the standard requirements, the following are required:

- Fully executed real estate purchase contract with all addendums, disclosures, change orders, and Amendments, as applicable;
- Real Estate Certification;
- For Your Protection Get a Home Inspection;
- Seller's property condition disclosure, as required by state law, provided by the realtor and signed by the Seller(s);
- Source of funds to close;
- Other real estate owned addendum;
- We must use the **LESSER** of the actual purchase price, or appraised value to determine the Principal Limit; and
- Additional documentation based on specifics of the purchase transaction.

BORROWER RETAINING CURRENT RESIDENCE

When prospective borrower(s) under the Purchase program intends to retain their existing home as a rental property, we must ensure they have adequate income to:

- Maintain the costs associated with the new home financed with the Purchase (e.g., taxes, insurance, HOA, etc.);
- Satisfy the monetary investment for the Purchase transaction;
- Continue to make the mortgage payment and tax and insurance payments on the existing mortgage;
- Continue to make payments for HOA/Condo/PUD fees, if applicable, on the current residence.
- Upon including the monthly expenses for the current residence, the borrower(s) **MUST** have adequate residual income meeting Financial Assessment requirements.
- If rental income is being derived from the property being vacated by the borrower(s), the borrower(s) must be relocating to an area more than 100 miles from the borrower(s) current principal residence.
- When rental income from the property being vacated must be used to qualify an appraisal report evidencing market rent and that the borrower(s) have at least 25%

equity in the property are required. The appraisal is not required to be completed by an FHA Roster appraiser.

- A satisfactory 24-month property charge payment history (Taxes, HOA/Condo/PUD dues) evidencing no payments made in arrears is required.

BORROWER SELLING CURRENT RESIDENCE

Evidence of sale and receipt of funds is required. A fully executed Closing Disclosure/HUD-1 Settlement Statement and copies of disbursement checks and/or wires.

BUY AND BAIL

Buy and bail is buying a new home with the intention of bailing on the old home. This practice is considered unacceptable and is typically done as a result of the borrower(s) not making payments on their current residence. If the borrower(s) credit history does not meet the standard identified in this guide, 0x30 in prior 12 months, 2x30 in prior 24 months, for the mortgage on the current residence the loan may not be eligible even if borrower(s) are able to document 12 months reserves of taxes, insurance(s) and HOA dues.

If a buy and bail is suspected, either at the time of the loan application or during the loan process, the loan must be escalated to the Underwriting Manager for review and eligibility determination.

CERTIFICATE OF OCCUPANCY (CO)

Loan application may be taken prior to a Certificate of Occupancy or its equivalent being issued. We must obtain a permanent CO or its equivalent prior to closing. A Purchase transaction may close with a repair escrow held by the title company for weather related delays for repairs or landscaping that are not structural i.e. pool, spa, outbuildings, etc. The subject property must be habitable as verified by a Temporary CO.

CONTRACT OF SALE (COS)

A copy of the clearly legible contract of sale including any amendments, modifications, change orders, or other agreements/disclosures must be in the loan file. Any cross-outs must be initialed by all parties.

All pages to the contract, any amendments, disclosures, as applicable are required.

The subject property must be purchased from the Owner of Record and the transaction may not involve any sale or assignment of the contract of sale.

An individual who is a party to the COS, but is not a borrower will need to be removed from the COS. The contract of sale must be in the borrower(s) name only.

There may be no identity of interest between Seller(s) and Buyer(s). Identity of Interest Disclosure must be completed and executed.

SELLER CONCESSION/CONTRIBUTION

The Seller(s) may pay the following at time of closing:

- Fees required to be paid by a Seller under state or local law;
- Fees customarily paid by a seller in the subject property locality; and
- Seller may purchase a Home Warranty Policy.

The Seller or other interested party (i.e. Lender, Builder, Real Estate Agent/Broker) may contribute up to 6% towards closing costs. 6% will be based on the **lesser of** appraised value or purchase price.

Note: A Mortgage Broker may not provide a credit towards borrower(s) closing costs.

PURCHASE PRICE

If the purchase price exceeds the appraised value, the borrower(s) must write a letter acknowledging that the appraised value is less than the purchase price and express his/her/their intent to proceed with the Purchase at the purchase price. We must verify adequate borrower assets to cover the additional funds required at time of closing. We **must** use the lesser of appraised value or purchase price to determine the Principal Limit.

COUNSELING

The borrower(s) and Non-Borrowing Spouse, as applicable, must receive counseling.

COUNSELING CERTIFICATE

If the contract date is prior to counseling, the subject property must be listed on the counseling certificate. If the counseling date is prior to the contract date, listing the borrower(s) current residence address on the counseling certificate is acceptable. The counseling certificate may not reflect To Be Determined (TBD).

INSPECTIONS

A Home or Pest inspection is not typically required unless requested by any of the following:

- State regulations
- Appraiser

MONETARY INVESTMENT

The required monetary investment is the difference between the principal limit and the purchase price plus the total of any loan related closing costs, and any servicing set aside amount. Lender must verify liquid assets adequate to cover funds required to close.

Borrower(s) must use their own money (checking, savings, liquidation of assets, sale of real estate or personal property) or gift funds for funds needed to close.

ASSET VERIFICATION

Verification of adequate liquid assets to meet source of funds to close is required. Obtain one of the following:

- Most recent 1-month bank statement or quarterly statement (with all pages) that evidences the account holder name(s), address, account #, beginning and ending dates, beginning and ending account balances, and all monthly transactions, **OR**
- Most recent 1-month or quarterly bank statement (with all pages), and a written Verification of Deposit, **OR**
- Third Party Verification of Assets.

For recently opened accounts and accounts with recent individual deposits of more than 1% of the **LESSER OF** Purchase Price, or appraised value require a satisfactory explanation and documentation for source of funds.

Any liquidation of retirement and/or investment funds must be paper trailed to the Settlement Agent or through other borrower(s) bank account(s). We must also document the borrower(s) eligibility for withdrawal, and the terms and conditions for withdrawal from any retirement account.

Note: Any bank printouts must be stamped and signed by a bank authorized personnel.

DEFINITION OF A FAMILY MEMBER

Family Member is defined as follows, regardless of actual or perceived sexual orientation, gender identity, or legal marital status:

- Child, parent, or grandparent:
 - Child is defined as a son, stepson, daughter, or stepdaughter.
 - Parent or grandparent includes a step-parent/grandparent or fosterparent/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
- Brother, stepbrother
- Sister, stepsister
- Uncle
- Aunt, or
- A son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, sister-in-law of the borrower(s).

GIFT DONOR(S)

Gifts Donor(s) refer to the person(s) or entity that are contributing the gift funds. Gift Funds may be provided by:

- the borrower(s) Family Member; or
- the borrower(s) employer or labor union.

A gift donor(s) may NOT be a person or entity with an interest in the transaction or sale of the property, such as:

- The seller(s);
- The real estate agent(s) or broker(s);
- The builder;
- The lender; or
- An associated entity.

GIFT FUNDS

Cash on Hand is not an acceptable source of donor gift funds. We must obtain a gift letter signed and dated by the donor(s) and borrower(s) that includes the following:

- Donor(s) name, address, telephone number;
- Donor(s) relationship to the borrower(s);
- Dollar amount of the gift; and
- A statement that no repayment is required.

We must verify and document the transfer of gift funds from the donor(s) to the borrower(s) in accordance with the following requirements:

- Gift funds have been verified in the borrower(s) account, obtain the donor's bank statement showing the withdrawal and evidence of the deposit into the borrower's account; OR
- Gift funds are not verified in the borrower's account, obtain the certified check or money order or cashier's check or wire transfer or other official check evidencing payment to the borrower(s) or Settlement Agent, and the donor's bank statement evidencing sufficient funds for the amount of the gift.
- Gift funds are paid directly to the Settlement Agent, we must verify that the settlement agent received the funds from the donor(s) for the amount of the gift, and that the funds were from an acceptable source.

If the gift funds are being borrowed by the donor and documentation from the bank or other savings account is not available, we must have the donor provide written evidence that the funds were borrowed from an acceptable source, not from a party to the transaction, including the lender.

Regardless of when gift funds are made available to a Borrower, we must be able to make a reasonable determination that the gift funds were not provided by an unacceptable source (i.e., not from a party to the transaction, including the lender), and were the donor's own or eligible borrowed funds.

INELIGIBLE FUNDING SOURCES

The monetary investment requirement can also be met by the use of approved funding sources as defined within these guidelines, with the EXCEPTION of the following funding source which **MAY NOT** be used:

- Bridge Loan;
- Loan(s) against other real estate owned;
- Borrowed funds (secured or unsecured)**;
- Seller financing;
- Builder Incentive;
- Sweat Equity;
- Trade Equity;
- Rent Credit;
- Cash on hand;
- Secondary Financing; or
- Down payment assistance programs (DAP)

**Funds acquired by an unsecured or secured, including but not limited to loans against real property, 401k, or life insurance, are NOT an acceptable source of funds to close or an earnest money deposit / down payment. Any borrowed funds must be paid in full at or prior to closing from an acceptable source of funds. Verification of assets to pay off the debt and a payoff statement must be obtained.

SALE OF PERSONAL PROPERTY

The borrower(s) may sell various items of personal property, such as;

- Cars;
- Stamps;
- Coins;
- Recreational vehicles;
- Baseball card collections; or
- Power equipment (i.e. generators, tractors, loaders, backhoes, skid steer, etc.) The estimated worth of the items being sold may be in the form of:
- Published value estimates issued by organizations, such as:
 - Automobile dealers, or
 - Philatelic or numismatic associations, or
- A separate written appraisal by a qualified appraiser with no financial interest in the loan transaction.

Note: The **LESSER OF** the estimated value or actual sales price will be used as verified assets.

Evidence of sale and deposit of proceeds must be documented in the file.

SALE OF REAL ESTATE

The net proceeds from an arms-length sale of a currently owned property may be used for funds to close or cash investment on the subject property. The borrower(s) must provide a fully executed Closing Disclosure/HUD-1 Settlement Statement, and copies of disbursement checks and/or wires. Evidence of deposit of net proceeds into the borrower(s) account may also be required depending upon the sale date to closing date of the subject property.

VERIFICATION OF EARNEST MONEY DEPOSIT/DOWN PAYMENT

Lender must verify and document the deposit amount and source of funds, if the amount of earnest money deposit:

- Exceeds one (1) percent of the sales price; or
- Appears excessive based on the borrower's history of accumulating savings

Satisfactory documentation includes:

- A copy of the borrower's cancelled check; or
- Certification from the deposit holder acknowledging receipt of funds & evidencing clearing the borrower(s) account(s), **AND**
- Copy of the borrower(s) bank statement showing withdrawal of the earnest money deposit.

NEW CONSTRUCTION EXISTING LESS THAN ONE YEAR**NO ZONING**

If the property is located within an area that does not have Zoning, and the local governing authorities (municipality, county, or state) does not issue a Certificate of Occupancy or its equivalent then a home

inspection report from a qualified individual is required. If the state requires that a home inspector be licensed then the report must come from an actively licensed Home Inspector.

The property must be:

- Structurally sound;
- Safe;
- Secure;
- No health or safety issues;
- Meet state and local code; and
- Meet Minimum Property Requirements and Minimum Property Standards.

NOTICE OF RIGHT TO CANCEL

Funds will be disbursed at the closing table for the Reverse mortgage proceeds being used to complete the purchase of the subject property. A Notice of Right to Cancel is not required on a Purchase transaction.

OCCUPANCY REQUIREMENTS

The borrower(s) must occupy the property within 60 days of closing.

Current HECM or Reverse mortgage borrowers that plan to sell their existing residence and use the Purchase program to obtain a new principal residence must pay off the existing HECM/Reverse mortgage.

PROPERTY FLIPPING

Property Flipping is indicative of a practice whereby recently acquired property is resold for a considerable profit with an artificially inflated value.

The term *Property Flipping* refers to the purchase and subsequent resale of a property in a short period of time. The eligibility of a property for a Mortgage is determined by the time that has elapsed between the date the seller acquired title to the property and the date of execution of the sales contract. The seller's date of acquisition is defined as the date the seller acquired legal ownership of that property. The resale date is defined as the date of execution of the sales contract by all parties intending to finance the Property with a Reverse mortgage.

In order for the purchase of the subject property to be eligible for financing, the requirements below must be met:

Sale by Owner of Record: The subject property must be purchased from the Owner of Record and the transaction may not involve any sale or assignment of the sales contract. This requirement applies to all purchase money mortgages regardless of the time between re-sales. A copy of the most recent recorded deed is required.

Time Restrictions on Re-sales (Property Flipping): Resale Date is the time that has elapsed between the date the seller acquired the property (based upon the date of Settlement) and the date of execution of the sales contract.

Re-sales occurring 90 days or less following acquisition by the Seller(s) the property is not eligible.

EXCEPTIONS TO 90-DAY RESTRICTION

The above noted time restrictions do not apply to:

- properties acquired by an employer or relocation agency in connection with the relocation of an employee;
- resales by HUD under its real estate owned (REO) program;
- sales by other U.S. government agencies of Single Family Properties pursuant to programs operated by these agencies;
- sales of properties by nonprofits approved to purchase HUD-owned Single Family properties at a discount with resale restrictions;
- sales of properties that are acquired by the seller by inheritance;
- sales of properties by state and federally-chartered financial institutions and Government-Sponsored Enterprises (GSE);
- sales of properties by local and state government agencies; and
- sales of properties within Presidentially Declared Major Disaster Areas (PDMDA).
- The restrictions listed above do not apply to a builder selling a newly built house or building a house for a borrower planning to use Reverse mortgage financing.

RESALES OCCURRING BETWEEN 91-180 DAYS AFTER ACQUISITION:

A second appraisal by another appraiser must be obtained if:

- The resale date of a property is between 91 and 180 days following the acquisition of the property by the seller's; **and**
- The re-sale price is 100 percent "over the purchase price" paid by the seller to acquire the property.

Example: A property is resold for \$80,000 within six (6) months of the seller's acquisition of that property for \$40,000. The mortgage lender must obtain a second (2nd) independent appraisal supporting the \$80,000 sales price.

When a second appraisal is required the following requirements must be met:

- Report is completed by a different appraiser and appraisal company;
- Include photos & documentation (i.e., copy of agreement with the contractor) to renovations that resulted in an increased value;
- If the second appraisal supports a value of the property that is more than 5% **lower than** the value of the first appraisal, the lower value **must** be used as the property value in determining the adjusted value;
- The cost of the second appraisal may be paid by the borrower, Seller or lender; and
- A 12-month chain of title is required to document compliance with time restrictions on resales.

Note: An AVM, BPO, Desk review, or Field review are not acceptable as a second (2nd) appraisal.

REPAIRS

Properties being purchased using the Purchase program must meet minimum property requirements. For purchase transactions where major property deficiencies threaten the health and safety of the homeowner and/or jeopardize the soundness and security of the property, all repairs must be completed by the Seller(s) prior to closing. Appraisers must complete the appraisal report as “**Subject To**” the completion of these repairs.

Major Property Deficiency Examples:

- No running water or hot water;
- Leaking roof;
- No primary heating source;
- Inadequate electrical systems (including lighting);
- Inoperable doors and windows (inhibited ingress and egress); and
- State or local code violations.

RATE LOCK IN

At the present time rate lock does not occur until loan closing. The rate must be locked within 3 days of the closing documents drawn date. The rate is finalized when the closing documents are drawn. The loan closing must be scheduled at least 72 hours in advance. Scheduling and Fee sheets including the date and time requested for closing must be submitted to Investor.

REFINANCE – HECM TO PROPRIETARY OR PROPRIETARY REVERSE TO GOLDEN EQUITY

When borrowers consider refinancing a HECM or a proprietary Reverse mortgage, the Lender must compare their expected principal limit increase from the existing HECM/Proprietary current principal limit against their cost to refinance via the Closing Cost Test. Lender must also confirm that the loan passes the loan proceeds test which is the Available Benefit Amount from the new Reverse mortgage, must equal or exceed 5% of the Refinance Principal Limit.

- Reverse mortgage must have a clearly defined benefit to the borrower(s);
- The benefit of the refinance (increase in the principal limit) must exceed 5x's the cost;
- Any POC items, such as the appraisal paid up-front will also be included in the benefit-cost ratio;
- The loan must pass the Loan proceeds test;
- The existing HECM/Proprietary loan that is being refinanced must have closed at least 12 months prior to the Golden Equity closing date (For example, Existing HECM/Proprietary closed January 2, 2017, new Reverse mortgage closing date January 2, 2018 the 12-month seasoning is met);

- The borrower cannot be delinquent or in default on the existing HECM/Proprietary loan due to any of the following:
 - Tax defaults/delinquencies. Tax delinquencies may be cured at the time of closing permitting there is adequate equity to satisfy the existing mortgage and the outstanding property charges. Tax delinquencies will be considered as a part of the Financial Assessment requirements.;
 - Past due or forced-placed Hazard or Flood Insurance; or
 - Repair set-asides that have not been completed or satisfied.

Note: Any insurance or repair defaults must be cured prior to closing and evidenced by an updated Refinance Worksheet.

CLOSING COST TEST

The increase in the borrower's principal limit from the prior HECM/Reverse mortgage to the new Reverse mortgage **must** equal or exceed five (5) times the closing costs paid by the borrower. For example:

ELIGIBLE BORROWER	
Closing Costs	\$6,500
Principal Limit Increase	\$33,800
Refinance Factor	5.2

COUNSELING

The borrower(s) and Ineligible Non-Borrowing Spouse, as applicable, must receive Counseling for any Refinance transaction.

EXCEPTIONS

If the borrower's refinance factor is less than five (5) times the cost of the loan, the borrower(s) must write a letter of explanation that:

- Acknowledges that the benefit factor is not greater than five (5) times the cost of the loan;
- Indicates they are refinancing to add his/her spouse or other household member to the loan; and
- States that they wish to proceed with the transaction.

The Lender on a case-by-case basis, and only with approval by investor Compliance Leader or Director of Operations, at the written request of the borrower(s) for a documented medical or financial hardship or for other circumstances where investor's Compliance Leader or Director of Operations believes a clear benefit exists.

LOAN PROCEEDS TEST

The Available Benefit Amount from Golden Equity, defined as the amount of Principal Limit that is available to the borrower after deducting the loan balance, must equal or exceed 5% of the Refinance Principal Limit. For example:

ELIGIBLE BORROWER	
Principal Limit	\$200,000
Prior HECM/RM Loan Balance	\$175,000
Available Benefit Amount	\$25,000
% of Principal Limit	12.5%

REQUIRED DOCUMENTS

- Most recent monthly mortgage statement. Statement may be up to 120 days old if it's a fixed rate;
- Completed LHFS HECM to Platinum Refinance Worksheet;
- HECM/Proprietary Refinance Worksheet from current lender/servicer. Refinance worksheet must be dated within 30 days of closing; and
- Payoff statement from current lender/servicer. Payoff must be good for at least 5 days past funding. If the existing HECM is not paid in full before the 1st day of the month an updated payoff statement may be required due to the lender/servicer having to add monthly interest and mortgage insurance to the outstanding balance as of the first day of the month.

SEASONING REQUIREMENT

For any refinance of an existing HECM or Reverse mortgage the loan closing date **must** be at least 12 months after the closing date of the prior HECM/Reverse mortgage.

The existing HECM/Proprietary loan that is being refinanced must have closed at least 12 months prior to the Golden Equity closing date (For example; Existing HECM/Proprietary closed January 2, 2017, new Reverse mortgage closing date January 2, 2018 the 12-month seasoning is met).

RIGHT TO CANCEL / RIGHT OF RESCISSION

LHFS requires the borrower(s) to execute a Notice of Right to Cancel / Right of Rescission for all non-purchase money transactions.

This requirement can be waived by investor Director of Operations or Compliance Officer if the borrower(s) will lose their home to foreclosure sale, and the current lender will not postpone the sale date until after the funding date. Must be documented in the file.

- The borrower(s) must provide a handwritten letter of request to waive the right to cancel that explains the hardship; and
- Provide a copy of the Notice of Sale.

SIGNATURE LINES ON CLOSING DOCUMENTS

INDIVIDUAL BORROWER(S)

The Borrower(s) signature must match exactly to how he/she/they are vested in title/deed. i.e., John E Smith then borrower must sign *John E Smith*.

INELIGIBLE NON-BORROWING SPOUSE

The signature line must include language indicating the signer is an Ineligible Non-Borrowing Spouse. (e.g., *John Doe*, an Ineligible Non-Borrowing Spouse)

TRUST

The signature must match exactly to how he/she/they are vested in title/deed. i.e., John E Smith then borrower must sign *John E Smith*.

