



Closed End Second Loan Purchase Eligibility

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2ND LIEN LOAN/CLTV MATRIX

Loan Amount/Credit Score/CLTV Matrix				
Standard Doc				
Loan Amount	Credit Score	Primary	Second Home	Investment
\$350,000	740	90	80	75
	700	85	80	65
	680	75	75	NA
\$500,000	740	85	75	75
	700	85	75	65
	680	75	70	NA
Alt Doc				
Loan Amount	Credit Score	Primary	Second Home	Investment
\$350,000	740	85	75	70
	700	80	70	60
	680	75	65	NA
\$500,000	740	80	70	65
	700	75	65	60
	680	70	60	NA

PROPERTY TYPES

1.1.1 - ELIGIBLE PROPERTY

- Single Family
- Attached (PUDs)
- FNMA Warrantable Condo (Max CLTV 80%)

1.1.2 - INELIGIBLE PROPERTY

• 2-4 Units	• Bed and Breakfast
• Non-Warrantable Condo	• Geodesic Domes
• Property > 10-acres	• Log Homes
• Manufactured Homes	• Modular Homes
• Agricultural Zoned	• Ranches and Orchards
• Rural	• Properties in Litigation
• Mixed-Use	• Commercially Zoned
• Unique Properties	• Properties with zoning violations

1.1.3 - STATE RESTRICTIONS

Not eligible:

- Texas
- Hawaii Lava Zones 1 & 2
- Puerto Rico, Guam, and the U.S. Virgin Islands

Restricted:

- CT, IL, NJ, NY (Max CLTV 80%, Min Credit Score 720)

GENERAL REQUIREMENTS

1.1.4 - PRODUCT AND TERM

- Fixed Rate
 - Fully amortizing terms of 10, 15, 20, 25 and 30 years

1.1.5 - LOAN AMOUNTS

- Minimum: \$75,000
- Maximum: \$500,000

1.1.6 - LOAN PURPOSE

- Stand-Alone Cash-Out (Simultaneous/Piggyback not allowed)

1.1.7 - ^{1ST} LIEN REQUIREMENTS/DOCUMENTATION

1.1.7.1 - VERIFICATION OF 1ST LIEN P&I PAYMENT

- Subject property minimum ownership of 12 months required.
- Verify the 1st lien P&I payment with either:
 - Copy of 1st lien Note, or
 - Copy of most recent monthly mortgage payment statement

1.1.7.2 - INELIGIBLE 1ST LIEN FEATURES

Senior liens with the following high-risk features are not eligible, high-risk features include, but are not limited to:

- Loans in active forbearance or deferment
- Negative amortization
- Balloon, if the balloon payment becomes due during the amortization period of the new 2nd lien
- Reverse mortgages
- Private mortgages

1.1.7.3 - INELIGIBLE LOAN CHARACTERISTICS

- Lien Free Properties – if the subject property is lien free, including delayed financing, ineligible.
- Properties listed for sale in the past six (6) months are not eligible.
- Unseasoned cash-out – if the existing lien is a cash-out, measured within six (6) months of the note date to note date.
- Frequent Refinances – Two (2) or more cash-out refinances in the past twelve (12) months.
- All existing subordinate liens must be satisfied. No resubordinated permitted.

- Purchases

1.1.8 - OCCUPANCY

- Primary Residence
- Second Home
- Investment

1.1.9 - CASH-OUT

- Maximum Cash-Out: \$500,000

1.1.10 - ELIGIBLE BORROWERS

- U.S. Citizen
- Permanent Resident Alien

1.1.11 - INELIGIBLE BORROWERS

- Non-Permanent Resident Aliens
- Foreign Nationals
- Non-occupant Co-borrowers

1.1.12 - RESPONSIBLE LENDING

- Loans must comply with TRID.
- Loans must comply with the Ability-to-Repay ATR rule.
- Ineligible loans include State High Cost and HOEPA.
- Points/Fees not to exceed 5%.
- The Seller and all mortgage loans must comply with all applicable anti-money laundering laws, including but not limited to the USA Patriot Act.
- OFAC – Any company or individual who is a party to the transaction must be checked against the Office of Foreign Assets Control (OFAC) list. If any party's name appears on the list, the loan is not eligible.

