

Product Guidelines

CLOSED END SECOND LIEN LOAN PROGRAM MATRIX

Program Codes – See Table

Version 1.4 – 10/01/24



Home Equity Loan – All States except those in table below				
Occupancy	Minimum FICO	Maximum Loan Amount	Maximum CLTV	Max DTI (No Exceptions To Ratio)
Owner Occupied	640+	\$350,000	85%	50%
Second Home	700+	\$350,000	85%	50%
	680-699	\$350,000	80%	50%
Investment Properties	700+	\$350,000	75%	50%

Home Equity Loan – CA, CO, IL, and OH				
Occupancy	Minimum FICO	Maximum Loan Amount	Maximum CLTV	Max DTI (No Exceptions To Ratio)
Owner Occupied	720+	\$350,000	85%	50%
	660-719	\$350,000	80%	50%
Second Home	720+	\$350,000	85%	50%
	680-719	\$350,000	80%	50%
Investment Properties	700+	\$350,000	75%	50%

General	
Loan Terms	Fixed Rate: Closed end fully amortizing loan terms offered for 5, 10, 15, 20, 25 and 30-Years Interest Only (IO): An Interest Only period is 3-Years, full amortization required after the IO period. Minimum FICO = 720 and Maximum CLTV = 85%. No IO option available on 5-year loan term. Interest Only qualified at fully amortizing payment after the initial Interest Only Period.
Simultaneous 1st Liens	Simultaneous mortgages are not permitted, including on the subject or other properties
Debt to Income Ratio	Maximum 50%
Loan Amount	Minimum Loan Amount = \$25,000 Maximum Loan Amount = \$350,000

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General (continued)

Ineligible States	Wholesale: Massachusetts, New Jersey, New York, Tennessee and Texas Correspondent: New Jersey, New York, Tennessee and Texas
Broker Licensing Requirements	Michigan: Broker must have Michigan Second Mortgage Broker and Lender License Utah: Broker must have Utah DFI – Utah Consumer Credit Notification License
Points and Fees	Section 32 High Cost HOEPA (Fed/State): Ineligible Subject to general Ability-to-Repay (ATR) requirements.
Ineligible Borrowers	Limited Liability Corporations (LLCs), Corporations, Partnerships, Trusts, CMS Employees
Non-U.S. Citizens	Permanent and Non-Permanent Residents are permitted, refer to guidelines for full details.
Non-Occupant Co-Borrowers, Guarantors, and Co-Signers	Not permitted
Senior Lien Eligibility	Eligible - Fully Amortizing and Interest Only.
	Ineligible - Negative Amortization, Balloon Mortgage, Reverse Mortgage, Loans in Forbearance, Active Prepayment Penalty and Concurrent Purchase Transactions (Piggyback Loans). Copy of Senior Lien Promissory Note is required.
Additional Subordinate Financing	Not permitted. Existing subordinate liens, including Partial Claims, must be satisfied through closing. Close letter required for existing HELOCs.
Hazard Insurance	Coverage must be equal to the lesser of the Replacement Cost from the Property Appraisal or the Base Loan Amounts of the first lien and second lien combined or the policy must include "Guaranteed Replacement Cost". If the policy includes "Extended Replacement Cost" the additional amount may be applied towards the dwelling amount.
Mortgage Insurance	Not required
Title Insurance	Borrower must have acquired property at least 6 months prior to closing (6-month title seasoning) For loan amounts ≤ \$150K: must utilize an Owner & Encumbrance report with an attached Errors & Omission (E&O) policy or obtain an Attorney Opinion Letter (AOL), where applicable, validating title findings. Effective Date: The Owner & Encumbrance report must not exceed 90 days at the time of funding. The E&O Insurance Policy must be unexpired at the time of funding. For Loan amounts > \$150k: a full ALTA title report is required.
Prepayment Penalty	Not permitted