BORROWER(S) ARE TRUSTEE(S)

The borrower signs as both the Trustee and the borrower.

John E Smith on Borrower signature line, and *John E Smith Trustee* on the trustee signature line)

Each borrower/current beneficiary/grantor must sign all documents including the Note, Notice of Right to Cancel, Truth-In-Lending or Important Terms, and HUD-1 Settlement Statement, Mortgage/Deed of Trust and any applicable Riders necessary to create a valid first mortgage lien under state law.

BORROWER(S) ARE NOT TRUSTEE(S)

Each trustee must separately execute the Note, Truth-In-Lending or Important Terms, Notice of Right to Cancel, HUD-1 Settlement Statement, Mortgage/Deed of Trust and any applicable Riders necessary to create a valid first mortgage lien under state law.

Note: Trustee is specifically prohibited from signing the Loan Agreement

POWER OF ATTORNEY

The Borrower(s) signature must match exactly to how he/she/they are vested in title/deed. i.e., John E Smith then borrower must sign *John E Smith*

Agent to sign *John E Smith* by *Jane Doe* as AIF or POA

CONSERVATOR

The Borrower(s) signature must match exactly to how he/she/they are vested in title/deed. i.e., John E Smith then borrower must sign *John E Smith*

Conservator to sign *John E Smith* by *Jane Doe*, Conservator

GUARDIAN

The Borrower(s) signature must match exactly to how he/she/they are vested in title/deed. i.e., John E Smith then borrower must sign *John E Smith*

Guardian to sign *John E Smith* by *Jane Doe*, Guardian

LIFE ESTATE

The Borrower(s) signature must match exactly to how he/she/they are vested in title/deed. i.e., John E Smith then borrower must sign *John E Smith*. The Remainder Men(s) signature must match exactly to how they are identified in title/deed vesting

For Example: Title/Deed vesting is: John Doe, a married man, as to a Life Estate with remainder to Jane Doe

John Doe signs on the borrower signature line, and Jane Doe signs on the Remainder Men line

SOURCE OF FUNDS

When funds to close is required on a refinance transaction or when assets are used as a compensating factor or assets are dissipated as income the borrower(s) must use their own money (checking, savings, liquidation of assets, sale of real estate or personal property) or gift funds for funds needed to close.

ASSET VERIFICATION

Verification of adequate liquid assets to meet source of funds to close, assets used as a compensating factor or assets dissipated as income are required. Obtain one of the following:

- Most recent 1-month or quarterly bank statement (with all pages) that evidences the account holder name(s), address, account #, beginning and ending dates, beginning and ending account balances, and all monthly transactions, **OR**
- Most recent 1-month or quarterly bank statement, and a written Verification of Deposit, **OR**
- Third Party Verification of Assets.

For recently opened accounts and accounts with recent individual deposits of more than 1% of the appraised value a satisfactory explanation and documentation of source of funds are required.

Any liquidation of retirement and/or investment funds must be paper trailed to the Settlement Agent or through other borrower(s) bank account(s). We must also document the borrower(s) eligibility for withdrawal, and the terms and conditions for withdrawal from any retirement account.

Note: Any bank printouts must be stamped and signed by a bank authorized personnel.

DEFINITION OF A FAMILY MEMBER

Family Member is defined as follows, regardless of actual or perceived sexual orientation, gender identity, or legal marital status:

- Child, parent, or grandparent:
 - Child is defined as a son, stepson, daughter, or stepdaughter.
 - 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
- Brother, stepbrother
- Sister, stepsister
- Uncle
- Aunt, or
- A son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, sister-in-law of the borrower(s).

GIFT DONOR(S)

Gifts Donor(s) refer to the person(s) or entity that are contributing the gift funds. Gift Funds may be provided by:

- the borrower(s) Family Member; or
- the borrower(s) employer or labor union.

A gift donor(s) may NOT be a person or entity with an interest in the transaction or sale of the property, such as:

- The seller(s);
- The real estate agent(s) or broker(s);
- The builder;
- The lender; or
- An associated entity.

GIFT FUNDS

Cash on Hand is not an acceptable source of donor gift funds. We must obtain a gift letter signed and dated by the donor(s) and borrower(s) that includes the following:

- Donor(s) name, address, telephone number;
- Donor(s) relationship to the borrower(s);
- Dollar amount of the gift; and
- A statement that no repayment is required.

We must verify and document the transfer of gift funds from the donor(s) to the borrower(s) in accordance with the following requirements:

- Gift funds have been verified in the borrower(s) account, obtain the donor's bank statement showing the withdrawal and evidence of the deposit into the borrower's account; OR
- Gift funds are not verified in the borrower's account, obtain the certified check or money order or cashier's check or wire transfer or other official check evidencing payment to the borrower(s) or Settlement Agent, and the donor's bank statement evidencing sufficient funds for the amount of the gift.
- Gift funds are paid directly to the Settlement Agent, we must verify that the settlement agent received the funds from the donor(s) for the amount of the gift, and that the funds were from an acceptable source.

If the gift funds are being borrowed by the donor and documentation from the bank or other savings account is not available, we must have the donor provide written evidence that the funds were borrowed from an acceptable source, not from a party to the transaction, including the lender.

Regardless of when gift funds are made available to a Borrower, we must be able to make a reasonable determination that the gift funds were not provided by an unacceptable source (i.e., not from a party to the transaction, including the lender), and were the donor's own or eligible borrowed funds.

SALE OF PERSONAL PROPERTY

The borrower(s) may sell various items of personal property, such as;

- Cars;
- Stamps;
- Coins;
- Recreational vehicles;
- Baseball card collections; or
- Power equipment (i.e. generators, tractors, loaders, backhoes, skid steer, etc.). The estimated worth of the items being sold may be in the form of:
- Published value estimates issued by organizations, such as:
 - Automobile dealers, or
 - Philatelic or numismatic associations, or
 - A separate written appraisal by a qualified appraiser with no financial interest in the loan transaction.

Note: The **LESSER OF** the estimated value or actual sales price will be used as verified assets.

Evidence of sale and deposit of proceeds must be documented in the file.

SALE OF REAL ESTATE

The net proceeds from an arms-length sale of a currently owned property may be used for funds to close or cash investment on the subject property. The borrower(s) must provide a fully executed Closing Disclosure/HUD-1 Settlement Statement, and copies of disbursement checks and/or wires. Evidence of deposit of net proceeds into the borrower(s) account may also be required depending upon the sale date to closing date of the subject property.

UNACCEPTABLE SOURCES OF FUNDS

- Loan(s) against other real estate owned;
- Borrowed funds (secured or unsecured)**;
- Cash on hand; or
- Secondary financing.

**Funds acquired by an unsecured loan or a secured loan, including but not limited to loans against real property, 401k, or life insurance, are NOT an acceptable source of funds to close or an earnest money deposit/down payment. Any borrowed funds must be paid in full at or prior to closing from an acceptable source of funds. Verification of assets to pay off the debt and a payoff statement must be obtained.

SUBJECT PROPERTY ADDRESS

LHFS requires the use of the United States Postal Service (USPS) address for all documentation, including but not limited to:

- Counseling Certificate;
- Appraisal report;
- Flood Certificate;
- Homeowner's or Flood insurance, as applicable;
- Title Commitment, if included it must match USPS;
- Proposed deed, if included it must match USPS;
- Note;
- Mortgage/Deed of Trust; and
- Loan Agreement

A printout for the street address from the USPS is required for the loan file. If the street address is not a USPS deliverable address, then a USPS printout for a deliverable address is required (e.g., P.O. Box).

SURVEY REQUIREMENTS

A survey from a licensed surveyor is required at the underwriter's discretion and when:

- There is a discrepancy in the legal description, lot size, or the ingress or egress;
- Well and septic distances are in question;
- Encroachments are present; or
- The appraiser requests.

STATE-SPECIFIC REQUIREMENTS

Florida	Copy of survey or signed survey affidavit
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TRUSTS

Trust: An arrangement whereby legal title to the property is transferred by the Grantor (or Trustor) to a third (3rd) person called a Trustee. The Trustee holds and manages the property for the benefit of another, called a Beneficiary. The Grantor and Trustee may or may not be the same person.

The Trust must be one in which the individual establishing the Trust has reserved, to himself or herself, the right to revoke the Trust during his or her lifetime. An Irrevocable Trust is permitted if it meets the requirements in this guide.

DEFINITIONS

Revocable Trust – A trust that is created by an individual during his or her lifetime and can be changed or cancelled by its creator (grantor) at any time, for any reason, during that individual's lifetime. The Trustee is typically the same person as the grantor. This type of trust is also known as a

Revocable Inter-Vivos Trust.

Irrevocable Trust – A trust that cannot be changed or cancelled once it is set up without the consent of the beneficiary. An irrevocable trust is an arrangement in which the grantor permanently departs with the ownership and control of the property.

ELIGIBILITY REQUIREMENTS

In general, Inter-Vivos (Living) Trust will be allowed if it meets the following eligibility requirements:

- Natural person(s) must establish the Trust by a written document during the lifetime of the individual(s) establishing the Trust, to be effective during his/her/their lifetime. It may be established solely by one (1) individual or jointly by more than one (1) individual. A Testamentary Trust, which is a Trust created by a person(s) Last Will & Testament after his/her/their death are **NOT** an eligible Trust.
- A complete copy of the trust agreement, all addendums, and amendments must be included in the file; **Note:** In the State of California a Certificate of Trust may be accepted permitting it provides all information to validate that the Trust meets this guide.
- All beneficiaries of the trust must be an eligible borrower at the time of origination and until the mortgage is released (i.e. borrower/beneficiary must occupy the property as a principal residence and new beneficiaries may not be added to the trust). Contingent beneficiaries, that receive no benefit from the trust nor have any control over the trust assets until the beneficiary is deceased, need not be an eligible borrower.
- The trustee must sign the mortgage, and the mortgage must be signed by each borrower/beneficiary, if necessary, to create a valid first mortgage. The borrower/beneficiary must sign the Note and Loan Agreement. The lender may require the signature of the trustee on the Note or the signature of the borrower/beneficiary on the mortgage.
- The trust shall not be a party to the Loan Agreement. The borrower/beneficiary may issue instructions to the lender to permit the trustee to exercise one or more rights stated in the Loan Agreement on behalf of the beneficiary; i.e. the right to receive loan advances or to request changes in the payment plan.
- The lender must be satisfied that the trust is valid and enforceable, that it provides the lender with a reasonable means to assure that it is notified of any subsequent change of occupancy or transfer of beneficial interest, and ensures that each borrower/beneficiary has the legal right to occupy the property for the remainder of his or her life.
- The Trust document must name one or more Trustees to hold legal title to manage the property that has been placed in Trust. Borrower(s) do not have to be the Trustee(s).
- The Trustee(s) must have the power to encumber the subject property for the purpose of securing a loan for the party (or parties) who are the “borrower(s)” under the Note.
- When title is to be held in a Trust, the full title to the secured property must be vested in the Trust. There may be no other owners. The title insurance policy must assure full title protection and state that title to the secured property is vested in the Trustee(s). It must not list any exceptions with respect to the Trustee(s) holding title to the security property or to the Trust.
- Each Trustee must separately execute the Note (in all instances), Truth-In-Lending or Important Terms, Notice of Right to Cancel, HUD-1, the Mortgage/Deed of Trust, and any applicable Riders necessary to create valid mortgage lien(s) under state law.
- **Note:** Trustee(s) are specifically prohibited from signing the Loan Agreement.
- Each borrower/current beneficiary/grantor must sign all documents including the Note, Mortgage(s)/Deed of Trust(s), and any applicable Riders necessary to create valid mortgage lien(s) under state law.

- A Testamentary Trust **is not** an acceptable Trust due to it being created upon the death of the Grantor/Trustor/Settlor.

Note: For the State of Texas a property may not close in Trust.

TRUST REVIEW AND APPROVAL

ATTORNEY REVIEW

- For Revocable Trusts, the Trust documents must be reviewed and approved either by (A) an investor Approved Trust Review Attorney *or the Closing Attorney.
- For Irrevocable Trusts, the Trust documents must be reviewed and approved by an investor Approved Trust Review Attorney*. Trust must allow for principal distribution.
- The purpose of the review is to ensure that the Trust meets the Eligibility Requirements within this Guide.
- An Attorney Opinion Letter **must** be provided to LHFS prior to the closing documents being drawn.
- Review attorney must prepare an Amendment to Trust Agreement and Agreement of Trustees and Beneficiaries, if necessary, for a Trust to meet the Eligibility Requirements of this Guide. If there are substantial changes (i.e., more than lender being notified of change in occupancy or transfer of beneficial interest) that must be done in order for the Trust to meet investor guidelines then it must be executed in front of a Notary Public, by the Trustee(s) and Beneficiaries prior to closing.
- Investor's Approved Trust Review Attorney shall prepare an Amendment to Trust Agreement and Agreement of Trustees and Beneficiaries to be executed by the Trustee(s) and Beneficiary(ies) at or prior to closing for Irrevocable Trusts.

*Paul N. Lovegrove, PC and Maria Greco are approved to review Revocable & Irrevocable Trusts.

If the Closing Attorney reviews the trust, a copy of the invoice must be provided to the Closer prior to drawing closing documents. Trust Review Fee must have been properly disclosed on the GFE to the borrower(s).

Note: If the Trust is altered in anyway after it has been reviewed and approved, it will need to be re-evaluated.

TITLE COMPANY REVIEW

The Trust must be reviewed and approved by the title company issuing title insurance on the loan.

UNDERWRITING REVIEW

An LHFS Underwriter must review the Trust (all pages included, it's signed & dated by Trustors/Grantors), Attorney Opinion Letter, any attorney prepared Amendment to Trust, to validate the Trust meets guidelines, borrower(s) are eligible borrowers, are Primary Beneficiaries of the Trust, and are vested owner's in title.

The loan will not be eligible if the Trust documents are not reviewed and approved by the necessary parties as indicated above.

FINANCIAL ASSESSMENT (FA)

Lender must perform a financial assessment of all prospective borrower(s) on all Reverse mortgage transaction types (e.g., traditional refinance, HECM to Reverse Mortgage refinance, and purchase).

The purpose of financial assessment is to evaluate the borrower's financial capacity and willingness to timely meet his or her financial obligations.

CASH FLOW/RESIDUAL INCOME ANALYSIS

Lender must perform a cash flow/residual income analysis to determine the capacity of the borrower(s) to meet documented financial obligations with his/her/their documented income.

CREDIT HISTORY ANALYSIS

Lender must perform a credit history analysis for each prospective borrower to determine if the borrower(s) has demonstrated the willingness to meet their financial obligations by analyzing each borrower's credit and property charge history.

FORM 4506T

Borrower(s) and Ineligible Non-Borrowing Spouse must execute the form 4506T for prior two (2) tax years personal and business returns, as applicable. Processing of the form will be completed at Lender's discretion. Electronic Signature is not permitted by IRS rules.

CREDIT REPORT REQUIREMENTS

A tri-merged credit report (TRMCR) or a Residential Mortgage Credit Report (RMCR) from an independent consumer reporting agency that includes:

- Name of the Company ordering the report;
- Name, address, and telephone number of the consumer-reporting agency;
- Name, SSN and current address for each borrower
- All inquiries made within the last 90 days;
- All credit and legal information not considered obsolete under the Fair Credit Reporting Act (FCRA), including information for the last seven years regarding;
 - Bankruptcies;
 - Judgments;
 - Lawsuits;
 - Foreclosures; and
 - Tax liens.

FRAUD ALERT

If the borrower(s) credit report or LHFS's Interthinx report reflects an open Fraud Alert than additional verification to extend credit is required.

- LHFS requires a Fraud Alert Checklist to be completed and fully executed. Contact with the borrower(s) must be made using the phone number identified in the fraud alert message.
- If more than one borrower and there is an alert for each borrower than contact **must** be made with each borrower. A spouse **may not** give authorization for the other spouse.
- The underwriter **must** review the written certification to confirm that all requirements were met, and sign & date the certification.

Note: Loans submitted to underwriting without the completed Fraud Alert Checklist(s) cannot receive an underwriting decision.

FROZEN CREDIT / SECURITY FREEZE

Borrower(s) have the right, based upon the laws of the state the borrower resides in to place a "security freeze" on their credit history, and this prohibits the credit reporting agency from releasing the borrower(s) credit history. This freeze can be placed with any or all of the three (3) major credit reporting agencies, Experian, TransUnion, or Equifax.

When the borrower(s) credit report reflects that it has been frozen by any or all of the credit reporting agencies the underwriter will have to issue a Pended loan decision. The borrower will need to make direct contact with the identified credit reporting agency so that their credit history can be released. Borrower(s) must notify the Lender or Broker when the freeze has been lifted, either temporarily or permanently, so a new tri-merge credit report can be pulled. The updated credit report must include the history from all agencies.

CREDIT HISTORY

Lender must examine the borrower's overall pattern of credit behavior, not just isolated unsatisfactory or slow payments, to determine the borrower's ability to manage their financial obligations.

SATISFACTORY CREDIT

We will consider the borrower(s) to have satisfactory credit if mortgage payment history for any mortgage is 0 x 30 in prior 12 months, and no more than 2 x 30 in prior months 13 - 24.

Investor may make an exception when the credit history does not meet the above requirements. For example, borrower(s) had a 1 x 30 and a 1 x 60 in the prior 12 months. Exceptions to be submitted to the Underwriting Manager for review and approval.

Borrower(s) must provide a letter of explanation and evidence of 12-month reserves of Taxes, Insurance(s) and HOA dues, as applicable. Loan proceeds may not be used to meet the 12-month reserves.

Note: For a Purchase transaction please see Buy and Bail requirements within this guide.

CREDIT SCORE REQUIREMENTS

Minimum mid FICO score is 600 for **each** borrower. Borrower(s) with no FICO score are not eligible.

For loans with a mandated Tax and Insurance Set Aside (TISA) and where the property is **not subject to** Condo/PUD/HOA dues a minimum mid FICO score of **550** for each borrower is required.

For loans with a mandated TISA and where the property is **subject to** Condo/PUD/HOA dues a minimum mid FICO score of **600** for each borrower is required with no exceptions. Borrower(s) with no FICO score are not eligible.

Credit score is determined by using the following:

- Middle score of 3 scores;
- Lowest of 2 scores; or
- 1 score.

BANKRUPTCY, FORECLOSURE(S) OR SHORT SALE

Chapter 7 or 13 Bankruptcy must be discharged at least two (2) years and Foreclosure or Short Sale date must be at least two (2) years at time of initial loan application.

PAST DUE ACCOUNTS

Any accounts that are past due in monthly payments must be brought current and up to date prior to closing. A detailed letter of explanation is required for any accounts with past due payments.

JUDGMENT(S), STATE AND/OR FEDERAL TAX LIEN(S)

Judgment(s), State, and/or Federal Tax Lien(s) that appear in the credit and/or title report(s) must be paid in full at time of loan closing.

12 MONTH PAYMENT HISTORY ON HOUSING OBLIGATIONS

Lender to document a 12-month payment history for the borrower(s) **principal residence** via:

- The credit report;
- Verification of Rent directly from the Landlord (for landlords with no identity-of-interest with the borrower(s));
- Verification of Mortgage directly from the Servicer; OR
- Canceled checks for the most recent 12-month period.

Change in principal residence in prior 12 months required Lender to document prior payment history to have a combined 12-month payment history.

- For Borrower(s) who are living mortgage or rent free this must be documented. Mortgage Free, then a letter from the borrower indicating how long they have been mortgage free is required. Rent free, then a letter from the property owner indicating that the borrower(s) are living rent free, and the amount of time the

borrower(s) have been living rent free is required.

DEFINITION OF PROPERTY CHARGES

- All property taxes – school, city, village, county, state, etc.;
 - Where a taxing authority has permanently waived or otherwise permanently exempted the borrower from payment of property taxes, i.e., taxes are not due and payable and do not accrue or result in a lien against the property, such taxes may be excluded from the financial assessment. Documentation for the waiver or exemption must be included in the loan file.
 - Where a taxing authority has deferred the payment of property taxes, i.e., liability for taxes remains, but payment is deferred until a certain point in the future, such taxes may be excluded from the financial assessment provided:
 - That the deferral period will be in place until the death of the borrower or the sale of the property, whichever occurs first;
 - That a lien senior to the Reverse mortgage first and second mortgages, as applicable, will not be created upon the termination of the deferral period; AND
 - Documentation on the deferral is in the file.
- Homeowners and flood insurance, as applicable;
- Homeowners Association (HOA), Condominium or Planned Unit Development (PUD) fees;
- Ground rents; AND
- Other assessments levied by municipalities or under state law

PROPERTY CHARGE (PC) PAYMENT HISTORY

All Property taxes and HOA/Condo/PUD fees for the subject property are current and there are no property charge arrearages in the prior 24 months.

