

Prestige Jumbo

Amended 3/1/2019

Primary						Interest Only		
Loan Purpose	Units	Maximum Loan Amount	LTV/CLTV	Minimum FICO	Maximum Cash Out	Maximum Loan Amount	LTV/CLTV	Minimum FICO
Purchase or No Cash-Out Refinance	1 unit	\$1,000,000	90%*	700		\$1,500,000	75%/75%	740
		\$1,500,000	90%*	720				
		\$2,000,000	80%/80%	680				
		\$2,000,000	80%/90%	740				
		\$2,500,000	70%/70%	720				
		\$3,000,000	70%/70%	720				
	2-4 unit	\$2,000,000	75%/75%	700				
Cash-Out Refinance	1 unit	\$2,000,000	75%/75%	700	\$500,000			

Note: * Rate & Term refinance eligible to 80%LTV/90%CLTV. Purchase eligible to 90%. Greater than 80% LTV Fixed Rate only

Second Home						Interest Only		
Loan Purpose	Units	Maximum Loan Amount	LTV/CLTV	Minimum FICO	Maximum Cash Out	Maximum Loan Amount	LTV/CLTV	Minimum FICO
Purchase or No Cash-Out Refinance	1 unit	\$2,000,000	80%/80%	680		\$1,500,000	70%/70%	740
		\$3,000,000	65%/65%	720				
Cash-Out Refinance	1 unit	\$1,000,000	75%/75%	720	\$350,000			
		\$1,500,000	65%/65%	720	\$350,000			
		\$2,000,000	50%/50%	720	\$500,000			

Investment								
Loan Purpose	Units	Maximum Loan Amount	LTV/CLTV	Minimum FICO				
Purchase or No Cash-Out Refinance	1-4 unit	\$1,500,000	75%/75%	700				
		\$2,000,000	70%/70%	720				

General	<ul style="list-style-type: none"> Purpose - Purchase, No Cash-Out, Cash Out Conforming Terms - FIXED RATE: 15 and 30 Year Fully Amortizing ARMs: 5/1, 7/1, 10/1 Fully amortizing 30 yr. term Interest Only: 5/1, 7/1 and 10/1 LIBOR ARMs Minimum Loan Amount \$484,351 Occupancy - Primary, Second Home and Investment Manual underwrite only Fee simple only Maximum 4 borrowers per loan Minimum Credit Score - 680
ARM Qualification	<p>ARM Margin: 2.25% Rate Caps: 2/2/5 or 5/2/5 allowable</p> <p>ARM Index: 1 Yr. LIBOR Interest Rate Floor: 2.25%</p> <p>Fully Amortizing: 5/1 ARM qualified at higher of the maximum potential Note rate after first adjustment or the fully indexed rate. 7/1 and 10/1 ARMs qualified at the higher of the Note rate or the fully indexed rate.</p> <p>Interest Only ARM: 5/1 ARM qualified at the fully amortizing PITI based on 240 month amortizing term at the higher of the Note rate plus 2% or the fully indexed rate. The fully indexed rate is the sum of the index and the margin. 7/1 and 10/1 ARM products must be qualified at the fully amortizing PITI based on 240 month amortizing term at the higher of the Note rate or the fully indexed rate.</p>

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Eligible Borrowers	<ul style="list-style-type: none"> • All borrowers must have a valid Social Security Number. • All borrowers must occupy the property. (Non-occupant co-borrowers are not allowed) • US Citizens/Permanent Resident Aliens • Non-permanent resident aliens restricted to max LTV/CLTV 80%, SFR, Primary Residence only <ul style="list-style-type: none"> - Must be legally present in the US with acceptable VISA as follows: <ul style="list-style-type: none"> o E Series (E-1, E-2, E-3) o G Series (G-1, G-2, G-3, G-4, G-5) o H Series (H-1B, H-1C) o L Series (L-1, L-1A, L1-B, Spouse L-2 with EAD) o NATO Series (NATO 1-6) o O Series o TN-1, Canadian NAFTA Visa o TN-2, Mexican NAFTA Visa
First Time Home Buyer	<ul style="list-style-type: none"> • Owner Occupied only • 12 months PITI Reserves required • Max \$1,500,000 loan amount • Max 80% LTV/CLTV • Interest Only not allowed
Interest Only	<ul style="list-style-type: none"> • Interest only Period: 120 months • Qualified term: 240 months • Loan Term: 360 months • 18 months PITI reserves • US Citizen & Permanent Resident Only
CREDIT	
Bankruptcy, Foreclosure, Notice of Default (NOD), Deed-In-Lieu of Foreclosure and Short Sales	<ul style="list-style-type: none"> • At least seven (7) years must have elapsed since bankruptcy discharge or dismissal, foreclosure, notice of default (NOD), short sale or deed in-lieu measured from the date of completion to the date of application. • A satisfactory letter of explanation for the event from the borrower is required. • Borrower must show reestablished credit and meet the minimum credit requirement.
Borrower(s) on title but not on the Note	<p>** Borrower(s) that are on title for any property regardless of obligation will still need to qualify with the full PITIA for each owned property.</p>
Continuity of Obligation	<p>Continuity of obligation is required on refinance transactions. It is met when any one of the following exists:</p> <ul style="list-style-type: none"> • At least one borrower is obligated on the new loan who was also a borrower obligated on the existing loan being refinanced. • The borrower has been on title and residing in the property for at least 12 months and has either paid the mortgage for the last 12 months or can demonstrate a relationship (relative, domestic partner, etc.) with the current obligor. • The loan being refinanced and the title to the property are in the name of a natural person or a limited liability company (LLC) as long as the borrower owns at least 25% of the LLC prior to transfer. Transfer of ownership from a corporation to an individual does not meet the continuity of obligation requirement. • The borrower has recently been legally awarded, the property (divorce, separation or dissolution of a domestic partnership).
Installment Debt	<ul style="list-style-type: none"> • Installment debt, including car lease payments, must be included in the qualifying ratio regardless of months remaining. • Borrowers who have entered into an IRS repayment plan must have a minimum of three (3) months timely pay history. Credit report and title must not indicate an IRS tax lien. • Payments related to a 401(K) loan do not need to be included in total debt obligation. • Child support payments with 10 months or less remaining do not need to be included in total debt obligation. • Installment debt may be paid off to qualify either before or at closing using cash-out proceeds. • Gift funds may not be used to pay off debt to qualify.
Liens, Judgments & Collections	<ul style="list-style-type: none"> • Satisfactory explanation for any delinquent credit from the borrower is required. • Borrower must pay off all delinquent credit that has the potential to impact lien position. • Collection accounts or charged-off accounts do not need to be paid off if the balance of an individual account is less than \$1000.00 or if there are multiple accounts the total balance of all accounts cannot exceed \$2,500.00.