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Property

Eligible Property Types	One-Unit Single Family Residences (SFRs - Attached and Detached), 2-4 Unit properties, Townhomes, PUDs (Attached and Detached), and Condominiums (Fannie Mae Warrantable - Low and High Rise, established projects only).
Ineligible Property Types	Investment Condominiums, Co-ops, Condotels, Non-Warrantable Condominiums, Manufactured/Mobile homes, Unique Properties, Log Homes, Working or income producing Farms, Properties with active oil, gas, or mineral drilling, excavation, etc., Non-Conforming zoning regulations that prohibit rebuilding, Hawaiian properties in lava zones 1 and 2, and State-approved medical marijuana producing properties.
Properties Listed for Sale	Properties listed for sale in prior 12 months are ineligible.
Maximum Number of Properties	Each borrower is limited to no more than 5 financed properties.
Appraisal Requirements	Properties must be appraised within the 120 days that precede the date of the note and mortgage. A full appraisal report with an interior inspection is required.
Appraisal Transfers	Permitted with proof the transferred appraisal complies with Appraiser Independence Requirements (AIR) and CMS obtains a copy of the Accurate Group, LLC (formerly Voxtur) RACR (Retrospective Appraisal Credibility Report) desktop review or Consolidated Analytics CCA (Consolidated Collateral Analysis) desktop review.
Occupancy	Primary Residence, Second Home, and Investment Occupancy are eligible.

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Credit / Assets

Mortgage History	Maximum 0x30x24 mortgage payment history is required inclusive of all REO for all borrowers on the transaction. The mortgage history for the first lien loan must be validated even if that mortgage is not in the borrower's name and the payment must be included in the DTI.
Underwriting/AUS Decisions	The Non-Agency Qualifying engine will be used for eligibility.
Significant Derogatory Credit	Significant derogatory credit includes foreclosures, bankruptcies, deeds-in-lieu and short sales. Borrower must have reestablished an acceptable credit history. Multiple events are not permitted.
Foreclosure	7-year seasoning required.
Bankruptcy	Chapter 7, 11, or 13 Bankruptcy event requires 4 years from discharge or 4 years from dismissal.
Charge-Off/Deed-in Lieu/ Pre-foreclosure Sale/Short Sale	Charge-off of a mortgage account, deed-in lieu, pre-foreclosure sale or short sale event requires 7-year seasoning.
Modifications/Short Payoff	Modified, restructured or short payoff of a mortgage secured by a property other than the subject property requires 4-year seasoning. Minimum of 12 months seasoning on a CARES ACT modification post forbearance for borrowers who remained current through the forbearance period. Minimum of 24 months seasoning on CARES ACT modification or standalone partial claim post forbearance for borrowers who were delinquent for any period during forbearance.
Mortgage Forbearance	Borrowers who pursued forbearance but remained current are eligible. Borrowers who pursued forbearance and missed payments require 24 months of post forbearance payment history. Borrowers who pursued forbearance that resulted in a loan modification require 4 years seasoning.
Credit	Full tri-merge credit report must be dated not more than 120 days prior to the Mortgage Note date. The lowest score from two bureaus or middles score from three bureaus will be the representative score. The lowest representative score among all borrowers is used for qualifying. All accounts, revolving and installment, reported by the Borrower on the application must be verified on the credit report or directly by a credit reference. The current balance, current status, rating, monthly payment amount, and payment history for the most recent 12 months must be provided. Non-traditional credit reports are not acceptable. See guidelines for additional credit requirements.
Credit Soft Pull	When the credit report will be more than 60 days old as of the Mortgage Note date, a credit soft pull must be obtained within 14 calendar days of the Mortgage Note date. <ul style="list-style-type: none"> Any increase in the total monthly payments of trade lines not being paid at closing must be updated for qualifying purposes. Any increase in the balances of individual trade lines must be updated for debts to be paid at closing. A new credit report is required if the credit soft pull reveals new derogatory credit, defined as new collection, charge-off, repossession, or judgment accounts, or non-mortgage trade lines that have fallen 30 days or more past due.