Arrearage is defined as any payment made 30 days or more past the due date.

RESIDUAL INCOME ANALYSIS

The purpose of the residual income analysis is to determine the capacity of the borrower(s) to meet his or her documented financial obligations with his or her documented income.

Lender may only consider income if it is legally derived and, when required, properly reported as income on the borrower's tax returns.

Negative income must be subtracted from the borrower's gross monthly income and not treated as a recurring monthly liability unless otherwise noted.

GROSSING UP NON-TAXABLE INCOME

The cash flow/residual income analysis will include Federal Taxes. If federal taxes are paid on some or all of a borrower's income, it will be reflected in the expense analysis for residual income. Non-taxable income therefore **MAY NOT** be "grossed up."

EMPLOYMENT INCOME

Lender to verify employment and income as follows:

- Most recent pay stubs covering a minimum of 30 consecutive days (if paid weekly or bi-weekly, pay stubs must cover a minimum of 28 consecutive days) that show the borrower's year-to-date earnings; **and**
- One (1) of the following:
 - A written Verification of Employment (VOE) covering two (2) years; OR
 - An electronic verification (i.e. Work Number, Equifax, etc.) covering two (2) years.

OR

- Most recent pay stubs covering the most recent 30 consecutive day period (if paid weekly or bi-weekly, pay stubs must cover a minimum of 28 consecutive days) that show the borrower's year-to-date earnings;
- Previous two (2) years W-2 forms; **and**
- A Verbal verification of Employment covering two (2) years.

OR

Third Party Verification of Employment and Income.

Salary Income that has been and will likely continue consistently being earned use the current salary. Hourly employees, hours do not vary, use the current hourly rate x # of hours.

Hourly, hours do vary, average the income over the previous two (2) years. If there is a documented increase in pay rate than use the most recent 12-month average.

OVERTIME AND BONUS INCOME

Overtime and Bonus income refers to income that the borrower receives in addition to the borrower's normal salary. Lender may use overtime and bonus income if the borrower has received this income for the past two (2) years and it is reasonably likely to continue.

Periods of overtime and bonus income less than two (2) years may be used if it's been earned over a period of not less than one (1) year and is reasonably likely to continue.

Average the income earned over the previous two (2) years. However, if the overtime or bonus income from the current year decreases by 20% or more from the previous year than must use current year's income.

PART-TIME EMPLOYMENT

Income from a Part-Time job where the borrower has worked interrupted for the prior two (2) years and is reasonably likely to continue may be included in effective income.

Average the income over the previous two (2) years. If there is a documented increase in pay rate than use the most recent 12-month average.

SEASONAL EMPLOYMENT

Refers to Seasonal employment i.e., landscaping, snow removal, holiday season, etc. where the borrower has worked in the same line of work for the past two (2) years and is reasonably likely to be rehired for the next season. Verification of Employment from the seasonal employer and obtain last 2 years federal tax returns for unemployment income.

Average the income over the previous two (2) years.

EMPLOYMENT WITH FAMILY-OWNED BUSINESS

Family-Owned Business Income refers to income earned from a business owned by the borrower's family, but in which the borrower is not an owner. Official business documents i.e., corporate resolutions, other business organizational documents, business tax returns or Schedule K-1 or letter from Certified Public Account on his/her business letterhead, showing the ownership percentage must be obtained to verify that the borrower(s) are not an owner in the family-owned business.

Lender to verify employment and income as follows:

- Most recent pay stubs covering a minimum of 30 consecutive days (if paid weekly or bi-weekly, pay stubs must cover a minimum of 28 consecutive days) that show the borrower's year-to-date earnings; **and**
- One (1) of the following:
 - A written Verification of Employment (VOE) covering two (2) years; OR
 - An electronic verification (i.e. Work Number, Equifax, etc.) covering two (2) years.

OR

- Most recent pay stubs covering the most recent 30 consecutive day period (if paid weekly or bi-weekly, pay stubs must cover a minimum of 28 consecutive days) that show the borrower's year-to-date earnings;
- Previous two (2) years W-2 forms; **and**
- A Verbal verification of Employment covering two (2) years.

AND

Borrower(s) last two (2) years signed federal tax returns or 4506-T Transcripts.

Salary Income that has been and will likely continue consistently being earned use the current salary. Hourly employees, hours do not vary, use the current hourly rate x # of hours.

Hourly, hours do vary, average the income over the previous two (2) years. If there is a documented increase in pay rate than use the most recent 12-month average.

COMMISSION INCOME

Commission income refers to income that is paid contingent upon the conducting of business transaction or the performance of a service. Commission income may be included as effective income if the borrower earned the income for at least one (1) year in the same or similar line of work and it is reasonably likely to continue.

When commission income is less than or equal to 25% of the borrower's total earnings Lender to verify employment and income as follows:

- Most recent pay stubs covering a minimum of 30 consecutive days (if paid weekly or bi-weekly, pay stubs must cover a minimum of 28 consecutive days) that show the borrower's year-to-date earnings; **and**
- One (1) of the following:
 - A written Verification of Employment (VOE) covering one (1) year; OR
 - An electronic verification (i.e. Work Number, Equifax, etc.) covering one (1) year.

OR

- Most recent pay stubs covering the most recent 30 consecutive day period (if paid weekly or bi-weekly, pay stubs must cover a minimum of 28 consecutive days) that show the borrower's year-to-date earnings;
- Previous one (1) years W-2; **and**
- A Verbal verification of Employment covering one (1) year.

Using the Lesser of:

- Average commission income earned over the previous two (2) years, or length of time commission income has been earned if less than two (2) years; or
- Average commission income earned over the previous one (1) year.

When Commission income is greater than 25% of the borrower's total earnings obtain the borrower(s) last two (2) years signed federal tax returns or 4506-T Transcripts. Using the LESSER of:

- Average net commission income earned over the previous two (2) years, or length of time commission income has been earned if less than two (2) years; or
- Average net commission income earned over the previous one (1) year.

Calculate the Net commission income by taking the annual gross commission income minus unreimbursed business expenses.

SELF-EMPLOYMENT INCOME

Self-Employment income refers to income generated by a business in which the borrower has a 25% or greater ownership interest.

Lender may include income from self-employment if the borrower has been self-employed for at least two (2) years. For borrower(s) that have been self-employed between one (1) and two (2) years, then document the borrower was previously employed in the same line of work in which the borrower is self-employed or in a related occupation for at least two (2) years.

Business income that has a greater than 20% decline over the analysis period must be documented to show now stable. Lender may consider income as stable after a 20% reduction if the reduction was the result of extenuating circumstances and borrower demonstrates the income has been stable or increasing for a minimum of 12 months.

Last two (2) years signed federal income tax returns with all schedules or 4506-T Transcripts. A Year-to-Date Profit and Loss with Balance Sheet is required if more than one (1) quarter has elapsed since date of most recent calendar year or fiscal year-end tax returns was filed. Balance sheet is not required for a borrower who files Schedule C. If YTD income is used to qualify an Audited YTD P&L with balance sheet is required.

Lender must obtain a business credit report for all Corporations and "S" Corporations.

Use the **LESSER** of:

- Average net profit/loss earned over the previous two (2) years, **OR**
- Average net profit/loss earned over the previous one (1) year.

The Underwriter may add back to the net profit/loss depreciation, depletion, amortization, and casualty losses.

ADDITIONAL VERIFICATION REQUIREMENTS

Due to continued impact from COVID-19 we are expanding the verification requirements for all Self-Employed borrower(s). The below requirements must be applied to loans through November 30, 2020. This may be extended further than November 30, 2020.

When a borrower is using self-employment income to qualify, Lender must verify the existence of the borrower's business within 10 calendar days prior to the date of the Note to confirm that the Borrower's business is open and operating.

Due to latency in system updates or recertifications using annual licenses, certifications, or government systems of record, we must take additional steps to confirm that the borrower's business is open and operating. We must confirm this **within 10 calendar days prior to the date of the Note.**

Below are examples of methods the Lender may use to confirm the borrower's business is currently operating:

- Evidence of current work (executed contracts or signed invoices that indicate the business is operating on the day the lender verifies self-employment),
- Evidence of current business receipts within 10 days of the note date (payment for services performed),
- Certification the business is open and operating (confirmed through a phone call or other means), or
- Business website demonstrating activity supporting current business operations (timely appointments for estimates or service can be scheduled).

FREQUENT CHANGES IN EMPLOYMENT

Lender must document the stability of the borrower(s) employment income when the borrower has changed jobs more than three (3) times in the previous 12-month period or has changed lines of work.

- Transcripts of training and education demonstrating qualification for a new position; OR
- Employment documentation evidencing continual increased in income and/or benefits

GAPS IN EMPLOYMENT

Lender may consider the borrower's current income when a borrower has gaps in employment of six (6) months or more (an extended absence) if the following criteria are met:

- Borrower has been employed in the current job for at least six (6) months at the time of loan application; AND
- A documented two (2) year work history prior to the absence from employment.

TEMPORARY REDUCTIONS IN INCOME

Lender may consider the borrowers current income when there is a temporary reduction in income due to a short-term disability or similar circumstance. The following are required:

- The borrower intends to return to work,
- The borrower has the right to return to work, **AND**
- The borrower can meet their financial obligations taking into account any reduction of income due to the circumstance.

NON-EMPLOYMENT SOURCES OF INCOME

Lender must document any income used in the residual income analysis from the following sources:

- Rental income,
- Disability benefits,
- Pension/retirement benefits (based on period of continuance),
- Annuity income,
- Department of Veterans Affairs (VA) Benefits,
- Social Security, disability, workman's compensation, public assistance, and
- Interest, dividend, and trust income.

DISABILITY BENEFITS

Disability benefits refer to benefits received from the Social Security Administration (SSA), Department of Veterans Affairs (VA), or a private disability insurance provider.

Lender to document the borrower's receipt of benefits from the SSA, VA, or private disability insurance provider. One of the following is required:

- A copy of the last Notice of Award Letter which states the SSA's or private disability insurer's determination on the borrower's eligibility for disability benefits; OR
- Equivalent documentation that establishes award benefits to the borrower.

Disability income that is due to expire within three (3) years from the date of mortgage application it cannot be counted as effective income. If the Notice of Award or equivalent document does not have a defined expiration date, the Lender may consider the income effective and reasonably likely to continue.

Under no circumstances may a Lender inquire into or request documentation concerning the nature of the disability nor any medical condition of the borrower.

SOCIAL SECURITY DISABILITY BENEFITS

For Social Security Disability Income, including Supplemental Security Income (SSI), the Lender to document using one (1) of the following documents:

- SSA Benefit Verification Letter, also known as a "Budget Letter" or "Benefits Letter" or "Proof of Income Letter" or "Proof of Award Letter";
- Social Security Benefit Statement, Form SSA-1042S;
- Federal tax returns or 4506-T Transcripts; OR
- The most recent bank statement evidencing direct deposit.

VETERANS AFFAIRS DISABILITY BENEFITS

Lenders may use VA disability benefits as effective income when income is documented with Verification of VA Benefits also known as a "Benefit Letter" that evidences the amount of assistance the borrower will receive and the expiration date of the benefits, if any.

PRIVATE DISABILITY BENEFITS

For private disability benefits, Lender must obtain documentation from the private disability insurance provider showing the amount of the assistance and the expiration date of the benefits, if any.

Lender to use the most recent amount of SSA, VA, or Private disability benefits received as effective income.

ALIMONY, CHILD SUPPORT, MAINTENANCE INCOME

Alimony, Child Support, or Maintenance income refers to income received from a former spouse or partner or from a non-custodial parent of the borrower's minor dependent.

Lender to document the income by obtaining one (1) of the following:

- Fully executed copy of the borrower's final divorce decree,
- Fully executed legal separation agreement,
- Court order, or
- Voluntary payment agreement with documented receipt.

AND

Document evidence of receipt of income for the most recent three (3) months by obtaining one (1) of the following:

- Deposits on bank statements;
- Cancelled checks; or
- Documentation from the county or state child support agency

Voluntary payment agreements to be documented with a copy of the fully executed agreement and 12 months of cancelled checks, deposits on bank statements or the most recent federal income tax return.

When using a final divorce decree, legal separation agreement or court order, if the borrower has received consistent alimony, child support, or other maintenance payments for the most recent three

(3) months, the Lender may use the current payment amount to calculate effective income.

When using evidence of voluntary payments, if the borrower has received consistent alimony, child support, or other maintenance payments for the most recent six (6) months, the Lender may use the current payment amount to calculate effective income.

If the alimony, child support, or other maintenance payments have not been consistently received for the most recent six (6) months, the Lender is to calculate income by averaging over the previous two (2) years. If alimony, child support, or other maintenance income has been received for less than two (2) years, the Lender is to calculate income by averaging over the time of receipt (i.e., 3 months, 6, 9, 12, etc.).

MILITARY INCOME

Military income refers to income received by military personnel during their period of Active, Reserve, or National Guard service, including:

- Base pay,
- Basic allowance for housing,
- Clothing allowances,
- Flight or hazard pay,
- Basic allowance for Subsistence, and
- Proficiency pay.

Lender may not include education benefits as effective income. Document the income by obtaining the following:

- Military Leave and Earnings Statement (LES).
- Verification of Expiration Term of the Service date of the LES. If the Expiration Term of Service date is within the first 12 months of the mortgage, military income may still be used if borrower presents his or her intent to continue military service.

Lender may use the current amount of military income received to calculate effective income.

OTHER PUBLIC ASSISTANCE

Public Assistance refers to income received from government assistance programs. Lender must document the income received from the government agency, and that the income is reasonably likely to continue for three (3) years.

Lender may use the current rate of public assistance received to calculate effective income.

SOCIAL SECURITY RETIREMENT INCOME

Social Security Retirement Income refers to income received from the SSA other than disability or supplemental income.

Lender to document the SS Retirement income by obtaining one (1) of the following:

- SSA Notice of Award also known as a "Benefits Letter";
- SSA Social Security Benefit Statement Form 1099
- Most recent bank statement evidencing direct deposit from SSA; or
- Federal tax returns.

Lender may use the most recent gross monthly benefit amount as effective income.

PENSION INCOME

Pension refers to income received from the borrower's former employer(s).

Lender to document the borrower's receipt of periodic payment from the borrower's pension and that the payments are likely to continue for at least three (3) years. Lender to document the income by obtaining one (1) of the following:

- Pension Benefit Letter from former employer
- Most recent bank statement evidencing direct deposit from former employer; or
- Federal tax returns.

Lender does not have to evidence 3-year continuance for a Federal, including Veterans Affairs (VA), pension benefits. Evidence likely to continue for at least 3 years is required for any state, municipal, or private pension income.

Lender may use the current gross amount of pension income received as effective income.

INDIVIDUAL RETIREMENT ACCOUNT (IRA) AND 401(K) INCOME

An Individual Retirement Account (IRA/401(k)) Income refers to income received from an individual retirement account.

Lender to document the borrower's receipt of recurring IRA/401(k) distribution income and that it is reasonably likely to continue for three (3) years. Obtain the one of the following

- Most recent monthly/quarterly bank statement evidencing direct deposit; OR
- Federal tax returns.

Lender may use the current amount of IRA/401(K) received when the borrower has been and will continue to consistently receive. When borrowers have fluctuating IRA/401(k) income, the Lender must use the average of IRA/401(k) income received over the previous two (2) years. If the income has been received for less than two (2) years, then use the average over the time of receipt (i.e., 12, 15, 18, etc. months).

RENTAL INCOME FROM THE SUBJECT PROPERTY

Rental income from the Subject Property refers to income received when the subject property has 2-4 units.

Lender may consider rental income from existing and prospective tenants if documented in accordance with the following requirements.

LIMITED OR NO HISTORY OF RENTAL INCOME

Where the borrower does not have a history of rental income from the subject property since the previous tax filing:

The underwriter must verify and document the proposed rental income by obtaining an appraisal showing fair market rent (use FNMA 1025 Small Residential Income Property Appraisal Report) and the prospective leases, if available

HISTORY OF RENTAL INCOME

Where the borrower has a history of rental income from the subject property since the previous tax filing, the underwriter must verify and document the existing rental income by obtaining the current lease, rental history over the previous 24 months that is free of unexplained gaps greater than three (3) months (such gaps could be explained by student, seasonal, or military renters or property rehabilitation), and the borrower's most recent tax returns, including Schedule E, from the previous two years.

For properties with less than two (2) years of rental income history, the underwriter must document the date of acquisition by providing the Deed, Settlement Statement, or other legal document.

CALCULATING RENTAL INCOME FROM THE SUBJECT PROPERTY

Lender may add the net subject property rental income to the borrower's gross income.

LIMITED OR NO HISTORY OF RENTAL INCOME

To calculate the effective income from the subject property where the borrower does not have a history of rental income from the subject property since the previous tax filing, the underwriter must use the **LESSER** of:

- The monthly operating income reported on FNMA Form 216; OR
- 75% of the **LESSER** of:
 - Fair market rent reported by the appraiser; OR
 - The rent reflected in the lease or other rental agreement

HISTORY OF RENTAL INCOME

The underwriter must calculate the rental income by averaging the amount shown on the Schedule E.

Depreciation, mortgage interest, taxes, insurance, and any HOA dues shown on Schedule E may be added back to the net income or loss.

If the property has been owned for less than two (2) years, the underwriter must annualize the rental income from the length of time the property has been owned.

ADDITIONAL VERIFICATION REQUIREMENTS

Due to continued impact from COVID-19 we are expanding the verification requirements where a borrower is qualifying utilizing rental income, for each property generating rental income we must meet one of the requirements below. The below requirements must be applied to loans through November 30, 2020. This may be extended further than November 30, 2020.

Where a borrower is qualifying utilizing rental income we must either:

- Reduce the effective income associated with the calculation of rental income by 25%, **or**
- Verify the borrower has received the previous 2 months rental payments as evidenced by borrower's bank statements showing the deposit. (This option is applicable only for borrowers with a history of rental income from the property).

RENTAL INCOME – OTHER REAL ESTATE HOLDINGS

Rental income from other real estate holdings may be considered as effective income if the documentation requirements listed below are met.

LIMITED OR NO HISTORY OF RENTAL INCOME

Where the borrower does not have a history of rental income since the previous tax filing, including property being vacated by the borrower the Lender must obtain an appraisal evidencing market rent AND that the borrower has at least 25% equity in the property. The appraisal is not required to be completed by an FHA Roster appraiser.

- Two to Four Units
The Lender must document the proposed rental income by obtaining an appraisal showing fair market rent (use FNMA Form 1025, Small Residential Income Property Appraisal Report) and the prospective leases if available.
- One Unit
The Lender must document the proposed rental income by obtaining a FNMA Form 1004, Uniform Residential Appraisal Report, FNMA Form 1007, Single Family Comparable Rent Schedule, and FNMA Form 216, Operating Income Statement, showing fair market rent and, if available, the prospective lease.

HISTORY OF RENTAL INCOME

The Lender must obtain the borrower's last two (2) years federal tax returns with Schedule E or 4506-T Transcripts.

CALCULATING RENTAL INCOME FROM OTHER REAL ESTATE HOLDINGS LIMITED OR NO HISTORY OF RENTAL INCOME

To calculate the effective net rental income from other real estate holdings where the borrower does not have a history of rental income since the previous tax filing, the Lender must deduct the principal, interest, taxes, and insurance payment (PITI) from the LESSER of:

- The monthly operating income reported on FNMA Form 216; OR
- 75% of the LESSER of:
 - Fair market rent reported by the appraiser; OR
 - The rent reflected in the lease or other rental agreement.

HISTORY OF RENTAL INCOME

The Lender must calculate the net rental income by averaging the amount shown on the Schedule E provided the borrower continues to own all properties included on the Schedule E.

Depreciation shown on Schedule E may be added back to the net income or loss.

If the property has been owned less than two (2) years, the Lender must annualize the rental income for the length of time the property has been owned.

For properties with less than two (2) years of rental income history, the Lender must document the date of acquisition by providing the Deed, Settlement Statement or other legal document.

Positive net rental income must be added to the borrower's effective income. Negative net rental income must be included as a debt/liability.

ADDITIONAL VERIFICATION REQUIREMENTS

Due to continued impact from COVID-19 we are expanding the verification requirements where a borrower is qualifying utilizing rental income, for each property generating rental income we must meet one of the requirements below. The below requirements must be applied to loans through November 30, 2020. This may be extended further than November 30, 2020.

Where a borrower is qualifying utilizing rental income, for each property generating rental income we must either:

- Reduce the effective income associated with the calculation of rental income by 25%, or
- Verify the borrower has received the previous 2 months rental payments as evidenced by borrower's bank statements showing the deposit. (This option is applicable only for borrowers with a history of rental income from the property).