1.1.13 - CLOSING REQUIREMENTS

- Note and CD must be ink signed by the borrower(s), e-signatures are not acceptable.
- Late charge - 5% or the maximum allowed under state law for any payment received after the 15th calendar day.

INCOME REQUIREMENTS

1.1.14 - INCOME DOCUMENTATION

1.1.14.1 - STANDARD INCOME DOCUMENTATION – 1- OR 2-YEAR OPTIONS

- Wage/Salary – Paystubs covering 30-days including YTD earnings, prior years W-2's
- Self-employment Income (25% or greater ownership):
 - Personal and/or Business tax returns, signed and dated by the borrower(s), including all schedules.
 - An unaudited YTD Profit and Loss Statement (borrower prepared acceptable) signed by the borrower, including business sales, expenses, and net income up to and including the most recent month preceding the loan application date.
 - Two business bank statements, representing the two most recent months from the P&L statement.
 - An income analysis worksheet, (i.e., FNMA Form 1084), is required.

1.1.14.2 - ALT DOC – 1- OR 2-YEAR OPTIONS

- Personal bank statements or business bank statements may be used to document self-employment income.
- Borrowers must be self-employed for at least two (2) years. The employment section of the URLA must be completed with a minimum of two (2) years self-employment history.
- The business being used to source income must be in existence for a minimum of two (2) years as evidenced by one of the following:
 - CPA Letter, or
 - Business License, or
 - Bank statement from 24 or more months prior to note date reflecting activity, or
 - Other reasonable evidence of business activity.
- Nonprofit Entity not eligible
- Funds/Deposits in a IOLTA (Trust) are an ineligible source
- Tax returns and 4506-C are not required for the bank statement program.

1.1.14.3 - BANK STATEMENT INCOME DOCUMENTATION

PERSONAL BANK STATEMENT REVIEW

A personal bank account is held in the individual borrower(s) name. The following documentation requirements and analysis methods apply:

Documentation Requirements

- 24 or 12 months of consecutive PERSONAL bank statements, the most recent statement dated within 90-days of the note date.
- Most recent two (2) months of BUSINESS bank statements.
- Verify that the borrower owns 20% of the business by providing one of the following:
 - CPA letter, Tax Preparer letter, operating agreement, or equivalent, reflecting the borrower's ownership percentage.

Calculation Method

- Only transfers or deposits from the business account(s) are eligible deposits. Qualifying income calculated using the sum of the total eligible deposits from the statements reviewed divided by the number of statements. The most recent bank statement must be consistent with the qualifying income.
- If the personal account is jointly owned, and the joint owner is not an owner of the business, deposits that are not readily identifiable as transfers from the business accounts or business deposits must be excluded unless sourced.
- ATM deposits may be included if a consistent pattern of such deposits is present.
- Two (2) months of business bank statements, which must:
 - Evidence activity to support business operations.
 - Reflect transfers to the personal account.

BUSINESS AND CO-MINGLED BANK STATEMENT REVIEW

A standard 50% expense factor will be applied to the total of eligible deposits from the co-mingled and business bank statements to determine qualifying income.

If the business operates more efficiently or typically has a materially different expense factor (higher or lower than standard expense factor), then an expense factor from a CPA/CTEC/EA letter or P&L may be used to determine qualifying income.

A co-mingled bank account is a personal account used by a borrower for both business and personal use. A separate business account is not required.

- The borrower must be the sole owner of the business (borrower and spouse with combined 100% ownership eligible).

A business bank account is used for ongoing operations of the business and reflects the name of the business as completed on the URLA.

- Verify that the borrower has ownership of at least 25% of the business by providing one of the following:
 - CPA letter, Tax Preparer letter, operating agreement, or equivalent; reflecting the borrower's ownership percentage.
- Net income from the analysis of the bank statements is multiplied by the borrower's ownership percentage to determine the borrower's qualifying income.

Standard Expense Ratio – (50%)**Documentation Requirements**

- 24 or 12 months of consecutive business bank statements, the most recent statement dated within 90 days of the note date.