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Credit / Assets (continued)

Tradeline Requirements	<p>All Mortgage Loans require a Credit Score based a minimum credit history and trade line requirements. Must meet ONE of the following:</p> <ul style="list-style-type: none"> • Minimum of three trade lines. At least one trade line must be open and active for the past 12 months; OR • A current mortgage paid as agreed for the past 36 months <p>Authorized user accounts may not be used to satisfy the trade line requirements.</p> <p>Active trade lines are defined by the date of the last activity on the account within six months from the current date</p>
Student Loans	Use the greater of 1% of the outstanding balance or the payment reported on the credit report. The actual documented payment may be used if it will fully amortized the student loan.
Payoff of Debt to Qualify	<p>Pay Off of Revolving Debt for loan qualification is permitted if the revolving account is paid off as reflected on the Settlement Statement.</p> <p>Pay Off of Installment Debt for loan qualification is permitted, a payoff demand good through closing is required.</p> <p>Pay Down of Revolving or Installment Debt for loan qualification is not permitted.</p>
Assets	Assets and reserves are not generally required, however if assets are needed for closing due to the payoff of debt, refer to guidelines for documentation requirements.

Income

Employment/Income	<p>Income Calculation must comply with all Appendix Q requirements (ATR Rule).</p> <p>A minimum of two years employment history and continuance of income for three years is generally required for all Borrowers whose income is being used to qualify.</p> <p>Declining income requires additional support and must use recent 12-month average.</p> <p>See guidelines for additional Employment and Income requirements.</p>
Income Documentation	<p>Wage Earner: Multiple consecutive pay stubs covering the most recent 30-day period; in the event one pay stub covers the most recent 30 day period, one pay stub shall suffice, two years W2s, Verbal VOE, and two years W2 transcripts. Self Employed Full Doc: Most recent 2 Years of business and personal tax returns, and two years 1040 transcripts. YTD Profit & Loss Statement and current balance sheet required for Corporations, "S" Corporations, or Partnerships.</p> <p>Self Employed Bank Statements: Most recent 12 months personal or business bank statements, tax transcripts not required. Refer to guidelines for full requirements.</p>
Age of Documents	All employment and income documents must be dated no more than 120 days prior to the Mortgage Note date.
Non-Taxable Income	Must verify and document source of income is non-taxable and the income and its tax-exempt status are likely to continue. All disclosed, non-taxable income for the Borrower must grossed-up to 125% even if not being used for qualification.

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STANDARD PROGRAM CODES		INTEREST ONLY PROGRAM CODES (3-year interest-only period)	
Product Code	Loan Program Description	Product Code	Loan Program Description
S5F	Closed End 2nd 5-Year	S10F3IO	Closed End 2nd 10-Year Interest Only
S5FST1	Closed End 2nd 5-Year (CA, IL, OH & CO)	S10FST13IO	Closed End 2nd 10-Year (CA, IL, OH & CO) Interest Only
S10F	Closed End 2nd 10-Year	S15F3IO	Closed End 2nd 15-Year Interest Only
S10FST1	Closed End 2nd 10-Year (CA, IL, OH & CO)	S15FST13IO	Closed End 2nd 15-Year (CA, IL, OH & CO) Interest Only
S15F	Closed End 2nd 15-Year	S20F3IO	Closed End 2nd 20-Year Interest Only
S15FST1	Closed End 2nd 15-Year (CA, IL, OH & CO)	S20FST13IO	Closed End 2nd 20-Year (CA, IL, OH & CO) Interest Only
S20F	Closed End 2nd 20-Year	S25F3IO	Closed End 2nd 25-Year Interest Only
S20FST1	Closed End 2nd 20-Year (CA, IL, OH & CO)	S25FST13IO	Closed End 2nd 25-Year (CA, IL, OH & CO) Interest Only
S25F	Closed End 2nd 25-Year	S30F3IO	Closed End 2nd 30-Year Interest Only
S25FST1	Closed End 2nd 25-Year (CA, IL, OH & CO)	S30FST13IO	Closed End 2nd 30-Year (CA, IL, OH & CO) Interest Only
S30F	Closed End 2nd 30-Year	S10F3IO	Closed End 2nd 10-Year Interest Only
S30FST1	Closed End 2nd 30-Year (CA, IL, OH & CO)	S10FST13IO	Closed End 2nd 10-Year (CA, IL, OH & CO) Interest Only