INCOME FROM BOARDERS OF THE SUBJECT PROPERTY

Boarder refers to an individual renting space inside the borrower's dwelling unit.

A two (2) year history of receipt of rental income from boarders is required. Borrower(s) must be currently receiving boarder income.

Lender to obtain two (2) years of federal tax returns and the current lease(s). Calculate the income by using the **lesser of** the two-year average or the current lease(s).

ADDITIONAL VERIFICATION REQUIREMENTS

Due to continued impact from COVID-19 we are expanding the verification requirements where a borrower is qualifying utilizing rental income, for each property generating rental income we must meet one of the requirements below. The below requirements must be applied to loans through November 30, 2020. This may be extended further than November 30, 2020.

Where a borrower is qualifying utilizing boarder income we must either:

- Reduce the effective income associated with the calculation of rental income by 25%, **or**
- Verify the borrower has received the previous 2 months rental payments as evidenced by borrower's

bank statements showing the deposit.

INVESTMENT INCOME

Investment income refers to interest and dividend income received from assets such as certificates of deposits, mutual funds, stocks, bonds, money markets, and savings and checking accounts.

Lender to document the income with previous two (2) years federal tax return and the most recent monthly/quarterly asset statement. Calculate the income by using the **lesser of**:

- Average investment income earned over the previous two (2) years; OR
- Average investment income earned over the previous one (1) year.

LHFS will use 70.00% of the lesser of the 12 or 24-month average as effective income to qualify. Assets used as an income source may not also be used as source of funds to close.

CAPITAL GAINS AND LOSSES

Capital gains refers to a profit that results from a disposition of a capital asset, such as stock, bond, or real estate, where the amount realized on the disposition exceeds the purchase price.

Capital losses refers to a loss that results from a disposition of a capital asset, such as stock, bond, or real estate, where the amount realized on the disposition is less than the purchase price.

Capital gains or losses must be considered when determining effective income, when the individual has a constant turnover of assets resulting in gains or losses.

Three (3) years' tax returns are required to evaluate an earnings trend. If the trend:

- Results in a gain, it may be added as effective income; OR
- Consistently shows a loss, it must be deducted from the total income.

Capital gain income must continue for the first three (3) years of the mortgage. Depending upon what asset type the gain is being made on may require the most recent monthly/quarterly statement or other evidence of currently owned assets. For capital gains, LHFS will use 70.00% of the 36-month average as effective income to qualify.

EXPECTED INCOME

Expected Income refers to income from cost-of-living adjustments, performance raises, a new job or retirement that has not been, but will be received with 60 days of mortgage closing. Expected income from a family-owned business is not permitted.

Lender to document the existence and amount of expected income with written verification of employment and it's guaranteed to begin within 60 days of loan closing. For expected retirement income, the Lender to document the amount of monthly income and that is guaranteed to begin within 60 days of loan closing.

Expected income is calculated in accordance with the standards for the type of income being received. Lender to verify that the borrower will have sufficient income to meet his or her financial obligations between loan closing and when the expected income will be received.

TRUST ACCOUNTS INCOME

Trust income refers to income that is regularly distributed to a borrower from a trust.

Lender to document the existence of the Trust Agreement or other trustee statement and the frequency, duration, and amount of the distribution by obtaining a bank statement or transaction history from the bank. Document that regular payments will continue for at least the first three (3) years of the mortgage.

The monthly amount to be used is based on the terms and conditions in the Trust Agreement or other trustee statement.

ANNUITIES OR SIMILAR INCOME

Annuity income refers to a fixed sum of money periodically paid to the borrower from a source other than employment.

Lender to document the legal agreement establishing the annuity and guaranteeing the continuation of the annuity for the first three (3) years of the mortgage and a bank statement or a transaction history from a bank evidencing receipt of the annuity.

Lender to use the current rate of the annuity to calculate effective income. Assets used as an income source may not also be used as source of funds to close.

NOTES RECEIVABLE INCOME

Notes receivable income refers to income received by the borrower as payee or holder in due course of a note.

Lender to document the existence of the note and that the payments have been consistently received for the previous 12 months by obtaining tax returns, bank statement with the deposit or cancelled checks, and that such payments will continue for the first three (3) years of the mortgage.

CALCULATING NOTES RECEIVABLE INCOME

For borrowers who have been and will be receiving a consistent monthly amount of notes receivable income, the Lender may use the current rate of income to calculate effective income. For borrowers whose notes receivable income fluctuates, the Lender must use an average of the income received over the previous one (1) year to calculate effective income.

GOVERNMENT ASSISTANCE NON-CASH BENEFITS

Lender may count as income non-cash benefits being received by the borrower through Federal, state or local government programs, e.g., Supplemental Nutritional Assistance Program (SNAP), energy assistance, etc. In determining whether such benefits may be counted as income the Lender must:

- Verify that the benefits are being received at the time of loan application, or that an Award letter has been issued, and benefits will begin to be received within 60 days. Lender may not count benefits for which the borrower is potentially eligible and intends to apply;
- Verify that the benefits are not subject to any specific termination date other than one related to the death of the borrower or the sale of the property; AND
- Verify that approval of the Reverse mortgage will not jeopardize continued eligibility for the benefits, e.g., Borrower receiving Reverse mortgage proceeds would not trigger disqualification based on the assistance program income or asset requirements.

Some benefit programs may result in a reduction in the borrower's expenses rather than increasing their income (e.g., the borrower is charged a lower rate for homeowners insurance). In these cases, the reduced amount may be used in calculating expenses and must not be treated as income.

IMPUTED INCOME FROM ASSET DISSIPATION

Regular income from interest, dividends, or other returns from the borrower's investments may be included in the calculation of residual income provided that such income is properly documented. Alternatively, Lender may include imputed income from dissipation of Reverse mortgage proceeds, liquid assets, defined as assets that can be converted to cash within one-year without payment of an IRS penalty, and other assets that are subject to federal tax by using the applicable discount in the table below.

Liquid asset sources from which imputed income may be calculated include, but are not limited to the following:

Asset Source	% To Be Counted
Savings and Checking Accounts, Certificates of Deposits, Roth IRAs, Reverse mortgage proceeds and any other assets that are not subject to Federal taxes	100%
Other assets that are subject to Federal taxes	85%*

*Lender may use the borrower's actual tax rate based on Federal tax returns from the prior year if tax rate is lower than 15% or no discount if borrower does not have a Federal tax obligation.

Calculate the combined value of assets and calculate income from these sources by dividing the total adjusted value by the remaining life expectancy (in months) of the youngest borrower.

If the asset is jointly held with an Eligible Non-Borrowing Spouse or other party not obligated on the mortgage, the asset may be counted provided that the borrower provides documentation that the borrower has unrestricted access to that asset.

ASSET DISSIPATION CALCULATION TABLE

Lender to use the table below as a guide to calculating imputed income from liquid assets. The resulting monthly amount should be entered on the financial assessment worksheet to calculate residual income.

Asset Type	Account Value		Discount Rate		Discounted Value
Checking/Savings/Certificate of Deposit/Roth IRA and other assets not subject to Federal taxes if dissipated	\$	x	100%	=	\$
Assets subject to Federal taxes if dissipated	\$	x	100% minus 15% or when known the borrower(s) actual federal tax rate if its greater than 15%	=	\$
Reverse Mortgage Proceeds	\$	x	100%	=	\$
Total Discounted Value					\$
Minus Borrower Funds Needed to Close					-
Adjusted Discounted Value					\$
Life Expectancy of Youngest Borrower in Months					
Life Expectancy in Years ___ x 12 =					Mos.
Adjusted Discounted Value / Life Expectancy in months =					
Total Monthly Income from Assets					\$

Where monthly income from asset dissipation is included in the residual income analysis the assets must be documented in the file.

ASSETS – CHECKING AND SAVINGS ACCOUNTS

Checking and savings accounts refer to funds from borrower-held accounts.

If the borrower does not hold the deposit account solely, all non-borrower parties on the account must provide a written statement that the borrower has full access to and use of the funds.

Lender to obtain a written Verification of Deposit (VOD) and the borrower's most recent statement for each account.

If a VOD is not obtained, a statement showing the previous month's ending balance and current month's ending balance for the most recent month is required. If the previous month's balance is not shown, then the most recent two (2) months statements are required.

Lender may also obtain Verification of Assets from a Third-Party Verification service.

ASSETS – RETIREMENT ACCOUNTS

Retirement accounts refers to assets accumulated by the borrower for the purpose of retirement, e.g. IRA, 401(k) 403(b), etc.

Lender to obtain the most recent monthly or quarterly statement to verify and document the existence and amounts in the borrower's retirement accounts, the borrower's eligibility for withdrawals, and the terms and conditions for withdrawal from any retirement account.

ASSETS- STOCKS AND BONDS

Stocks and bonds are investment assets accumulated by the borrower.

Lender must document the existence of the borrower's stocks and bonds by obtaining brokerage statement(s) for each account for the most recent two (2) months. Accounts do not have to be liquidated.

If the stocks and bonds are not held in a brokerage account, the Lender must determine the current value of the stocks and bonds through third party verification. Government-issued savings bonds are valued at the original purchase price, unless the Lender documents that the bonds are eligible for redemption.

For stocks and bonds not held in a brokerage account the Lender must obtain a copy of each stock or bond certificate.

ASSETS- PRIVATE SAVINGS CLUBS

Private Savings Clubs refer to a non-traditional method of savings by making deposits into a member- arranged resource pool. The Lender may consider private savings club funds that are distributed to and received by the borrower as an acceptable source of funds.

Lender must document the establishment and duration of the club, and the borrower's receipt of funds from the club, and also determine that the received funds were reasonably accumulated and not borrowed.

Lender must obtain the club's account ledgers and receipts, and verification from the club treasurer that the club is still active.

EXPENSES ANALYSIS

Using the credit report, 1009, Part VI of URLA or equivalent, most recent Federal and state income tax returns, and other documents that may be available to the Lender to identify all secured and unsecured debts. The Lender must calculate:

- Federal and State Income Taxes;
- FICA tax (Social Security & Medicare Tax);
- Property charges for the subject property;
- Estimated utility and maintenance expenses;
- Installment account payments;
- Any other owned property mortgage obligations (debt and property charges);
- Revolving credit account payments;
- Alimony and child support payments; AND
- Other obligations described in this guide

Where the borrower benefits from Federal, state or local benefit programs that reduce borrower expenses, the reduced amounts may be used to calculate expenses provided that the Lender complies with the requirements of Government Assistance Non-Cash Benefits.

30 DAY ACCOUNTS

30-day accounts refer to a credit arrangement that requires the borrower to pay the outstanding balance on the account every month.

The Lender must verify the borrower pays the outstanding balance in full on every 30-day account each month for the past 12 months. 30-day accounts that are paid off monthly do not have to be included in the expense analysis. If the credit report reflects any late payments in the last 12 months, the Lender must utilize 5% of the outstanding balance as the borrower's monthly payment amount and include in the expense analysis.

Lender must document the borrower(s) verified funds to pay the current monthly balance in full. Reverse mortgage proceeds may be used as verified funds.

ALIMONY, CHILD SUPPORT AND MAINTENANCE

Alimony, child support, and other maintenance are court-ordered or otherwise agreed upon payments.

For alimony, if the borrower's income was not reduced by the amount of the monthly alimony obligation in the Lender's calculation of the borrower's gross monthly income, the Lender must document and include the monthly obligation in the expense analysis.

Child support and other maintenance are to be treated as a recurring liability and the Lender must include the monthly obligation in the expense analysis.

The Lender must obtain the signed final divorce decree, legal separation agreement, maintenance agreement, or other legal/court order. For a borrower who is employed document the most recent 30 days consecutive pay stubs to evidence if any wage garnishment.

The Lender must calculate the borrower's monthly obligation from the **GREATER** of:

- The amount shown on the final decree or agreement establishing the borrower's payment obligation; OR
- The monthly amount of a wage garnishment.

BUSINESS DEBT IN BORROWER'S NAME

Business debt in the borrower's name refers to liabilities reported on the borrower's personal credit report, but payment for the debt is attributed to the borrower's business.

When business debt is report on the borrower's personal credit report, the debt must be included in the expense analysis, unless the Lender documents that the debt is being paid by the borrower's business, and the debt was considered in the cash-flow analysis of the borrower's business.

When a self-employed borrower states that debt appearing on their personal credit report is being paid by their business, the Lender must document that the debt is paid out of company funds **AND** that the debt was considered in the cash-flow analysis of the borrower's business.

CHARGE OFF ACCOUNTS

A charge off account refers to a borrower's loan or debt that has been written off by the creditor.

Charge off accounts do not need to be included in the expense analysis.

COLLECTION ACCOUNTS

A collection account is a borrower's loan or debt that has been submitted to a collection agency by a creditor.

If the credit report used in the analysis show cumulative outstanding collection account balances of \$2,000 or GREATER, the Lender will use 5% of the outstanding balance on each account as monthly payment and include in the expense analysis.

CONTINGENT LIABILITIES

A contingent liability is a liability that may result in the obligation to repay only where a specific event occurs. For example, a contingent liability exists when an individual can be held responsible for the repayment of a debt if another party defaults on the payment. Contingent liabilities may include cosigned liabilities and liabilities resulting from a mortgage assumption without a release of liability.

The Lender must include monthly payments on contingent liabilities in the expense analysis unless the Lender verifies that there is no possibility that the debt holder will pursue debt collection against the borrower should the other party default, **OR** the other party has made 12 months of timely payments.

The Lender must calculate the monthly payment on the contingent liability based on the repayment terms (loan or account agreement) for the contingent liability.

MORTGAGE ASSUMPTIONS

The Lender must obtain the agreement creating the contingent liability or assumption agreement, and the recorded deed showing transfer of title out of the borrower(s) name.

COSIGNED LIABILITIES

If the cosigned liability is not included in the monthly obligations, the Lender must document that the other party to the debt has been making regular on-time payments during the previous 12 months and does not have a history of delinquent payments on the loan.

COURT ORDERED DIVORCE DECREE

The Lender must obtain a copy of the divorce decree ordering the spouse to make payments.

DEFERRED OBLIGATIONS (EXCLUDING STUDENT LOANS)

Refers to liabilities that have been incurred, but where payment is deferred or has not yet commenced, including accounts in forbearance. Lender must verify and include deferred obligations in the expense analysis. If the actual monthly payment is not on the credit report, we must document the monthly payment with the payment agreement OR use 5% of the outstanding balance as the payment amount.

The Lender must obtain written documentation of the deferral of the liability from the creditor and evidence of the outstanding balance and terms of the deferred liability. The Lender must obtain evidence of the anticipated monthly payment obligation, if available. If the credit report reflects the account to be deferred or forbearance status than obtaining documentation from the creditor for same is not required.

DEFERRED/FORBEARANCE STUDENT LOANS

Refers to liabilities incurred for educational purposes. Lender must include all student loan debt in the expense analysis, regardless of payment type or status of payments. Lender must obtain written

documentation of the actual monthly payment, the payment status, and evidence of the outstanding balance and terms from the creditor. We must use the greater of 1% of the outstanding balance on the loan or the monthly payment reported on the credit report or the actual documented payment.

DISPUTED DEROGATORY ACCOUNTS

Disputed derogatory credit accounts refer to disputed charge off accounts, disputed collection accounts, and disputed accounts with late payments in the last 24 months.

If the borrower has \$1,000 or more collectively in disputed derogatory credit accounts, the Lender must include a monthly payment in the expense analysis. Do not have to include disputed medical accounts OR disputed derogatory credit resulting from Identity Theft, credit card theft or unauthorized use.

FEDERAL DEBT

Federal debts refers to non-delinquent debt owed to the federal government for which regular payments are being made.

Lender must document from the federal agency the repayment agreement terms and conditions and include the monthly payment in the expense analysis.

FEDERAL AND STATE INCOME TAXES

Lender must use current pay stubs, tax tables, or federal, state and local tax returns from the most recent tax year, to document federal, state and local taxes.

If the borrower's most recent tax return is more than two (2) years old, the Lender must estimate the taxes using available guidance and tax tables.

FICA TAX

The Federal Insurance Contributions Act (FICA) is the federal law that requires withholding of two (2) separate (Social Security and Medicare) taxes from the wages a person earns. Lender may use the amount reflected on the borrower(s) pay stub to determine the monthly expense.

GENERAL LIABILITIES AND DEBTS

The Lender must determine the borrower's monthly liabilities by reviewing all debts listed on the credit report, Part VI or URLA or equivalent, tax returns, bank statements, and pay stubs, and document the reasons for exclusion of any debt listed on these documents.

All applicable monthly liabilities must be included in the expense analysis. Closed-end (installment) debts do not have to be included if they will be paid off within 10 months and the cumulative payments of all such debts are less than or equal to 5% of the borrower(s) gross monthly income. Pay down of the balance in order to meet the 10-month requirement is not permitted.

Accounts for which the borrower is an authorized user must be included in an expense analysis unless the Lender documents that the borrower(s) are not making payments on the account.

Lender must subtract negative income from the borrower's gross monthly income, and not treated as a recurring monthly liability unless otherwise noted.

Loans secured against deposited funds, where repayment may be obtained through extinguishing the asset (i.e., 401(k), life insurance, etc.) and these funds are not included in calculating the borrower's verified assets, do not require consideration in the expense analysis.

INSTALLMENT LOANS

Installment loans refer to loans, not secured by real estate, that require the periodic payment of principal and interest. A loan secured by an interest in a timeshare must be considered an installment loan. Monthly payment amounts must be included in the expense analysis.

Closed-end (installment) debts do not have to be included in the expense if they will be paid off within 10 months and the cumulative payments of all such debts are less than or equal to 5% of the borrower's gross monthly income. The balance may not be paid down in order to meet the 10-month requirement.

If the credit report does not include a monthly payment amount, the lender must amount from the loan agreement or monthly account statement.

MAINTENANCE AND UTILITY CHARGES

Lender to use the square footage from page 1 of the appraisal report under square feet of gross living area above grade to calculate the monthly charges to be included in the expenses. i.e., 1250 sq. feet x .14 = \$175.00.

PRIVATE SAVINGS CLUB

Private Savings Clubs refers to non-traditional methods of saving by making deposits into a member-managed resource pool.

IF the borrower is obligated to continue making ongoing contributions under the pooled savings agreement, this obligation must be included in the expense analysis.

Lender to document the establishment and duration of the borrower's membership in the club and the amount of the borrower's required contribution to the club.

REVOLVING CHARGE ACCOUNTS

Revolving charge accounts refers to credit arrangement that requires the borrower to make periodic payments but does not require the full repayment by a specified point of time.

The Lender must include in the expense analysis the payment shown on the credit report for each revolving account with a balance. Where the credit report does not include a payment, the Lender must use the payment shown on the current account statement or 5% of the outstanding balance.

UNDISCLOSED DEBTS AND INQUIRIES

When a debt or obligation is revealed during the application process that was not listed on the application and/or credit report, the Lender must document the actual monthly payment and includes it in the expense analysis.

The Lender must obtain explanation from the borrower for all inquiries shown on the credit report that were made in the last 90 days. The Lender must document all undisclosed debt and support for its analysis of the borrower's debt.

RESIDUAL INCOME REQUIREMENTS

Lender will determine the borrower(s) residual income by summing the monthly income from all eligiblesources and subtracting the total monthly expenses.

Lender to document the Underwriter's analysis with a Financial Assessment Worksheet that has been signed and dated by the Underwriter.

TABLES OF RESIDUAL INCOME BY REGION

Appraised Value < \$726,525				
# of Borrower(s)	Northeast	Midwest	South	West
1	\$540	\$529	\$529	\$589
2	\$906	\$886	\$886	\$998
3	\$946	\$927	\$927	\$1031
4 or more	\$1066	\$1041	\$1041	\$1160

Appraised Value \$726,526 - \$2mm				
# of Borrower(s)	Northeast	Midwest	South	West
1	\$810	\$794	\$794	\$884
2	\$1359	\$1329	\$1329	\$1497
3	\$1419	\$1391	\$1391	\$1547
4 or more	\$1599	\$1562	\$1562	\$1740

Appraised Value > \$2mm				
# of Borrower(s)	Northeast	Midwest	South	West
1	\$1080	\$1058	\$1058	\$1178
2	\$1812	\$1772	\$1772	\$1996
3	\$1892	\$1854	\$1854	\$2062
4 or more	\$2132	\$2082	\$2082	\$2320

States Included in Regions

The regions on the Table of Residual Income include the following states:

Region	States
Northeast	CT, MA, ME, NH, NJ, NY, PA, RI, VT
Midwest	IA, IL, IN, KS, MI, MN, MO, ND, NE, OH, SD, WI
South	AL, AR, DC, DE, FL, GA, KY, LA, MD, MS, NC, OK, PR, SC, TN, TX, VA, VI, WV
West	AK, AZ, CA, CO, HI, ID, MT, NM, NV, OR, UT, WA, WY

COMPENSATING FACTORS (CFS) – RESIDUAL INCOME SHORTFALL

Where the borrower(s) residual income does not meet the applicable standard compensating factors may be cited. Lender may only cite CF's from the list(s) that is found in these guidelines and document all requirements of a CF have been met, as applicable.