Income Calculation Method

- Total deposits from all bank statements, less any inconsistent deposit(s), multiplied by 50%, multiplied by ownership percentage, divided by the number of bank statements reviewed.
- Deposits x (.50) x (ownership %) / 24 or 12 = qualifying income
 - Example: \$360,000 x .50 = \$180,000 x 1.00 = \$180,000 / 12 = \$15,000

Business Expense Statement Letter

Documentation Requirements

- 24 or 12 months of consecutive business bank statements, the most recent statement dated within 90-days of the note date and;
- An expense statement letter specifying business expenses as a percent of the gross annual sales/revenue, prepared or reviewed and acknowledged by a CPA/accountant, IRS Enrolled Agent, or licensed tax preparer.

Income Calculation Method

- Total expenses are calculated by multiplying the total deposits by the expense factor provided (subject to a minimum total expense percentage of 10%), multiplied by ownership percentage, divided by the number of bank statements.
- Deposits x (expense ratio) x (ownership %) / 24 or 12 = qualifying income.
 - Example: $\$360,000 \times .75 = \$270,000 \times .50 = \$135,000 / 12 = \$11,250$

3rd Party Prepared P&L Statement**Documentation Requirements**

- 24 or 12 months of consecutive business bank statements, the most recent statement dated within 90-days of the note date and;
- P&L covering 24 or 12 months (determined by the months of bank statements provided), prepared or reviewed and acknowledged by a CPA/accountant, IRS Enrolled Agent, or licensed tax preparer. Documentation is required to evidence the preparer's business.

Income Calculation Method

- P&L Sales/Revenue must be supported by the provided bank statements. Total deposits reflected on the bank statements, minus any inconsistent deposits, must be greater than or no more than 20% below the sales/revenue reflected on the P&L. The bank statements and P&L must cover the same time period. If the deposits support the sales, qualifying income is the lower of:
 - The Net Income indicated on the P&L divided by the number of statements (24 or 12), or
 - Total deposits reported on the bank statements, minus any inconsistent deposits, divided by the number of statements (24 or 12).
- When analyzing the P&L Statement, the following may be added back to the applicant's income calculation:
 - Depreciation
 - Depletion
 - Amortization/casualty loss

1.1.14.4 - IRS FORM 1099 INCOME DOCUMENTATION

Permitted for individual(s) earning 100% commission or for independent contractors.

- 1-year or 2-years of 1099s or 1099 transcript(s) permitted
 - One of the following Business expense analysis methods:
 - 90% Net Margin (10% Expense Factor), or
 - 3rd Party prepared P&L (CPA, EA, accountant, tax preparer)
- A minimum 2-year self-employment history is required (e.g., 1099 income) as documented from the Employment section of the loan application.

- Qualifying income is the 12 or 24 monthly average from the total number of 1099's minus the expense factor from the method chosen above
- YTD earnings must be documented when the 1099 reporting period is greater than 90 days from the note date. YTD earnings must support the ongoing receipt of income shown on the 1099s by:
 - Checks or a single check stub(s) with YTD totals if available, or
 - Bank statements (YTD).
 - The YTD earnings from the total of check stubs or the tally of deposits from bank statements must be within 10% or greater than prior year earnings.

1.1.15 - OTHER ELIGIBLE SOURCES OF INCOME

- Document per FNMA Seller Guide dated 6/03/2020, eligible sources include:
 - Social Security,
 - VA Benefits,
 - Pensions,
 - Investment/Trust,
 - Annuity income.

1.1.16 - INELIGIBLE SOURCES OF INCOME

- Ineligible sources of income include the following:
 - Income from a business that is state or federally illegal.

1.1.17 - PRE-CLOSE REVERIFICATION OF EMPLOYMENT

- Business verification for self-employment by 3rd party within 10-days of Note Date. Methods of verifying the business include a letter from a CPA, regulatory agency, or an applicable licensing bureau. Internet listings are not an acceptable source of verification.

UNDERWRITING REQUIREMENTS

1.1.18 - MANUAL UNDERWRITING

- All mortgage loans must be manually underwritten by AmeriTrust Mortgage Corporation. Automated underwriting is not allowed.

1.1.19 - CREDIT REPORT

- Full residential mortgage credit report or tri-merged credit report. All HAWK alert messages must be addressed and resolved, documentation to evidence resolution must be included in the loan file.
- Frozen credit – not allowed. Any frozen credit must be unlocked, and a new credit report obtained to reflect current updated information.