If one (1) or more of the permissible compensating factors identified above are applicable, and properly documented then the loan is eligible.

In all cases the Reverse mortgage must provide a sustainable solution to the borrower(s) so they may responsibly age in place. The Underwriter must document his or her analysis on the FA Worksheet.

Income from the sources described below may be cited as a CF where the borrower's residual income, combined with documented income from 1 or more of these sources, equals or exceeds the residual income required, and Lender documents that the specific criteria for the individual CF has been met.

- **Overtime, Seasonal, Part-time or Bonus income** – Borrower(s) have documented overtime, bonus, part-time or seasonal income that the borrower has received for at least 6 months, and it will likely continue; or
- **Expected Social Security or Pension Income** – Borrower(s) has received an Award letter stating that the borrower will begin receiving Pension or Social Security income within the next 12 months.

Lender may apply one of the following Compensating Factors (CFs) when the **Baseline % of RI fulfilled is 80-99%** without any compensating factors being cited. Lender to document CF specific criteria was met.

Property Charge Payment History, the borrower(s) meet all of the following:

- Borrower(s) have paid the property charges directly for at least the last 24 months (e.g. T & I not paid by a lender from an escrow account or by another party);
- Borrower(s) have made all property charge payments without incurring penalties during the last 24 months; and
- Borrower(s) current income is not less than income during the previous 24 months.

Assets equal to life expectancy property charges – Borrower(s) have assets (excluding Reverse mortgage proceeds) equivalent to the anticipated property charge payments for the life expectancy of the youngest borrower that were not dissipated or considered in the residual income calculation;

Proceeds sufficient to pay off debts – Proceeds remaining after closing that were not dissipated and counted as income, are sufficient to pay off revolving & installment debt, including revolving and installment accounts in collection status, that would reduce monthly payments to the extent that the residual income would meet or exceed the applicable standard; and

Access to other credit – Borrower(s) have access to revolving credit that provide the borrower(s) with financial liquidity that would enhance his/her ability to endure a financial hardship. The credit report shows established credit lines, other than his or her housing payment, in the borrower(s) name, open for at least 6 months; and we can document that these accounts have been paid off in full monthly for at least the past 6 months.

Borrowers who have no established credit other than their housing payment, no other credit lines in their own name open for at least 6 months, or who cannot document that all other accounts are paid off in full monthly for at least the past 6 months, do not qualify under this criterion. Credit lines not in the borrower's name, but for which he or she is an authorized user do not qualify under this criterion.

INSURANCE REQUIREMENTS

FLOOD INSURANCE

Flood insurance is required if the Flood Determination Certificate shows the property is in one of the following flood zones: A, AO, AH, A1-A30, AE, 99, AR, AR/AE, AR/AO, AR/A1-A30, AR/A, V, VE, and V1-V30.

COVERAGE AMOUNT

Coverage for a 1- 4 family dwelling must be maintained during such time as the mortgage is in effect in an amount at least equal to the **lowest of**:

- Maximum Claim Amount; or
- Appraised value minus site value; or
- Total estimate of cost new from the cost approach section on the appraisal; or
- Maximum amount of the NFIP insurance available with respect to the property type. Presently
- \$250,000.00

Coverage for a **condominium unit** must be maintained during such time as the mortgage is in effect in that amount of at least equal to the lowest of:

- Maximum Claim Amount; or
- The replacement cost of the building; or
- The maximum amount of insurance available under the National Flood Insurance program. Presently \$250,000.00.

DEDUCTIBLE

The maximum allowed deductible may be no greater than the maximum deductible available from the NFIP (i.e., \$5,000).

The maximum deductible is \$5,000, unless a higher maximum amount is required by state law. A higher deductible may be permitted on a case by case basis escalate to Underwriting Manager for review.

For new policies and renewals that are effective on or after June 1, 2014, the NFIP minimum deductibles will be as follows:

- If the building coverage is \$100,000 or less, the minimum deductible will be \$1,000 for building coverage and \$1,000 for contents coverage;
- If the building coverage exceeds \$100,000, the minimum deductible will be \$1,250 for building coverage and \$1,250 for contents coverage.

EVIDENCE OF FLOOD INSURANCE

Acceptable evidence of flood insurance includes any of the following:

- Flood insurance application and proof of premium payment; OR
- Flood binder or declaration page and proof of premium payment; OR
- Refinance transaction only, a Certificate of Insurance including all critical information (e.g., state that the policy is in force, the insurer(s), the effective date of the policy, the name(s) and address of insured(s), types of coverage, dwelling limit purchased, deductibles, and signature of certificate provider).

Any acceptable evidence of insurance provided must have accurate Loan/Borrower information:

- Borrower(s) Name(s) should match title vesting but can accept a nickname, William vs Bill, Samuel vs Sam, Robert vs Bob. Does not need to include middle name/initial for the borrower(s).
- Location address is the same as the property address reflected on the USPS.
- The flood zone reflected on the evidence of flood insurance MUST match the flood zone reflected on the Flood Determination Certificate.

Note: For new policies, full premium is to be collected at closing, we can accept written confirmation from the Insurer that the policy effective dates will not change upon receipt of the annual premium, however if the policy is NOT in effect at the time of closing without full premium payment then the full premium must be paid in full prior to closing and must be documented.

POLICY EFFECTIVE PERIOD AND PREMIUM

The effective date of the flood insurance must be no later than the closing date. The expiration date must be no earlier than 30 days after the loan closing date for a refinance. If the expiration date is less than 30 days from closing, a full year's renewal premium must be paid prior to or at closing, and renewal declaration page is required.

The annual premium must be paid in full prior to or at the time of closing for a refinance or purchase transaction.

REQUIRED DOCUMENTATION

A flood calculation worksheet and source documentation must be in the file to indicate if the value of improvements or the replacement cost was used to calculate coverage, e.g., appraisal or an insurance document showing replacement cost. If such document is not available, the method used (value or replacement) should be clearly notated in the file and the investor employee's name that confirmed the coverage information.

- Flood Calculation Worksheet - 1- 4 Family
- Flood Calculation Worksheet – Condominium

REQUIREMENTS FOR A UNIT IN A CONDOMINIUM OR PUD

When a mortgage loan is secured by a unit in an attached condo project and any part of the building improvements are in an SFHA, we must verify that the HOA maintains a master policy of flood insurance. The premiums must be paid as a common expense, unless indicated otherwise in the table below. The following table provides additional requirements based on the project type.

Project Type	Coverage Requirements
Condo	<p>We must verify that the HOA maintains a Residential Condominium Building Association Policy or equivalent private flood insurance coverage for a condo building consisting of attached units located in an SFHA. The only building that must be verified is the subject unit's building. LHFS does not require evidence of a master flood insurance policy, provided the unit owner maintains an individual flood dwelling policy that meets the coverage requirements of this Guide for the following mortgage loans or project types:</p> <ul style="list-style-type: none"> • units in a two- to four-unit project, and • detached condo properties. <p>A master flood insurance policy maintained by the project, must cover the subject unit's;</p> <ul style="list-style-type: none"> • entire building including each of the individual units in the building; and • all of the common elements and property, including machinery and equipment that are part of the building. <p>The coverage amount for the building must be at least equal to the lesser of;</p> <ul style="list-style-type: none"> • 80% of the replacement cost, or • the maximum insurance available from NFIP per unit (which is currently \$250,000). <p>If the master flood insurance policy meets the minimum coverage requirement of 80% replacement cost, but the per unit coverage amount does not meet the requirement for mortgage loans secured by one- to four-unit properties, as described above, the unit owner must maintain a supplemental policy for the difference.</p> <ul style="list-style-type: none"> • The contents coverage must equal the lesser of 100% of the insurable value of all contents owned in common by the association members or the maximum amount available through the NFIP.
PUD	<p>The same flood insurance that is required for one- to four-unit properties is required for an attached or detached individual PUD unit. See above for the required amount of coverage. A stand-alone flood insurance dwelling policy must be maintained to meet these requirements.</p>

DETERMINING THE AMOUNT OF REQUIRED FLOOD INSURANCE COVERAGE

The minimum amount of flood insurance required is the lowest of;

- 100% of the replacement cost of the insurable value of the improvements;
- the maximum insurance available from the NFIP; or
- the unpaid principal balance of the mortgage loan.

HOMEOWNER'S INSURANCE (HOI)

Evidence of hazard/fire insurance for all properties (SFR, Condominium, Site Condominium PUD, or 2-4 family) must be included in every file.

AMOUNT OF COVERAGE

The hazard insurance policy must cover 100% of the insurable value of the improvements, unless the policy contains an endorsement for Guaranteed Replacement Cost. The amount of coverage must be either:

- The appraiser's evaluation of "total estimate of cost new,"; OR
- The total appraised value minus the land value; OR
- Guaranteed Replacement Cost.

CO-INSURANCE

LHFS does not allow Co-Insurance as an acceptable form of hazard/fire insurance. Co-Insurance is the joint assumption of risk between the insurer and the insured, it is a penalty imposed on the insured by the insurance carrier for under reporting/declaring/insuring the value of tangible property or business income. The penalty is based on a percentage stated within the policy and the amount under reported.

Example: A building actually valued at \$1,000,000 has an 80% coinsurance clause but is insured for only \$750,000. Since its insured value is less than 80% of its actual value, when it suffers a loss, the insurance payout will be subject to the underreporting penalty. For example: It suffers a \$200,000 loss. The insured would recover $\$750,000 / (.80 \times 1,000,000) \times 200,000 = \$187,500$ (less any deductible). In this example the underreporting penalty would be \$12,500.

DEDUCTIBLE AMOUNT

The maximum deductible is 5.00% of the dwelling coverage amount unless a lower amount is required by state law.

EVIDENCE OF INSURANCE

- Policy or declaration page; or
- Binder and application are acceptable unless prohibited by law. The binder/application must contain the following information:
 - Agent certification that all inspections have been made, and state there is no chance for cancellation except for non-payment of premium; and
 - Term cannot exceed 60 days, unless otherwise addressed by state law.
- All requirements for standard declaration page must be shown;
- The policy is properly countersigned;
- All Borrower(s) must be an insured, and only borrower(s) can be listed as an insured; and
- Location address is the same as the property address reflected on the USPS.

POLICY EFFECTIVE PERIOD AND PREMIUM

The effective date of the insurance policy must be no later than the closing date and cover a 12-month period. The expiration date must be no earlier than 30 days after the loan closing date for a refinance. If the expiration date is less than 30 days from closing, a full year's renewal premium must be paid prior to or at closing, and renewal declaration page is required.

The annual premium must be paid in full prior to or at the time of closing for a refinance or purchase transaction.

REQUIRED COVERAGE

- Standard Extended Coverage Endorsement is required.
- For properties located in designated zones (landslides, cliffs, seismic, hurricane (wind/hail), coastal county,) the policy must include coverage. A separate policy or endorsement that provides adequate coverage is also acceptable. Land subsidence (Sinkhole) coverage is required if the property previously experienced damage from a sink hole OR the appraisal, title, public record, or Contract of sale (if applicable) notes that the subject property is subject to damage.
- Declaration page must specifically state the policy includes wind/hail/hurricane coverage in coastal areas.
- Coastal areas are areas surrounded by or that meet the sea or water. See our list of Coastal County Zip Codes.

Note: If there are multiple policies then the annual premium for each policy must be included in monthly expenses.

CONDOMINIUM AND PUD

CONDOMINIUM REQUIREMENTS

LHFS must review the entire condo project insurance policy to ensure the HOA maintains a master or blanket type of insurance policy, with premiums being paid as a common expense. The insurance requirements vary based on the type of HOA master or blanket insurance policy as follows:

- “Single Entity” policy: The policy must cover all of the general and limited common elements that are normally included in coverage. These include fixtures, building service equipment, and common personal property and supplies belonging to the HOA. The policy also must cover fixtures, equipment, and replacement of improvements and betterments that have been made inside the individual unit being financed. The amount of coverage must be sufficient to restore the condo unit to its condition prior to a loss claim event. If the unit interior improvements are not included under the terms of this policy type, the borrower is required to have an HO-6 policy with coverage of 20.00% of the appraised value. Policy must be sufficient to repair the condo unit to its condition prior to a loss claim event.
- “All-In” (sometimes known as an “all-inclusive”) policy: The policy must cover all of the general and limited common elements that are normally included in coverage. These include fixtures, building service equipment, and common personal property and supplies belonging to the HOA. The policy also must cover fixtures, equipment, and replacement of improvements and betterments that have been made inside the individual unit being financed. If the unit interior improvements are not included under the terms of this policy type, the borrower is required to have an HO-6 policy with coverage of 20.00% of the appraised value. Policy must be sufficient to repair the condo unit to its condition prior to a loss claim event.
- “Bare Walls” policy: This policy typically provides no coverage for the unit interior, which includes fixtures, equipment, and replacement of interior improvements and betterments. As a result, the borrower is required to have an HO-6 policy with coverage of 20.00% of the appraised value. Policy must be sufficient to repair the condo unit to its condition prior to a loss claim event.

Condominium: HO-6 coverage at 20.00% of appraised value is required for all condominiums where the blanket policy does not include “walls-in” coverage. If a Master policy has Walls In coverage, but it does not cover upgrades or betterments made by the Unit Owner then a HO-6 policy must be obtained.

PLANNED UNIT DEVELOPMENT (PUD) REQUIREMENTS

The HOA must maintain a property insurance policy, with premiums being paid as a common expense. The policy must cover all of the common elements except for those that are normally excluded from coverage, such as land, foundation, and excavations. Fixtures and building service equipment that are considered part of the common elements, as well as common personal property and supplies, should be covered.

Individual insurance policies are also required for each unit in a PUD project. If the project’s legal documents allow for blanket insurance policies to cover both the individual units and the common elements, Investor will accept the blanket policies in satisfaction of its insurance requirements for the units.

Planned Unit Development (PUD): When an HOA carries a Master insurance policy a HO-6 policy with coverage of at least 20.00% of the appraised value is required for any PUD where the blanket policy does not include “walls-in” coverage. If a Master policy has Walls In coverage, but it does not cover upgrades

or betterments made by the Unit Owner then a HO-6 policy must be obtained.

Gap insurance is not permitted.

AMOUNT OF COVERAGE CONDOMINIUM OR PUD

Insurance must cover 100% of the insurable replacement cost of the project improvements, including the individual units in the project. An insurance policy that includes any of the following coverage, either in the policy language or in a specific endorsement to the policy, is acceptable:

- Guaranteed Replacement Cost—the insurer agrees to replace the insurable property regardless of the cost.

MAXIMUM DEDUCTIBLE AMOUNTS

For policies covering the common elements in a PUD project and for policies covering condo projects, the maximum deductible amount must be no greater than 5% of the face amount of the policy.

For losses related to individual units in a co-op project or for individual PUD units that are covered by the blanket policy for the project, the maximum deductible amount related to the individual unit should be no greater than 5% of the replacement cost of the unit. If, however, the policy provides for a wind-loss deductible (either in the policy itself or in a separate endorsement), that deductible must be no greater than 5% of the face amount of the policy.

For blanket insurance policies that cover both the individual units and the common elements, the maximum deductible amount related to the individual unit should be no greater than 5% of the replacement cost of the unit.

SPECIAL REQUIREMENTS FOR CONDO PROJECTS

Additional insurance policy requirements for condo projects are as follows:

- The policy must be primary, even if a unit owner has other insurance that covers the same loss.

NAMED INSURED

The policy must show the HOA as the named insured and note the individual unit owner name, and address (including Unit # if applicable).

TITLE REPORT

A title commitment (preliminary title report) and 24-month chain of title/deed history is required for every loan. The title to the subject property must be good and merchantable, and free and clear of all liens and encumbrances. The title policy must be written on the 2006 ALTA standard form or the ALTA short form.

All title commitments must include:

- Mortgage and lien searches,
- Judgment search,
- Bankruptcy search,
- 24 month tax payment history,
- Covenants, Conditions & Restrictions, if applicable,
- Easements,
- Encroachments, and
- Endorsements as identified in this guide.

COVERAGE AMOUNT

Minimum amount of loan policy coverage required is the maximum claim amount.

VESTED INTEREST

Only an eligible Reverse mortgage borrower or eligible Trust may hold a vested interest in the subject property at time of closing. No other person(s) may have a vested interest in the subject property after loan closing. A new Deed must be executed prior to or at the time of loan closing that removes all other vested owner(s).

Any borrower is required to be on title to the property which serves as collateral for the Reverse mortgage, and all borrower(s) must collectively hold title to the entire property which is security for the mortgage.

DEATH CERTIFICATE

A death certificate is required when a deceased person is being removed from title. This includes any person named in a Trust.

An affidavit of death may also be required based on state requirements as determined by the title company.

The title company or settlement agent must state in writing that the deceased party can be removed from title at closing without probate.

LEGAL DESCRIPTION

- The legal description must match the most recent recorded Deed and the appraisal report;
- Any discrepancy in the legal description from the title to the appraisal must be resolved;
- If the property has been recently subdivided the following are required:
 - Copy of the recent Survey
 - New Legal Description
 - Evidence of subdivision approval from the local municipality/county having jurisdiction over the subject property
 - Proposed Deed

TAXES/LIENS

- All outstanding liens, judgments, or other debts appearing in title or public record must be satisfied/released or omitted;

- Tax Certificate/Bill must be current, indicate correct name/address, Tax ID#/SBL (Section, Block, Lot)/Legal Description and indicate all tax data;
- All taxes coming due within 60 days of closing must be collected at time of loan closing; and
- Any UCC filing or exception in title for Solar lease, Power Purchase Agreement must be terminated. Final title policy may not have exceptions for leased equipment or power purchase agreements.

STATE SPECIFIC REQUIREMENTS

TEXAS

- Review of the Title and closing package are required by an Attorney that is licensed in the state of Texas;
- Cannot close in a Trust;
- Cannot close with a Life Estate Interest. A Deed removing Life Estate Interest to an individual interest must be executed and sent for recording at the time of closing. When a person(s) who holds a Life Estate Interest is no longer of sound mind, a Power of Attorney may not be used to remove the person(s) Life Estate Interest. In those instances, an executed Court Order removing said person(s) Life Estate Interest is required; and
- Cannot close with an Eligible Non-Borrowing Spouse.

EASEMENTS

The following easements under the General Waiver Guidelines will not cause the property to be ineligible. An easement grants rights to access or use the real property of another person without possessing it. Customary easements in general will not cause the property to be ineligible;

- Customary easements for public utilities, party walls, driveways, and other purposes;
- Easements for public utilities along one or more of the property lines and extending not more than 100 feet from and for drainage or irrigation ditches along the rear 10 feet of the property – provided the exercise of the rights there does not interfere with any of the buildings or improvements located on the subject property;
- Easements for underground conduits which are in place and do not extend under any buildings on the subject property; or
- Mutual easements for joint driveways constructed partly on the subject property and partly on adjoining property – provided the agreements creating such easements are of record.

ENCROACHMENTS

Property encroachment occurs when one property's home or other property owned by the homeowners, such as a pool or driveway, extends from the one property onto another. As a general rule a property with an encroachment is ineligible.

An encroachment may be acceptable if the adjoining landowner or the local governing authority provide a perpetual encroachment easement filed in the County Clerk and Recorder's Office.

The following encroachments under the General Waiver guidelines may be allowed and would not cause the property to be ineligible:

- Encroachments on the subject property by improvements on adjoining property where such encroachment do not exceed one (1) foot – provided such encroachments do not touch any buildings or interfere with the use of any improvements on the subject property
- Encroachments on adjoining property by eaves and overhanging projections attached to improvements on the subject property, where such encroachments do not exceed one (1) foot.
- Encroachments on adjoining property by hedges, wooden or wire fences belonging to the subject property
- Encroachments on adjoining property by driveways belonging to subject property where such encroachments do not exceed one (1) foot – provided there exists a clearance of at least eight (8) feet between the buildings on the subject property and the property line affected by the encroachment.
- Encroachments by garages or improvements other than those which are attached to or a portion of the main dwelling structure over easements for public utilities – provide such encroachment does not interfere with the use of the easement or the exercise of the rights of repair and maintenance.

ENDORSEMENTS

The following endorsements are required for all Final Title policies:

- Restrictions, Encroachments, Minerals (Alta 9, CLTA 100, or T-19). Exceptions by management on case-by-case basis. The Residential Mortgage Endorsement and deletion of all survey exceptions are required when an Alta 9 exception is made.
- Reverse Mortgage (Alta 14.3-06, CLTA 111.14.3, or T-43)
- Location (Street Address) (Alta 22 or CLTA 116). Not required in Florida, New York, Pennsylvania or Texas.
- Environmental Protection Endorsement (Alta 8.1, CLTA 110.9 or T-36)
- Survey endorsement – required if the title company will not remove all survey exceptions.
- New Jersey – No Survey, Survey Endorsement

Endorsements, as Applicable

- PUD (Planned Unit Development) (Alta 5, CLTA 115.2, or T-17)
- Condominium (Alta 4 or CLTA 115.1)
- Leasehold – Leasehold Lender's endorsement or equivalent

RESTRICTIONS

Restrictions are general limitations as to the use or placement of real estate. The following restrictions are General Waiver guideline.

Customary building and use restrictions which:

- Are coupled with a reversionary clause – provided there has been no violation prior to the date of the deed to the Commissioner; or
- Are not coupled with a reversionary clause and have not been violated to a material extend

If the restrictions set forth is being violated, the following are allowable exceptions:

- Violations or cost or set back restrictions which do not provide a penalty of reversion or forfeiture of title, or lien for liquidated damages which may be superior to the lien of the insured mortgage
- Violations of such restrictions which do not provide for such penalties- provided such penalty rights have been duly released or subordinated to the lien of the insured mortgage, or provided a policy of title insurance is furnished expressly insuring against loss by reason of such penalties
- Violations of such restrictions based on race, color, or creed: even where such restrictions provide for a penalty or reversion or forfeiture of title or a lien for liquidated damages.

APPRAISAL

APPRAISAL EXPIRATION

An appraisal is valid for 120 days from the original appraisal effective date. Must be within 120 days at time of closing.

Investor allows a one (1) time 30-day extension if the loan is approved prior to the appraisal expiration date. The 30 days provides a total of 150 days from the original appraisal effective date. A 30-day extension will not be granted if the subject property is located within a declining market. An appraisal update, a.k.a. recertification of value is not permitted.

The loan must close before the appraisal expiration date, or the extended expiration date.

APPRAISAL FORMS

Current version of:

- Uniform Residential Appraisal Report (Fannie Mae Form 1004 / Freddie Mac Form 70), Individual
- Condominium Unit Appraisal Report (Fannie Mae Form 1073 / Freddie Mac Form 465)
- Small Residential Income Property Appraisal Report (Fannie Mae Form 1025/Freddie Mac Form 72)
- Appraisal Update and/or Completion Report (Fannie Mae Form 1004D / Freddie Mac Form 442)

APPRAISAL MANAGEMENT COMPANIES (AMC)

LHFS will order appraisal.

On transferred loans, Investor will accept an appraisal report that was completed by an investor approved AMC and lender/client does not need to be updated to reflect Investor. If appraisal corrections are required and the AMC will not provide an updated report than a new appraisal report is required.

APPRAISAL REQUIREMENTS

- One (1) appraisal with estimated value up to \$2,000,000 plus an independent third-party Collateral Desktop Analysis; or
- Two (2) appraisals with estimated value greater than \$2,000,000. The lower of the 2 values will be used as the Maximum Claim Amount.

Appraisals must be completed by two (2) independent Appraisers though they can be ordered through the same AMC. Appraisers may not be from the same Appraisal company. When two (2) appraisal reports are required material discrepancies between the appraisals must be resolved. Material discrepancies include but are not limited to:

- Legal Description;
- Gross Living Area (GLA);
- Amenities or upgrades that affect value;
- Property condition;
- Property repairs; or
- Site area (lot size)

On Appraised value up to \$2,000,000 a Collateral Desktop Analysis (CDA) is required. CDA approval is as follows:

- If the CDA is within a 10% tolerance of the Appraised Value, then the Appraised Value is accepted.
- If the CDA falls outside a 10% tolerance, then a Field Review or Interior Broker Price Opinion (BPO) value must be ordered.
- If the Field Review or Interior BPO is within a 10% tolerance of the Appraised value, then the Appraised Value is accepted.
- If the CDA, Interior BPO or Field Review is below a 10% tolerance the underwriter can decide to proceed with the lower value.

For all properties designated as Rural or within a Declining Market on the Appraisal the file must include a CDA to support the Appraised Value. A 10% LTV reduction will be applied for a Rural property and a 10% LTV reduction will be applied for property located within a Declining Market.

PHOTOGRAPH REQUIREMENTS

EXTERIOR

- Front and Rear at opposite angles to see all sides;
- Improvements with contributory value not captured in the front or rear photograph; and
- Street scene photograph to include a portion of the subject site.

INTERIOR

- Kitchen;
- Main living area;
- Bathroom(s);
- Bedroom(s);
- Any other rooms representing overall condition;
- Basement, if applicable;
- Attic, if applicable;
- Crawl space, if applicable;
- Garage(s), as applicable;
- Photos for recent updates, such as restoration, remodeling & renovation;
- 2-4 family properties must also include photos of hallways, foyers, laundry rooms, and other common areas; and

- Condominiums must also include photos of amenities and/or common area(s), gate(s), clubhouse, pool, playgrounds, etc., as applicable.

APPRAISER REQUIREMENTS

- All USPAP, FIRREA, Appraiser Independence, Federal, and State requirements must be followed;
- Completed by a state licensed and geographically competent Appraiser;
- Include information/data to support conclusion of value;
- Include at least 3 closed sales that closed within the 12 months prior to the appraisal effective date;
- Inspect the interior and exterior of all property improvements (dwelling, garage(s), shed(s), barn(s), etc.;
- Photos adequate to identify all interior & exterior improvements, the subject street, condition of the property, for any required repairs and/or inspections, and any noted external influences; and
- If the report is completed subject to repairs Appraiser to provide an itemized cost to cure estimate.

MINIMUM APPRAISED VALUE

The minimum appraised value is \$970,800.00.

PROPERTY GUIDELINES

Property must be a single, marketable real estate entity, or consist of a primary plot with a secondary plot contributing to the use and marketability of the Property as a single marketable real estate entity.

Property rights must be held in either Fee Simple or Leasehold. Property held in Leasehold the lease must meet the requirements described below.

Fee Simple refers to an absolute ownership unencumbered by any other interest or estate.

Leasehold refers to the right to hold or use Property for a fixed period of time at a given price, without transfer of ownership, on the basis of a lease contract.

A Reverse mortgage secured by real estate under Leasehold requires a renewable lease for not less than 99 years, or a lease having a remaining period of not less than 50 years beyond the date of the 100th birthday of the youngest borrower. The Lease must be:

- Assignable or transferable,
- May not provide for termination of the lease in the event the borrower(s) default without written notice to the lender and a reasonable opportunity to cure the default,
- Permits the mortgaging of the subject property, and
- It protects the lender's interest in the event of a property condemnation.

Note: Sub-Leasehold Estates are not eligible.

CERTIFICATE OF OCCUPANCY (CO)

A loan application may be taken prior to a Certificate of Occupancy or its equivalent being issued. We must obtain a permanent CO or its equivalent prior to closing. A CO is required for any property that is less than 12 months old.

DECLINING MARKET

Although there is no standard industry definition, for purposes of this guide a Declining Market refers to any neighborhood, market area or region that demonstrates a decline in prices or deterioration in other market conditions as evidenced by an oversupply of existing inventory and extended marketing times.

Generally, a trend in the housing market is identifiable when it extends for a period of at least six (6) months or two (2) quarters prior to the effective date of the appraisal.

The appraisal should include an absorption rate analysis, and at least two (2) comparable sales that closed within 90 Days prior to the effective date of the appraisal and a minimum of two (2) pending sales or active listings, in addition to at least three (3) closed sales that closed within 6 months of the appraisal effective date but no more than 12 months prior to the appraisal effective date.

Pending Sales or active listings should be market tested and have reasonable market exposure to avoid the use of overpriced properties as comparable properties.

A 10% Principal Limit reduction must be applied, and a Collateral Desktop Analysis supporting appraised value is required.

ELIGIBLE PROPERTIES

The following property types are eligible for a Reverse mortgage:

- 1 – 4 family dwellings, including modular homes,
- 1 Unit Leasehold,
- Condominiums in FNMA, FHA or FHLMC approved projects or Warrantable under FNMA Limited Review Process,
- Attached or detached PUD,
- New Construction with Certificate of Occupancy (CO) or its equivalent has been issued prior to closing,
- Log homes with log home comparable sale(s),
- Site Condominiums that meet the definition within this guide,
- Properties with Non-Residential Use that meet all requirements, or
- Legal Non-Conforming that can be re-built AS IS if destroyed.

EXCESS AND SURPLUS LAND

Excess Land refers to land that is not needed to serve or support the existing improvement. The highest and best use of the Excess Land may or may not be the same as the highest and best use of the improved parcel. Excess Land may have the potential to be sold separately.

Surplus Land refers to land that is not currently needed to support the existing improvement but cannot be separated from the Property and sold off. Surplus Land does not have an independent highest and best use and may or may not contribute to the value of the improved parcels. Appraisal may include value for Surplus land

Appraiser must complete the highest and best use analysis to support the conclusion of the existence of Excess Land.

Property that contains two (2) or more legally conforming platted lots under one legal description and ownership, and the second vacant lot is capable of being divided and/or developed as a separate parcel where such a division will not result in a non-conformity in zoning regulations for the remaining improved lot, the second vacant lot is Excess Land. The value of the second lot must be excluded from the final value conclusion. Appraisal must provide a value of only the principal site and improvements under a hypothetical condition.

Large properties must:

- Be zoned and used as residential property;
- Property cannot be income producing (e.g., no farms or commercial use);
- Have acreage that consists of a contiguous parcel of real property, and included on the legal description;
- Include amenities, such as:
 - Acceptable water source;
 - Sewage disposal system; and
 - Anything else that could contribute to the marketability of the property.

A 10% LTV reduction must be applied for any Rural Property, and a Collateral Desktop Analysis supporting appraised value is required.

STATE REQUIREMENTS

Idaho - "Real property" means any right, title, interest and claim in and to real property owned by the grantor at the date of execution of the deed of trust or acquired thereafter by said grantor or his successors in interest. Provided, nevertheless, real property as so defined which may be transferred in trust under this act shall be limited to:

- any real property located within an incorporated city or village at the time of the transfer;
- any real property not exceeding eighty (80) acres, regardless of its location, provided that such real property is not principally used for the agricultural production of crops, livestock, dairy or aquatic goods; or
- any real property not exceeding forty (40) acres regardless of its use or location

ENCUMBER OR SUBDIVIDE THE LAND

Borrower(s) have a choice to mortgage (encumber) the entire plot of land, but not receive the benefit of excess land value or legally subdivide the parcel. Borrower(s) must state in writing their intentions.

Land may not be removed from the legal description if this would limit or prevent the encumbered property from legal ingress & egress to a public road, or potable water source (well), or sewage disposal system unless permanent recorded easements are in place.

A 10% Principal Limit reduction must be applied for any Rural Property, and a Collateral Desktop Analysis supporting appraised value is required.

EXISTING CONSTRUCTION DEFINITION

Existing Construction refers to a Property that has been 100 percent complete for over one (1) year or has been completed for less than one (1) year and was previously occupied. Property must be habitable as evidenced by a CO or its equivalent and comply with MPR.

IN-ELIGIBLE PROPERTIES

The following property types are not eligible for a Reverse mortgage:

- Manufactured Home,
- New Construction, CO was issued less than 12 months prior to the appraisal order date and is located within a Special Flood Hazard Area (SFHA),
- Single family residence with more than 1 accessory dwelling unit (ADU),
- Homes located on Indian Tribal Land,
- 2 - 4 unit with leasehold interest,
- 2 - 4 unit with an accessory dwelling unit,
- Property with illegal accessory unit(s),
- Investment properties,
- Vacation homes,
- Second homes,
- Geodesic, Earth, or Berm homes,
- Non-Residential use is more than 49% of the total floor area,
- Commercial properties (non-residential use is primary use),
- Boarding houses,

- Bed and Breakfast establishments,
- Co-Ops,
- Condotels,
- Properties located within Coastal Barrier Resources Act (CBRA) areas,
- Working farm, or
- Subject property that is listed for sale after the Reverse mortgage application was taken.

NEW CONSTRUCTION DEFINITIONS

New Construction refers to Proposed Construction, Properties Under Construction, and Properties Existing Less than One Year.

Proposed Construction refers to a Property where no concrete or permanent material has been placed. Digging of footing is not considered permanent.

Under Construction refers to the period from the first placement of permanent material to 100 percent completion with no Certificate of Occupancy (CO) or equivalent.

Existing Less than One Year refers to a Property that is 100 percent complete and has been completed less than one year from the date of the issuance of the CO or equivalent. The property must have never been occupied.

For New Construction, Property must comply with MPR and MPS.

APPRAISAL FOR NEW CONSTRUCTION

When New Construction is less than 90% but at least 50% complete at the time of the appraisal, the report must document the floor plan, plot plan, and exhibits necessary to determine the size and level of finish.

When New Construction is 90% or more complete, the report must document a list of components to be installed or completed after the date of appraisal.

PROPERTIES EXISTING LESS THAN ONE YEAR

Existing Less than One Year refers to a Property that is 100 percent complete and has been completed less than one year from the date of the issuance of the CO or equivalent.

The Certificate of Occupancy (C of O) or its equivalent must be issued prior to closing.

If the local authority does not issue a C of O, a copy of the issued building permit, evidence that all required inspections were completed & approved are required. A building permit and required inspections are considered the equivalent to a Certificate of Occupancy. If the local governing authorities (municipality, county, or state) do not issue a Certificate of Occupancy or its equivalent then a home inspection report from a qualified inspector is required. A qualified inspector means any person who meets the requirements of the state the subject property is located in. i.e., a licensed home inspector. Use the following link to find state requirements; <https://www.spectora.com/r/home-inspector-license-requirements-map/>.

The property must be:

- Structurally sound;
- Safe;
- Secure;
- No health or safety issues; and
- Meet Minimum Property Requirements and Minimum Property Standards within this Guide.

If the subject property is located within a Special Flood Hazard Area, the property is not eligible.

NON-RESIDENTIAL USE OF PROPERTY (A.K.A. MIXED USE)

The total floor area used for non-residential purposes may not exceed 49 percent (49%). Storage areas or similar spaces that are integral parts of the nonresidential portion must be included in the calculation of the non-residential area. Appraisal building sketch to provide measurements and calculations of the building area to show what portion of the Property is allocated to residential use, and what portion is allocated to non-residential use.

Any non-residential use of the Property must be subordinate to its residential use, character and appearance. Non-residential use may not impair the residential character or marketability of the Property. The non-residential use of the Property must be in compliance with the current local zoning requirements. Any non-residential use may not endanger the health and safety of the occupants of the residential Property.

ONSITE HAZARDS OR NUISANCES

Onsite hazards or nuisances refer to conditions that may endanger the health & safety of the occupants or the structural integrity or the marketability of the property. Appraisal to quantify any adverse effect on value and/or address any adverse effect on marketability. Corrective work may be completed prior to closing to mitigate potential adverse effects from special conditions and/or hazards and nuisances. Hazards and nuisances may include, but are not limited to:

- Asbestos;
- Soil contamination;
- Operating and abandoned oil and gas wells;
- Abandoned wells;
- Slush pits;
- Heavy traffic;
- Airport noise and hazards;
- Runway clear zones/clear zones;
- Proximity to high pressure gas, liquid petroleum pipelines or other volatile and explosive products;
- High-voltage transmission lines;
- Radio/Cellular/TV transmission towers;
- Excessive smoke, fumes, odors and stationary storage tanks containing flammable or explosive material; and
- Other hazards that must be assessed include potential damage from soil or other differential ground movements, subsidence, ground water, inadequate surface drainage, flood, erosion, excessive noise, defective lead-based paint and other hazards on or off the site.

For properties with nuisances such as heavy traffic, airport noise or hazards, proximity to high pressure gas, high-voltage transmission lines, radio/cellular/TV transmission towers the appraiser must provide a closed sale that has a similar external obsolescence to establish marketability of the property.

PARTY OR LOT LINE WALL

A building constructed on or next to a property line must be separated from the adjoining building by a wall extending the full height of the building from the foundation to the ridge of the roof.

PRESIDENTIALLY DECLARED MAJOR DISASTER AREA DECLARATIONS (PDMDA)

Property located in a FEMA published PDMDA where Individual and Household assistance is available require a disaster re-inspection when the appraisal effective date is on or before the FEMA Incident Period end date.

PROPERTY INSPECTION AND CONDITION REPORT

- The inspection report must be performed by a state licensed, geographically competent appraiser;
- When available the Appraiser that completed the appraisal report should complete the re-inspection report for the disaster. If the original Appraiser is not available than another Appraiser in good standing with geographic competence in the affected market may complete the re-inspection.
- A damage inspection report must identify and quantify any damage to the subject property improvements.
- The Appraiser is not required to ensure utilities are on at the time of the inspection if they have not yet been restored for the area.
- The damage inspection report must be completed even if the inspection shows no damage to the Property, and the report must be dated after the Incident Period (as defined by FEMA) or 14 Days from the Incident Period start date, whichever is earlier.

LOAN NOT YET CLOSED AND THERE IS DAMAGE

- Property is habitable and there are no health/safety or structural conditions then repairs may be completed as a repair set aside permitting that the repair costs are within 15% of the Appraised Value.
- Property is not habitable the repairs must be completed prior to closing.
- All damages, regardless of amount, must be repaired and the Property restored to pre-loss condition with appropriate and applicable documentation.

LOAN CLOSED/FUNDED AND THERE IS DAMAGE

- All damages, regardless of amount, must be repaired and the Property restored to pre-loss condition evidenced by a re-inspection report.

PIPELINE MANAGEMENT

IN PROCESS

Loans scheduled to close just prior to, during or immediately after the disaster must be postponed.

A Property Inspection and Condition Report meeting the above requirements is required for loans with properties located in a disaster area.

CLOSED, NOT FUNDED

Investor Closing/Funding Manager MUST review the file prior to disbursing funds on closed loans located in a disaster area.

TO AVOID RE-CLOSING

Fixed rate loans carrying over into the next month must fund within 7 business days of original funding date.

Borrower(s) to provide additional funds to cover per diem interest that has accrued due to the funding delay. Borrower(s) will need to re-execute money documents (Loan Comparison, TALC, Amortization Schedule, and Loan Agreement Exhibit), and contact Investor closing department for re-draw requests.

The following types of loans must fund in the same month they close:

- Purchase transactions

FUNDED, NOT PURCHASED

Funded loans that are not yet purchased, and the property is located within a disaster area require a Property Inspection and Condition Report meeting the above requirements. Property inspection and condition report may not be dated prior to the Incident Period end date as defined by FEMA.

POTENTIALLY IMPACTED AREAS (NOT YET DECLARED A DISASTER)

If an area has not yet been declared a disaster, but has been declared a state of emergency, LHFS will publish a list of locations that must follow the Declared Disaster Area Requirements above.

As FEMA declares disaster areas, LHFS and Investor may remove locations from the list that must adhere to the Disaster Area Requirements.

PRIVATE ROAD

Streets must either be dedicated to public use and maintenance or retained as private streets protected by permanent recorded Easements. If the property deed identifies adequate ingress and egress rights then a permanent recorded easement is not required.

Private streets, including shared driveways, must be protected by permanent recorded Easements, ownership interest, or be owned and maintained by an HOA. Shared driveways do not require a joint maintenance agreement.

PROPERTY LISTED FOR SALE

If the subject property is or has been listed for sale in the last 12 months the following will be required:

- Proof of MLS Listing Cancellation/expiration; AND
- Explanation/documentation from the borrower(s) verifying that the intent is to occupy the property after refinancing and no longer wants/needs to sell the property; AND
- Borrower(s) to execute the Verification of Occupancy disclosure. Note: If the subject property is listed for sale after the loan application the loan is ineligible.

RURAL PROPERTY

Rural properties often have larger lot sizes, and their locations can be relatively undeveloped. As a consequence, there may be a shortage (or absence) of recent comparable sales in the immediate vicinity.

If insufficient comparable sales have occurred within the previous six months, the appraisal must include at least three (3) comparable sales that occurred less than 12 months prior to the effective date of appraisal.

The appraisal to include a thorough explanation of the market conditions, the levels of supply and demand, and a reason for the lack of recent sales data when closed sales are more than 6 months old but less than 12 months old.