1.1.20 - FRAUD REPORT

- A third-party fraud detection report is required in every file. All “high” alerts, or “red flags” must be addressed and/or cleared by the seller (lender).

1.1.21 - APPLICATION

- FNMA Form 1003 – Current version of the Uniform Residential Loan Application.
- Maximum of four (4) borrowers per loan.

1.1.22 - AGE OF DOCUMENTS

- Credit Documents: May not be over 90-days old at the time of closing.

1.1.23 - GAP CREDIT

- A Gap Report or Debt Monitoring Report is required within 10 days of closing.

1.1.24 - QUALIFYING CREDIT SCORE

- Determine a representative score for each borrower by using the middle of 3 scores or lower of 2. When the loan includes more than one borrower, use the lowest representative score amongst all borrowers.
- Rapid rescoring not allowed.

1.1.25 - HOUSING HISTORY

- 0x30x12 – Verification of mortgage history required on all loans. One of the following options required to verify the mortgage history:
 - 12-month rating on the credit report.
 - Copies of (front and back) 12 consecutive cancelled checks.
 - 12-months bank statements showing one payment per month.

1.1.26 - CREDIT EVENTS

- Foreclosure: 84-month waiting period.
- Short Sale, Deed in Lieu, Modification: 60-month waiting period.
- Any Bankruptcy: 60-month waiting period.
- Forbearance: 24-months of consecutive payments since exiting plan.
- Multiple Derogatory Credit Events: 84-month waiting period.

1.1.27 - TRADELINES

- All borrowers whose income is used to qualify for the loan must have an established credit history. An established credit history is defined as a minimum of three (3) tradelines, one currently open and active for

at least 24-months based upon the credit report pull date. The other two (2) must have been reported for a minimum of 12-months but can be open or closed.

1.1.28 - LIABILITIES

- Installment Debt – Must be included in the DTI calculation if **10 or more payments remain**. The monthly payment may be excluded from the DTI calculation if there are 9 or fewer monthly payments remaining, and the payment is not substantial. Substantial is defined as the payment equaling or exceeding 5% of the qualifying income. A substantial payment must be included in the DTI.
- Deferred installment debts including student loans must be included in the DTI ratio.
- Delinquent federal income taxes paid on a monthly basis to the IRS under an approved plan must be paid in full at or prior to closing.
- All balloon payment notes
- See FNMA Seller Guide dated 6/03/2020 for payment of other liabilities.

1.1.29 - LAWSUITS

- If the application, title, or credit documents indicate the borrower is involved in a lawsuit or litigation, the borrower is not eligible.

1.1.30 - QUALIFYING PAYMENT

HOUSING PAYMENT

- 1st lien Principal and Interest payment. If an ARM, the greater of the current rate or fully indexed rate using a fully amortized payment over the remaining term.
- New 2nd Lien Principal and Interest Payment based upon the note rate.
- Hazard Insurance Premium/Other Insurance Premium
- Real Estate Taxes
- Association Dues

LIABILITY EXPENSE

- Revolving charges
- Installment debts
- Leases
- Other REO
- Alimony/Child support/Maintenance payments
- Student loans

1.1.31 - MAXIMUM DTI RATIO

Debt-to-Income (DTI) ratio = (Monthly Housing Expense + Monthly Liability Expense)/Monthly Qualifying Income

- Maximum DTI ratio 45%

- 45% for CLTV up to 90%
- 50% for CLTV <= 80%

ASSET DOCUMENTATION

Asset verification required if funds needed to consummate transaction.

1.1.32 - RESERVES

- None required

1.1.33 - ELIGIBLE ASSETS

- Checking/Savings – 100%
- Marketable Securities – 70%
- Vested Retirement Savings
 - If borrower < 59.5 years old – 55%
 - If borrower > 59.5 years old – 65%

1.1.34 - ASSET DOCUMENTATION

- Verification of Deposit – FNMA Form 1006
- 2-months of bank statements

APPRAISAL AND PROPERTY

1.1.35 - APPRAISALS

- HPML loans that are not Qualified Mortgages require a full appraisal with an interior inspection, regardless of the loan balance.