No sales over one (1) year old are permitted except as “additional comparable sales” and should be identified as comparable sale(s) 4, 5, or 6. Properties under contract may also be submitted as additional comparable sales 4, 5, or 6 to support trends or value conclusions observed.

A 10% LTV reduction must be applied to any Rural property and a Collateral Desktop Analysis supporting the appraised value is required.

SITE CONDITIONS

Safe pedestrian and adequate vehicular access from a public or private road to the subject property is required.

UTILITY SERVICES

Utility Services refer to those services consumed by the public such as individual electric, water, natural gas, sewage, and telephone.

For an attached or detached Single Family dwelling the utilities must be independent for each living unit. This does not apply to a property with an accessory dwelling unit.

The utilities of the property must meet community standards. If public sewer and/or water facilities, those that are supplied and regulated by the local government are not available, community or private well and septic facilities must be available and utilized by the subject property. Community or private well and septic systems must be readily accepted in the Property market area.

The owners of the subject property must have the right to access community or private facilities, which must be viable on an ongoing basis as evidenced by an adequate, legally binding agreement. Private well or septic facilities must be located on the subject site, unless the subject property has the right to access off-site private facilities and there is an adequate, legally binding agreement for access and maintenance.

If the appraisal report notes that the water to a property is supplied by dug wells, cisterns or holding tanks used in conjunction with potable water purchased and hauled to the site than the appraisal must include commentary that such systems are readily accepted within the subject property market area.

The Appraiser must note any readily observable deficiencies regarding the water source and require test and/or inspection if the water supply relies upon a water purification system or there is an unusually objectionable taste, smell, or appearance of the water.

If water testing is required than the water quality must meet the requirements of the health authority with jurisdiction. If there are no local (or state) water quality standards, then water quality must meet the standards set by the Environmental Protection Agency (EPA).

For any market resistance to an area because of environmental hazards or any other conditions that affect well, septic, or public water facilities the effect of the hazards on the value and marketability of the subject property must be addressed within the appraisal report. A similar closed comparable sale is required to establish marketability of the property.

Note: Any property served only by private utilities i.e. solar energy, must also be connected to a public energy source.

SOLAR PANELS

Properties with solar panels are eligible if the following requirements are met;

- The property owner is the owner of the solar panels; OR
- If the solar panels are leased from or owned by a third party under a power purchase agreement, all of the following must be met:
 - The property must have access to an alternate source of electric power that meets community and local standards.
 - Value of the solar panels cannot be included in the appraised value.
 - Lease payment must be included as a liability in the Residual Income Test, unless the lease is structured to provide both of the following:
 - Delivery of a specific amount of energy at a fixed payment during a given period; and
 - Production guarantee that compensates the client in the event the solar panels fail to meet the output required for the lease period.

The lease or power purchase agreement and/or addendums must include provisions indicating that:

- Any damage that occurs as a result of installation, malfunction or manufacturing defect, or the removal of the solar panels is the responsibility of the owner of the solar panels, and the owner must repair the damage and return the property to its prior condition.

Note: if the borrower is purchasing a home with leased solar panels and they are NOT taking over the lease of the solar panels, the guidance above does not apply.

In the event of foreclosure, the mortgage lender can do ONE of the following:

- Terminate the lease and require the owner of the solar panels to remove them from the subject property.
- Transfer the lease agreement into their name from the previous property owner.
- Enter into a new lease, with terms equal to or better than the current lease.

ZONING COMPLIANCE

The Property must comply with all applicable zoning ordinances. The following apply:

- Zoning compliance must be Legal, Legal Non-Conforming or No Zoning;
- No Zoning: Highest and best use must be as improved;
- Legal Non-Conforming Zoning: Property must be able to be re-built As Is; and
- Commercial or Agricultural zoning: Allowed if the subject property is not being used for any commercial and/or agricultural purposes, and the highest and best use is as improved.
- Illegal land or building use of any kind is prohibited.

MINIMUM PROPERTY REQUIREMENTS (MPR) AND MINIMUM PROPERTY STANDARDS (MPS)

CHARACTERISTICS OF PROPERTY IMPROVEMENTS

ACCESS TO LIVING UNIT

Access to a living unit or to the rear yard must not require passing through any other living unit. For attached dwellings the access may be by means of alley, easement, common area or passage through the dwelling.

ACCESSORY DWELLING UNIT (ADU)

An Accessory Dwelling Unit (ADU) refers to a habitable living unit added to, created within, or detached from a primary one-unit Single Family dwelling, which together constitute a single interest in real estate. It is a separate additional living unit, including kitchen, sleeping and bathroom facilities. The Property may only have one (1) ADU. The borrower(s) may not reside in the ADU.

ADU must be subordinate in size, location and appearance to the primary dwelling unit, and may or may not have separately metered utilities or separate means of ingress or egress.

The living area of the ADU cannot be included in the calculation of the Gross Living Area (GLA) of the primary dwelling. Must be valued as a separate line item within the sales comparison grid.

The conclusion of the highest and best use analysis is what determines if the property is to be appraised as a Single-Family dwelling with an ADU, or a two-family dwelling. If the existing property does not comply with all of the current zoning regulations (use, lot size, improvement size, off street parking, etc.) but is accepted by the local zoning authority the property is Legal Non-Conforming and must be able to legally be rebuilt "as is" if destroyed.

Appraiser must provide a similar closed comparable sale to demonstrate marketability. Sale should be located within the same or a competing market area of the subject property.

ADDITIONS AND CONVERTED SPACE

Room additions and garage conversions are to be included as part of the GLA of the dwelling, provided that the addition or conversion space:

- Is accessible from the interior of the main dwelling in a functional manner;
- Has a permanent and adequate heat source; and
- Was built in keeping with the design, appeal, and quality of construction of the main dwelling.

Room additions and garage conversions that do not meet the criteria listed above are to be valued in a separate line item within the sales comparison grid. Any impact of inferior quality garage conversions and room additions on marketability must be cured.

BEDROOMS

A room may not be identified as a bedroom if it does not have direct ingress and egress to the exterior of the home in the event of an emergency. This applies regardless of the room location being above or below grade. Any security bars on windows must have functioning quick safety releases or they must be removed. The windows must function properly to allow for egress to the exterior of the home. If local/county/state building code requires that a bedroom must have a closet then the requirement must be met in order to be counted/valued as a bedroom.

LEASED EQUIPMENT, COMPONENTS, AND MECHANICAL SYSTEMS

Value may not be given for leased mechanical systems and components. This includes furnaces, water heaters, fuel or propane storage tanks, solar or wind systems, and other mechanical systems and components that are not owned by the property owner.

LIVING UNIT REQUIREMENTS

Each living unit must have the following:

- A continuing and adequate supply of safe and potable water under adequate pressure and of appropriate quality for all household uses;
- Sanitary facilities and a safe method of sewage disposal. Every living unit must have at least one bathroom, which must include, at a minimum, functioning sink, toilet, bathtub or shower;
- Adequate space for healthful and comfortable living conditions;
- Heating adequate for healthful and comfortable living conditions;
- Domestic hot water; and
- Electricity adequate for lighting, cooking and for mechanical equipment used in the living unit.

MECHANICAL COMPONENTS AND UTILITIES

Mechanical components and utilities are defined as heating and/or cooling systems, hot water heater, electric, and plumbing. All must be safe to operate, be protected from destructive elements, have reasonable future utility, durability, and economy, and have adequate capacity. Systems that are damaged or do not function properly must be repaired or replaced prior to closing.

The Appraiser must observe the physical condition of the plumbing, heating and electrical systems. The Appraiser must operate the applicable systems and observe their performance. If the systems appear to be damaged or do not appear to function properly, the Appraiser must condition the appraisal for repair or further inspection. If the property is vacant, the Appraiser must note in the report whether the utilities were on or off at the time of the appraisal. If the utilities are not on at the time of observation and the systems could not be operated, the Appraiser must:

- render the appraisal as subject to re-observation;
- condition the appraisal upon further observation to determine if the systems are in proper working order once the utilities are restored; and
- complete the appraisal under the extraordinary assumption that utilities and mechanical systems, and appliances are in working order.

The Appraiser must note that the re-observation may result in additional repair requirements once all the utilities are on and fully functional.

If systems could not be operated due to weather conditions, the Appraiser must clearly note this in the report.

The Appraiser should not operate the systems if doing so may damage equipment or when outside temperatures will not allow the system to operate. Electrical, plumbing, or heating/cooling certifications may be required when the Appraiser cannot determine if one or all of these systems are working properly.

HEATING AND COOLING SYSTEMS

The heating system must be adequate for healthful and comfortable living conditions, regardless of design, fuel or heat source.

Property must have a permanently installed heating system that:

- Automatically heats the living areas of the house to a minimum of 50 degrees Fahrenheit in all gross living areas (GLA), as well as in non-GLAs that contain building or system components subject to failure or damage due to freezing;
- Provides healthful and comfortable heat;
- Safe to operate;
- Rely upon a fuel source that is readily obtainable within the subject's geographic area;
- Have market acceptance within the subject's marketplace; and
- Operate without human intervention for extended periods of time.

Central air conditioning is not required but, if installed, must be operational. If the air conditioning system is not operational it must be repaired or replaced.

ELECTRICAL SYSTEM

The electrical system must be adequate to support the typical functions performed in the dwelling without disruption, including appliances and mechanical components adequate for the type and size of the dwelling.

Any visible frayed wiring or exposed wires in the dwelling, including garage and basement areas must be repaired. The amperage and panel size must be adequate for the Property or it must be upgraded.

PLUMBING SYSTEM

The plumbing system must properly function in order to supply adequate water pressure, flow and waste removal.

Plumbing system must be intact, provide adequate water pressure and flow, does not emit foul odors, faucets function properly, both cold and hot water are in working order, and no readily observable evidence of leaks or structural damage under fixtures.

Hot Water Heater must have a temperature and pressure-relief valve with piping to safely divert escaping steam or hot water. Leased or rented hot water heaters are not permitted.

Sewage/Septic system must be functioning properly, adequate for the size of the home, and meet local building or health authority requirements. Inspection by a qualified Tradesmen is required when observable evidence of failure is noted. Any system malfunction or failure requires repair or replacement.

MODULAR HOUSING

Modular Housing refers to structures constructed according to state and local codes off-site in a factory, transported to a building lot, and assembled by a contractor into a finished house. Although quality can vary, all of the materials for framing, roofing, plumbing and cabinetry, interior finish and electrical are identical to what is found in comparable quality conventional "stick-built" housing.

Modular Housing will be treated the same as stick-built housing, including using FNMA Form 1004 for the appraisal report. Appraisal to include appropriate comparable sales, which may include conventionally "stick" built housing or Modular Housing.

NON-STANDARD HOUSE STYLES

Non-Standard house style refers to unique properties in the market area including log homes, or houses with lower than normal ceiling heights.

Property must appear structurally sound and be readily marketable. In order for such a property to be fully marketable, it must be demonstrated that it's located in an area of other similar types of construction and blend with the landscape. Appraiser must provide a similar closed comparable sale that is located within the same or competing market area to the subject property market to demonstrate marketability.

PARTIALLY BELOW-GRADE HABITABLE SPACE

Partially Below-Grade Habitable Space refers to living area constructed partially below grade but has the full utility of GLA.

The interior building sketch must include the design and measurements of the subject. Appraisal must include comments/support on market acceptance or preference, how the levels and areas of the dwelling are being calculated and compared, and the effect on value, if any. Appraiser must provide a similar closed sale to demonstrate marketability that is located within the same or competing market area to the subject property market.

Regardless of the description of the rooms, bedrooms or baths as above grade or below grade all components of the subject property must be considered in the valuation process.

ROOF COVERING

The roof covering must prevent entrance of moisture, provide reasonable future utility, durability and economy of maintenance, and have at least two (2) years of remaining physical life. If any or all of these requirements are not met then inspection by a professional Roofer/Tradesmen is required, and any repairs or replacement must be completed. If the roof does not active leaks but has less than two (2) year of remaining physical life than the roof replacement may be in a repair set aside.

SWIMMING POOLS

For any pool that appears to present a health/safety issue or structural soundness concern we must obtain evidence that it complies with all local ordinances (cover, perimeter fencing, demolition, fill in, re-grading, etc.). We must obtain satisfactory evidence that any health/safety, or structural issues have been corrected prior to closing.

Pool water that contains algae and is aesthetically unappealing, but there is no evidence that the pool is otherwise contaminated, no cleaning is required. Swimming pools must be operational to provide full Contributory Value.

If the swimming pool has been winterized, or unable to determine if the pool is in working order, the Appraiser may be completed under the extraordinary assumption that the pool and its equipment can be restored to full operating condition at normal costs.

WOOD DESTROYING INSECTS/ORGANISMS/TERMITES

Evidence or notification of infestation, including prior treatment, by wood destroying pests requires inspection by a qualified pest control specialist. Active infestation must be treated, and any damage must be repaired. Damages that do not present a health and safety issue may be included in repair set aside.

CONDITION OF THE PROPERTY

A Property noted to be in Fair or Below Average condition as evidenced by the appraisal report will not be eligible until repairs have been completed and the Property is in at least C4, and Average condition at the time of loan closing. For any property where the cost of repairs to meet minimum property requirements or standards exceeds 15% of the appraised value the repairs must be completed prior to closing or the property is ineligible.

CONDITIONS REQUIRING INSPECTION

When the appraisal report indicates that there is evidence of potential safety, soundness, or security issue beyond the Appraiser's ability to assess for any mechanical system, structural system or other component requiring repair we must obtain any applicable inspections completed by a Qualified Individual or entity. Required repairs must be completed and evidence of completion documented in the file.

Conditions that require an inspection by qualified individuals or Entities include:

- Standing water against the foundation and/or excessively damp basement or crawl space;
- Hazardous materials on the site or within the improvements;
- Faulty or defective mechanical systems (electrical, plumbing or heating/cooling);
- Evidence of possible structural failure (e.g., settlement or bulging foundation wall, unsupported floor joists, cracked masonry walls or foundation);
- Evidence of possible pest/vermin infestation;
- Leaking or worn-out roofs; or
- Any other condition that in the professional judgment of the Appraiser warrants inspection.

Inspections may not be required only as a means of limiting liability, and the reason or indication of a particular problem must be stated when requiring an inspection. Photographic documentation of those conditions should be included in the appraisal report.

DEFECTIVE CONDITIONS

Defective Conditions refers to defective construction, evidence of continuing settlement, excessive dampness, leakage, decay, termites, environmental hazards or other conditions affecting the health and safety of occupants, collateral security or structural soundness of the dwelling.

Conditions identified within the appraisal report require inspection by a qualified 3rd party (Licensed Engineer required for structural integrity conditions). Conditions must be cured for the Property to comply with minimum property standards and/or minimum property requirements. Depending upon the identified defective condition repair/replacement may be permitted as part of a repair set aside. See Repair Set Aside.

DEFECTIVE PAINT

If the dwelling or related improvements were built after 1978, all defective paint surfaces on the exterior must be scraped and painted to eliminate exposure of the subsurface to weather elements (rain, snow, sleet, etc.).

If the dwelling or related improvements were built on or before December 31, 1978 refer to Lead-Based Paint below.

Correction of defective paint conditions may be included in a repair set aside. See Repair Set Aside.

ENVIRONMENTAL AND SAFETY HAZARDS

Property must be free from environmental and safety hazards and adverse conditions that may affect the health and safety of the occupants, the property's ability to serve as collateral, and the structural soundness of the improvements. Property is not eligible until any hazard has been properly remediated.

Environmental and safety hazards may include defective lead-based paint, mold, toxic chemicals, radioactive materials, other pollution, hazardous activities, and potential damage to the Structure from soil or other differential ground movements, subsidence, flood, and other hazards.

LEAD-BASED PAINT**IMPROVEMENTS BUILT ON OR BEFORE 1978**

Defective paint surfaces require repair in compliance with any applicable EPA requirements. All interior and exterior surfaces, including common areas, stairs, deck, porch, railings, windows and doors, must be free of defective paint (cracking, scaling, chipping, peeling, or loose). Exterior surfaces include those surfaces on fences, detached garages, storage sheds, and other outbuildings and appurtenant Structures.

CONDOMINIUM UNITS BUILT ON OR BEFORE 1978

The interior of the unit, common unit and exterior surfaces and appurtenant Structures of the specific unit being appraised must be in average overall condition, maintenance and appearance. Defective paint in the unit, common area and exterior requires repair in compliance with any applicable EPA requirements.

REQUIRED REPAIRS

Required repairs should be limited to those repairs necessary to:

- Maintain the safety, security and soundness of the Property;
- Preserve the continued marketability of the Property; and
- Protect the health and safety of the occupants.

REPAIRS COMPLETED PRIOR TO CLOSING

Any repairs determined to pose an immediate health or safety risk to the occupants or render the property to not be safe, sound, and secure are required to be completed prior to closing, and a repair set-aside for other required repairs is also permitted.

Property Deficiency Examples:

- No running water or no hot water;
- Leaking roof;
- No primary heating source;
- Inadequate electrical systems (including lighting);
- Inoperable doors and windows (inhibited ingress and egress;)
- Inadequate direct exterior egress from bedroom(s);
- State or local code violations (i.e., smoke and/or carbon monoxide detectors, hot water heater double strapped, etc.);
- Structural issues such as foundation damage;
- Property was built prior to 1978 - Defective paint surfaces in the home, and there are children under the age of six (6) living in the home;
- Missing handrails on steps higher than 18 inches OR per local code. If there is secondary access to the home that is safe and secure completion may be as repair set aside; or
- Missing railings on porches/patios/decks higher than 18 inches OR per local code. If there is secondary access to the home that is safe and secure completion may be as repair set aside.

Property re-inspection must be completed prior to closing as evidenced by:

An Appraisal Completion Report FNMA Form 1004D with photos from the original appraiser unless he/she is unavailable is required.

In order to minimize the borrower's exposure and the spread of COVID-19 for loans closed on or before June 30, 2022 when a property requires minor repairs to meet state or local code (i.e., installation of smoke and/or carbon monoxide detectors, hot water heater double strapped, etc.), missing handrails, missing railings, exterior scraping and painting then those repairs may be documented in accordance with the below.

In lieu of the 1004D, we must obtain a letter signed by the borrower(s) affirming that the work has been completed with further evidence of completion:

- Photographs of the completed work,
- Paid invoices indicating completion,
- Occupancy permits,
- Receipts for purchased materials/supplies, or
- Other substantially similar documentation.

The above flexibilities are not permitted on New Construction.

REPAIR SET-ASIDE

Required repairs that do not pose a health or safety risk can be withheld from the Reverse mortgage proceeds (repair set-aside), and then disbursed when repairs are completed as evidenced by a Compliance Inspection Report Form HUD 92051. Repairs must be completed within 12 months of the loan closing.

The dollar amount of the set-aside cannot exceed 15% of the appraised value.

Total set-aside must be equal to 1.50 times (x) contractor estimate or appraiser cost to cure as determined by the Lender.

Minor repairs, i.e., minor exterior scraping & painting, handrail or railing installation, etc. the appraiser's cost to cure may be used to calculate the repair set aside. For major repairs, i.e., roof repairs or replacement, heating system replacement, etc. a written estimate from a licensed contractor will be used to calculate the repair set aside.

REPAIR ADMIN FEE

A repair admin fee will be added to the loan balance by the Servicer and is independent of the fees paid for by the borrower(s) for compliance inspection reports. The fee may not exceed the greater of one and one-half (1.50%) percent of the funds used for repairs or \$50 for the administration of this agreement.

STRUCTURAL INTEGRITY

The Property foundation and structure must be serviceable for the life of the mortgage and adequate to withstand all normal loads imposed. Any structural concerns require inspection by a licensed engineer. Structural repairs that pose an immediate threat or danger to the occupants must be corrected prior to closing.

CONDOMINIUM PROJECTS

A Condominium Project refers to a multi-unit Property in which persons hold title to individual units and an undivided interest in common elements. Common elements (areas) include underlying land and buildings, driveways, parking areas, elevators, outside hallways, recreation and landscaped areas, and other elements described in the condominium declaration. Common areas are typically managed by a condominium association.

Condominiums create additional risk because the homeowner's association (HOA) has legal rights that could adversely impact the lender's rights. Depending on the financial management of the HOA, the value of the project (unit) can be adversely affected.

Often, a condominium development has commercial space for a restaurant, deli, hair salon, grocery store, etc. If this is the case, there should be no more than 25% non- residential space in the building.

Note: Investor reserves its right to limit its own concentration limit in any one project and in no case will Lender finance more than 50% of the units in any condo association through the Golden Equity program.

CONDOMINIUM DEFINITION

A condominium unit is a single-family dwelling located in a condominium project.

A condominium project is real estate that includes the separate ownership in fee, or a specified residential unit with an undivided interest in the real estate designated for common ownership solely by unit owners.

A condominium project is created according to local and state statutes.

- The structure is generally two (2) or more units with the interior airspace individually owned.
- The balance of the property (land and building) is owned in common by the individual unit owners.

DEFINITION OF AN ESTABLISHED PROJECT

A project for which all of the following are true:

- At least 90% of the total units in the project have been conveyed to unit purchasers;
- The project is 100% complete, including all units and common elements;
- The project is not subject to additional phasing or annexation; and
- Control of the HOA has been turned over to the unit owners.

A project may also be treated as an established project with less than 90% of the units sold to unit purchasers, provided the deficit is the result of the developer holding back units for rent. The following requirements must be met:

- Construction is 100% complete;
- The project is not subject to any additional phasing or annexation, and the HOA has been turned over to the unit owners;
- The developer's share of the units held back for rental is not more than 20% of the project's total units;
- HOA fees are paid current in developer-held units, and
- There are no active or pending special assessments in the project.

DEFINITION OF A SITE CONDOMINIUM

A detached condo is defined as any condo unit that is completely detached from other condo units in the project. The unit may share no adjoining walls, ceilings, floors, or other attached architectural elements (such as breezeways or garages) with any neighboring unit. A detached condo unit may be in a project consisting solely of detached units or in a development containing a mixture of attached and detached units. Site condos in which the unit owner owns the detached condo unit and the land upon which the unit is built are a detached condo. The waiver of project review applies for new and established projects.

FHA APPROVED CONDOMINIUM PROJECTS

FHA approval must be valid (unexpired) at time of initial loan application and remain valid (unexpired) as of the note date. An FHA Approved Condo Questionnaire completed and executed by HOA within 60 days of the underwriting date is required. Project must meet FHA loan level review requirements as determined by the Lender.

Loan level requirements are as follows:

Lender to verify the investor ownership, percentage of owners in arrears for condominium association fees, and owner-occupancy ratio. The Underwriter must execute the FHA Appendix B and upload into Doc Velocity.

ELIGIBLE PROJECT

- Minimum units: 2
- Right of First Refusal: Permitted unless it violates discrimination laws
- Investor Ownership: Up to 50% on existing project >12 months old, or non-gut rehab conversion.
- Homeowners Association (HOA) Dues: No more than 15% of the total units may be in arrears (more than 60 days past due)
- Pre-sales: 30% must be sold prior to endorsement (not applicable to existing projects or non-gut rehab conversions)
- Owner Occupancy:

Project Type	Coverage Requirements
Project Status Owner Occupancy Requirement Existing (projects fully completed and over one year old of non-gut rehab conversions)	At least 50 percent of the units of a project must be owner-occupied or sold to owners who intend to occupy the unit(s). Proposed, Under Construction (including existing projects less than 12 months old or gut rehab conversions A minimum owner-occupancy percentage of 30 percent of the declared units. Legally phased projects must meet 30 percent presale and 30 percent owner-occupancy requirements.
Proposed, Under Construction (including existing projects less than 12 months old or gut rehab conversions)	A minimum owner-occupancy percentage of 30 percent of the declared units. Legally phased projects must meet 30 percent presale and 30 percent owner-occupancy requirements.

FNMA APPROVED CONDOMINIUM PROJECTS

Attached condo unit in a new or newly converted project must be on FNMA's approved project list. They are not eligible for the Limited Review Process. Project approval must be valid (unexpired) at time of initial loan application and remain valid (unexpired) as of the note date.

For a list of FNMA approved condominium projects by state, refer to:
<https://www.fanniemae.com/singlefamily/project-eligibility-review-service>

FNMA LIMITED REVIEW PROCESS

To be eligible for a Limited Review, the unit securing the mortgage must be:

- An attached unit in an established condo project;
- Project is not an ineligible project. See Ineligible Condominium Considerations below;
- The project does not consist of manufactured homes;

NOTE: Attached condo unit in a new or newly converted project are not eligible for the limited review process.

- Project (including all common areas) is fully completed and the common areas are insured;
- The HOA is controlled by unit owners (as opposed to the developer);
- Fifty percent (50%) or more units are owner-occupied;
- No single entity (the same individual, investor group, partnership, or corporation) owns more than the following total number of units in the project:
 - Projects with 2 to 4 units – 1 unit
 - Projects with 5 to 20 units – 2 units
 - Projects with 21 or more units – 10%; and
- Projects not meeting the Limited Review criteria are not eligible for the program unless they are an FHA or FNMA approved project as of the loan application date.

In the event Lender becomes aware of a circumstance that would cause the project or transaction to be ineligible under a Limited Review then the loan is not eligible for the program unless the project obtains FNMA approval. Lender does not provide full review and approval process of projects for FNMA nor FHA.

INELIGIBLE CONDOMINIUM CONSIDERATIONS:

- Projects that are managed as a hotel or motel, even if the units are individually owned;
- Projects that have timeshare, fractional or segmented ownership;
- Subject cannot be new construction where the Seller is offering sale or financing structures in excess of FNMA's eligibility policies for individual mortgage loans. This includes but is not limited to; builder/developer contributions, sales concessions, HOA assessments, or principal & interest payment abatements, and/or contributions not disclosed on the settlement statement;
- Projects with mandatory upfront or periodic membership fees for the use of recreational amenities, such as country club facilities and golf courses, owned by an outside party (including the developer or builder). Fees paid for the use of recreational amenities owned exclusively by the HOA or Master Association are acceptable;
- Projects cannot have multi-dwelling units or non-real estate/non-real property;
- Projects that are a continuing care facility;

- Projects in which HOA is named as a party to pending litigation or for which the project sponsor or developer is named as a party to pending litigation that relates to the safety, structural soundness, habitability, or functional use of the project;
- Projects with a single entity (the same individual, investor group, partnership, or corporation) owns more than the following total number of units in the project:
 - Projects with 2 to 4 units – 1 unit
 - Projects with 5 to 20 units – 2 units
 - Projects with 21 or more units – 10%
- Projects containing manufactured housing;
- Projects that represent a legal, but non-conforming use of the land, if zoning regulations prohibit rebuilding the improvements to current density in the event of their partial or full destruction;
- Any project that permits a priority lien for unpaid common expenses in excess of FNMA's priority lien limitations;
- Project with Covenants, Conditions, & Restrictions that split the ownership of the property or curtail an individual unit owner's ability to utilize the property;
- Projects that have documents on file with the Securities and Exchange Commission (SEC) or where unit ownership is characterized or promoted as an investment opportunity.

Investor reserves its right to limit its own lending concentration limit in any one project and in no case will Lender finance more than 50% of the units in any condo association through the program.

PROJECTS THAT OPERATE AS HOTELS OR MOTELS

A project may not be operated or managed as a hotel, motel, or similar commercial entity as evidenced by meeting one or more of the following criteria:

- The HOA is licensed as a hotel, motel, resort, or hospitality entity.
- The HOA or project's legal documents restrict owners' ability to occupy the unit during any part of the year.
- The HOA or project's legal documents require owners to make their unit available for rental pooling (daily or otherwise).
- The HOA or the project's legal documents require unit owners to share profits from the rental of units with the HOA, management company, or resort, or hotel rental company.

PROJECTS SUBJECT TO SPLIT OWNERSHIP ARRANGEMENTS

Projects with covenants, conditions, and restrictions that split ownership of the property or curtail an individual borrower's ability to utilize the property are not eligible for delivery. These types of properties include, but are not limited to, the following:

- "common interest" apartments or community apartment projects that are projects or buildings owned by several owners as tenants-in-common or by an association in which individuals have an undivided interest in a residential apartment building and land, and have the right of exclusive occupancy of a specific apartment in the building;
- Projects that restrict the owner's ability to occupy the unit, even if the project is not being operated as a motel or hotel; and
- Projects with mandatory rental pooling agreements that require unit owners to either rent their units or give a management firm control over the occupancy of the units.

These are formal agreements between the developer, association, and/or the individual unit owners that

obligate the unit owner to rent the property on a seasonal, monthly, weekly, or daily basis. In many cases, the agreements include blackout dates, continuous occupancy limitations, and other such use restrictions. In return, the unit owner receives a share of the revenue generated from the rental of the unit.

PROJECTS THAT CONTAIN MULTI-DWELLING UNIT CONDOS

Projects that contain multi-dwelling units are not permitted. These projects allow an owner to hold title (or share ownership and the accompanying occupancy rights) to a single legal unit that is sub-divided into multiple residential dwellings within the single legal unit, with ownership of the unit (or shares) evidenced by a single deed and financed by a single mortgage (or share loan). The sub-divided units are not separate legal units. This restriction applies regardless if the unit owner maintains one or more of the sub-divided units as rental units or uses one or more of the sub-divided units as accessory or lock-out units.

This provision does not apply to condo projects that allow an individual to buy two or more individual legal units with the intent of structurally and legally combining the units for occupancy as a single-unit dwelling. Mortgages secured by units in these types of projects are eligible provided all of the following requirements are met:

The unit securing the mortgage represents a single legal unit under a single deed.

Any construction or renovation to structurally combine units has no material impact on the structural or mechanical integrity of the project's buildings or the subject property unit.

The individual units must be fully described in the legal description in the mortgage and under a single deed.

The project's legal documents must have been amended to reclassify the combined units as a single unit in the project.

All structural renovation to physically combine the units must be completed.

PROJECTS WITH PROPERTY THAT IS NOT REAL ESTATE

The marketability and value of individual units in a project may be adversely impacted by the inclusion of non-real estate property such as houseboats, timeshares, and other forms and structures that are not real estate. As such, projects containing these other non-real estate forms of property are not eligible.

Boat slips, cabanas, and other amenities are permitted when owned in common by the unit owners as part of the HOA.

PROJECTS THAT OPERATE AS A CONTINUING CARE COMMUNITY OR FACILITY

Mortgages secured by units in a project that operates, either wholly or partially, as a continuing care community are ineligible. These communities or facilities are residential projects designed to meet specialized health and housing needs and typically require residents to enter into a lifetime contract with the facility to meet all future health, housing, or care needs. These communities may also be known by other names such as life-care facilities.

Projects that make continuing care services available to residents are eligible only if the continuing care facilities or services are not owned or operated by the HOA and residential unit owners are not obligated to purchase or utilize the services through a mandatory membership, contract, or other arrangement. Continuing care communities are not the same as age-restricted projects. Age-restricted projects that restrict the age of residents but do not require residents to enter into a long-term or lifetime contract for healthcare and housing as the residents' age are eligible.

COMMERCIAL SPACE AND MIXED-USE ALLOCATION

No more than 35% of a condo building in which the project is located be commercial space or allocated to mixed-use. This includes commercial space that is above and below grade. Note that projects located in Special Flood Hazard Areas with commercial space greater than 25% of the project's square footage, including any commercial parking facilities, may need supplemental or private flood insurance policies to meet Investor's requirements for flood insurance. Coverage under the National Flood Insurance Program may provide inadequate coverage for projects with commercial space in excess of 25%.

Any commercial space in the project or in the building in which the residential project is located must be compatible with the overall residential nature of the project.

Note: Rental apartments and hotels located within the project must be classified as commercial space even though these may be considered "residential" in nature. Commercial parking facilities can be excluded from the commercial space calculation.

Calculation of Commercial Space. Commercial space allocation is calculated by dividing the total non-residential square footage by the total square footage of the project or building. Lenders are responsible for determining the total square footage of the project, the square footage of the non-residential space, and the residential space square footage. This calculation includes the total square footage of commercial space even if the residential and commercial owners are represented by separate associations.

Non-residential square footage includes:

- retail and commercial space, and
- space that is non-residential in nature and owned by a private individual or entity outside of the HOA structure.

Examples include, but are not limited to:

- rental apartments,
- hotels,
- restaurants, and
- private membership-based fitness facilities.

Non-residential square footage excludes amenities that are:

- residential in nature;
- designated for the exclusive use of the residential unit owners (such as, but not limited to, a fitness facility, pool, community room, and laundry facility); and
- owned by the unit owners or the HOA.

The following table shows which commercial or mixed-use space must be included in the calculation of the percentage of commercial space.

If the commercial or mixed-use space is...	Then its square footage is included in the calculation of commercial space percentage
owned, controlled, or operated by the subject property's HOA that is unrelated to the project-specific amenities offered for the exclusive use and enjoyment by the HOA members	YES
owned by the subject property's HOA but controlled or operated by a separate private entity Example: Office space owned by the HOA but leased to a private business.	YES
owned and controlled by a project HOA other than the subject property's HOA that shares the same master HOA with the subject property's HOA AND the commercial space is co-located in the project's building(s) that contain(s) the residential units	YES
owned, controlled, or operated by a private entity that is co-located in the building(s) that contain(s) the project's residential units Example: <ul style="list-style-type: none"> • floors 1 to 4 consist of hotel and retail, • floors 5 to 7 consist of privately-owned and -managed rental apartments, and • the remaining floors consist of the condo project units. 	YES
owned, controlled, or operated by a private entity that is NOT co-located in the building(s) or common elements as declared in the project legal documents that contain(s) the project's residential units	NO
owned and controlled by a project HOA other than the subject property's HOA that shares the same master HOA with the subject property's HOA BUT the commercial space is located in a building that is separate from the building(s) containing the project's residential units	NO

LIVE-WORK PROJECTS

Live-work projects are projects that permit individual residential unit owners to operate and run a small business from their residential unit. Units in projects that permit live-work arrangements are ineligible.

LITIGATION

Projects in which the HOA or co-op corporation is named as a party to pending litigation, or for which the project sponsor or developer is named as a party to pending litigation that relates to the safety, structural soundness, habitability, or functional use of the project are ineligible.

If the lender determines that pending litigation involves minor matters with no impact on the safety, structural soundness, habitability, or functional use of the project, the project is eligible provided the litigation meets one or more of the following:

- non-monetary litigation including, but not limited to neighbor disputes or rights of quiet enjoyment;
- litigation for which the insurance carrier has agreed to provide the defense, and the amount is covered by the HOA's or co-op corporation's insurance;
- the HOA or co-op corporation is the plaintiff in the litigation and upon investigation and analysis the lender has reasonably determined the matter is minor and will result in an insignificant impact to the financial stability of the project;
- the reasonably anticipated or known damages and legal expenses are not expected to exceed 10% of the project's funded reserves;
- the HOA or co-op corporation is seeking recovery of funds for issues that have already been remediated, repaired, or replaced and there is no anticipated material adverse impact to the HOA or co-op corporation if funds are not recovered;
- litigation concerning localized damage to a unit in the project that does not impact the overall safety, structural soundness, habitability, or functional use of the project; or
- the HOA or co-op corporation is named as the plaintiff in a foreclosure action, or as a plaintiff in an action for past due HOA or co-op assessments.

Litigation that involves personal injury or death does not meet the criteria for minor litigation unless;

- the claim amount is reasonably anticipated or known,
- the insurance carrier has agreed to provide the defense, and
- the reasonably anticipated or known damages are covered by the HOA's or co-op corporation's insurance.

Construction defect litigation in which the HOA is the plaintiff are not considered a minor matter unless the HOA is seeking recovery of funds for issues that have already been remediated, repaired, or replaced. In addition, there is no anticipated material adverse impact to the HOA or co-op if the funds are not recovered.

The lender must obtain documentation to support its analysis that the litigation meets the criteria for minor litigation as described above.

DELINQUENT HOA DUES/SUPERIOR LIEN

When the subject property is a condominium or PUD unit located in a jurisdiction in which delinquent HOA dues and assessments may become a lien that is superior to the first mortgage, confirmation that the dues and assessments are current at the time of loan funding is required.

In cases where there are delinquent dues or assessments, the past due amount must be brought current prior to or at closing and the borrower must provide a written explanation for the delinquency and confirmation that the dues will be paid in a timely manner.

PRIORITY OF COMMON EXPENSE ASSESSMENTS

A limited amount of regular common expense assessments (typically known as HOA fees) to have priority over the mortgage lien for mortgage loans secured by units in a Condo project is permissible. This applies if the condo project is located within a jurisdiction that has enacted:

- The Uniform Condominium Act,
- The Uniform Common Interest Ownership Act, or
- A similar statute that provides for unpaid assessments to have priority over first mortgage liens.

The table below describes the permitted priority of common expense assessments for purposes of determining the eligibility of a mortgage loan secured by a unit in a condo project.

If the Condominium project...	Then...
Is located within a jurisdiction that enacted a law on or before January 14, 2014 that provides that regular common expense assessments (HOA/Condo dues) will have priority over the Lender's Reverse mortgage lien for a maximum amount greater than six months,	The maximum number of months of regular common expense assessments permitted under the applicable jurisdiction's law as of January 14, 2014, may have priority over the Lender's mortgage lien provided that if the applicable jurisdiction's law as of that date referenced an exception for Fannie Mae's requirements, then no more than six (6) months of regular common expense assessments may have priority over the Lender's mortgage lien.
Is located within any other jurisdiction,	No more than six (6) months of regular common expense assessments may have priority over the Lender's mortgage lien, even if applicable law provides for a longer priority period.

Notwithstanding any provisions to the contrary, which do not require the lender to represent or warrant compliance with project legal document requirements, the condo project legal documents must evidence compliance with the above priority of common expense assessment requirements.

DOCUMENTATION REQUIREMENTS

A Golden Equity Condominium Questionnaire (FNMA Questionnaire Short Form, FNMA Limited Review or FHA Approved) must be completed, signed & dated by an authorized HOA representative. Must be completed within 60 days of the Underwriting date. We must not accept or use a completed questionnaire that has been handled by or transmitted from or through any interested party (i.e., Seller(s) or Realtor(s), etc.) or the borrower(s).

- Blanket/Master Insurance Policy in the amount of \$1,000,000 comprehensive general liability coverage
- HO-6 coverage: the unit owner is required to obtain a “walls-in” coverage policy if the master or blanket policy does not include interior unit coverage, including replacement of interior improvements and betterment coverage to insure improvements that the borrower may have made to the unit. Coverage must be at least 20% of the appraised value.
- Flood Insurance Policy, if applicable. See flood insurance
- Pending legal action documentation, if applicable

PLANNED UNIT DEVELOPMENT (PUD)

DEFINITION OF PLANNED UNIT DEVELOPMENT

A PUD is a project or subdivision that consists of common property and improvements that are owned and maintained by an HOA for the benefit and use of the individual PUD units. For a project to qualify as a PUD all of the following requirements must be met:

- Each unit owner's membership in the HOA must be automatic and non-severable,
- The payment of assessments related to the unit must be mandatory,
- Common property and improvements must be owned and maintained by an HOA for the benefit and use of the unit owners, and
- the subject unit must not be part of a condo or co-op project.

Zoning is not a basis for classifying a project or subdivision as a PUD. Units in projects or subdivisions simply zoned as PUDs that include the following characteristics are not defined as PUD projects. These projects

- have no common property and improvements,
- do not require the establishment of and membership in an HOA, and
- do not require the payment of assessments.

Note: PUD projects that have single-wide manufactured housing are not eligible for the program unless the project has been reviewed and approved under Fannie Mae PERS process. Any unit located in a condo or co-op project within a larger PUD project or master association must meet the applicable requirements for condo projects.

REQUIREMENTS

All mortgages secured by units in PUD project must comply with the following: • Priority of common expense assessments (described below); and • Insurance requirements.

PRIORITY OF COMMON EXPENSE ASSESSMENTS

Lender may allow a limited amount of regular common expense assessments (typically known as HOA fees) to have priority over the mortgage lien for mortgage loans secured by units in a PUD project. This applies if the PUD project is located in a jurisdiction that has enacted:

- the Uniform Condominium Act,
- the Uniform Common Interest Ownership Act, or
- a similar statute that provides for unpaid assessments to have priority over first mortgage liens.

The table below describes the permitted priority of common expense assessments for purposes of determining the eligibility of a mortgage loan secured by a unit in a PUD project.

If the PUD project...	Then...
Is located within a jurisdiction that enacted a law on or before January 14, 2014 that provides that regular common expense assessments will have priority over the Lender's mortgage lien for a maximum amount greater than six (6) months,	The maximum number of months of regular common expense assessments permitted under the applicable jurisdiction's law as of January 14, 2014 may have priority of the Lender's mortgage lien provided that if the applicable jurisdictions' law as of that date referenced an exception to Fannie Mae's requirements, then no more than six (6) months of regular common expense assessments may have priority over the Lender's mortgage lien..
Is located within any other jurisdiction,	No more than six (6) months of regular common expense assessments may have priority over the Lender's mortgage lien even if applicable law provides for a longer priority period.

Notwithstanding any provisions to the contrary, which do not require the lender to represent or warrant compliance with project legal document requirements, the PUD project legal documents must evidence compliance with the above priority of common expense assessment requirements.