Loan Amount <=\$250,000 (One of the following required)

- AVM from approved vendor with acceptable FSD and a new Property Condition Report with acceptable findings, or
- Exterior Drive-By appraisal (Hybrid or 2055), or
- New Appraisal (FNMA Form 1004/1073)
- Prior 1st lien appraisal dated within 12 months of subject loan Note Date allowed subject to the following:
 - A new Property Condition Report with acceptable findings; and
 - Recertification of value by appraisal review product from an approved; and
 - Loan must be originated by same lender as the first.

Loan Amount >\$250,000 (One of the following required)

- New Appraisal (FNMA Form 1004/1025/1073), or
- Prior 1st lien appraisal dated within 12 months of subject loan Note Date allowed subject to the following:
 - Loan must be originated by same lender as the first; and

- A new Property Condition Report with acceptable findings; and
- Recertification of value by original appraiser; and
- AVM from approved vendor with acceptable FSD.
- The transaction value is the lower of the Prior Appraisal value or the current AVM.

1.1.36 - PROPERTY CONDITION REPORTS

- When required, a Property Condition Report (i.e., Clear Capital Property Condition Inspection) should be obtained to include an exterior photo of the subject property along with a rating of the property's physical conditions and characteristics.

1.1.37 - PROPERTY

- Minimum property size 750 Square Feet.
- Minimum 12 month ownership of the subject property required.
- Condition Rating of C5/C6 not eligible.
- Any property located in a declining market as reported by the appraiser requires a 5% CLTV reduction.

1.1.38 - ACCESSORY DWELLING UNITS

- Property must conform to the neighborhood
- Comparable properties must include ADU.
- No rental income may be used to qualify the borrower.

1.1.39 - ZONING

- Industrial, commercial, and agricultural zoning are not eligible.

1.1.40 - PRIVATE ROADS

- Private roads require a permanent easement for ingress and egress with provisions for road maintenance.

1.1.41 - UNPERMITTED ADDITIONS

- Properties with unpermitted additions/alternations to the subject property are not eligible.

1.1.42 - OWNERSHIP

- Eligible
 - Fee Simple
- Ineligible
 - Leasehold

1.1.43 - TITLE VESTING

- Eligible

- Individuals
- Joint Tenants
- Tenants in Common
- Revocable Trusts, individual borrower(s) must execute both the note and security instrument
- Ineligible
 - Vesting in an entity

1.1.44 - TITLE INSURANCE

- For loan balances less than or equal to \$250,000, an Owner and Encumbrance Report – reflecting the following:
 - Current Owner
 - How property was conveyed to current owner
 - Open mortgage
 - Liens & judgements
 - Tax Information
 - Legal Description
- Any loan balance:
 - ALTA – Full Title Policy, or
 - Residential Limited Coverage Junior Policy
 - A twelve (12) month chain of title from the title insurer is required that does not show evidence of previous flipping activity

1.1.45 - HOMEOWNERS INSURANCE

- Use of the existing coverage amount is permitted. Loss payee clause must reflect seller as additional insured.

1.1.46 - FLOOD INSURANCE

- Use of the existing coverage amount is permitted. Loss payee clause must reflect seller as additional insured.

1.1.47 - ESCROWS

- Loans classified as HPML require an escrow. If subject transaction is HPML, verify 1st lien includes and escrow for taxes and insurance. If 1st lien not escrowed, the borrower will need to establish an escrow account with the 1st lien servicer and provide evidence an escrow account has been created. In no case will an escrow be created with the 2nd lien servicer.

1.1.48 - RECENTLY LISTED PROPERTIES

- Currently listed or properties listed for sale in the past 6-months are not eligible.

1.1.49 - SOLAR PANEL

- Any existing loans and leases must be paid.

FORMS

1.1.50 - BENEFIT TO BORROWER

Lender Name:	Loan Number:
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Borrower(s) Name:		
Property Address:		
City:	State:	Zip code:

The loan provides a reasonable, tangible benefit to the borrower. The primary benefit is (check all that apply):

Receiving cash-out from the new loan in an amount greater than all closing costs incurred in connection with the loan.

Obtaining a lower interest rate.

Obtaining a lower monthly payment, including principal, interest, taxes, and insurance.

Obtaining a shorter amortization schedule.

Changing from an adjustable rate to a fixed rate.

Eliminating a negative amortization feature.

Eliminating a balloon payment feature.

Eliminating private mortgage insurance.

Consolidating other existing loans into a new mortgage loan.

Other (please specify): _____