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Minimum Credit Requirements	<ul style="list-style-type: none"> All borrowers must have a minimum of 2 credit scores. Each borrower must have a minimum of 3 open tradelines active for the past 24 months. <ol style="list-style-type: none"> 2 of the 3 tradelines must show activity within the last 12 mos. Authorized user accounts are not considered acceptable trade lines. 1 trade line must be an installment, rental or mortgage account For borrowers with mortgage or rental history, borrower must have 0x30 lates in the past 24 months. Non traditional/alternative credit is not considered acceptable tradelines Authorized user accounts are not considered acceptable trade lines. Trade lines may not show significant adverse history. All inquiries that have taken place within 120 days of the credit report date must be explained by the borrower and documented accordingly. Borrower must be qualified with any new debt.
Modifications	<ul style="list-style-type: none"> Only lender initiated modifications on owner occupied properties with proof that they were not caused by a distress situation. The borrower must have made 48 consecutive months of timely mortgage payments on the modified loan before closing on the refinance mortgage loan. Restructured loans in which the terms of the original transaction have been changed resulting in a partial or absolute forgiveness of debt; or a restructure of debt are not eligible: <ul style="list-style-type: none"> Forgiveness of a portion of principal and or interest in either the first or the second mortgage. Application of a principal curtailment or on behalf of the investor to simulate principal forgiveness. Conversion of any portion of the original mortgage debt to a subordinate mortgage or conversion of any portion of the original mortgage debt from secured to unsecured.
Mortgage/Rental History	<ul style="list-style-type: none"> Min. 24 months verified housing history is required reflecting 0x30x24 Investment property transactions must be arm's length. <p>Mortgage/Rental history may be documented as follows:</p> <ul style="list-style-type: none"> A 24 month mortgage payment history from an institutional lender, as verified through (i) credit bureau report reference for 24 months, (ii) 24 months canceled checks, or (iii) most recent 12 months canceled checks with a VOM for the prior 12 months. For rental verification a standard VOR completed by a professional management company or 24 months bank statements or canceled checks are required. Borrower purchasing from his or her current landlord (cancelled checks or bank statements required to verify satisfactory pay history between borrower and landlord). If a borrower is refinancing a privately held mortgage the following payment verification requirements apply: <ul style="list-style-type: none"> The privately held mortgage payments must be verified with either cancelled checks or bank statements (if the payment is automatically withdrawn from the borrower's account). Evidence must be included in the loan file that the lien being paid off is a current recorded lien against the subject property.
Revolving Debt	<ul style="list-style-type: none"> All revolving debt is included for qualifying regardless of number of payments remaining. The monthly payment amount of a revolving account shown on the credit report may be used for qualifying. If the monthly payment amount of a revolving account is not shown on the credit report a payment of five percent (5%) of the balance may be used for qualifying. The payment may only be excluded if the account is documented as paid in full and closed. Revolving debt may be paid off to qualify either before or at closing using cash-out proceeds. Documentation that the revolving debt has been paid off and the account is closed is required. Gift funds may not be used to pay off debt to qualify. For HELOC loans paid off at closing the line must be closed to any future draws. Requirement on title commitment for payoff and cancellation of HELOC is acceptable to document.
DTI/INCOME/ASSETS	
Assets	<ul style="list-style-type: none"> Funds to close must be deposited in a U.S. financial institution. No funds to close from outside the U.S are allowed.
Business Funds	<p>Business funds can be used for down payment with a letter from an accountant verifying the following:</p> <ul style="list-style-type: none"> The amount of business assets that can be used must correspond to the borrower's percentage of ownership in the business. The funds are not a loan. Withdrawal of the funds will not negatively impact the business. Business funds may not be counted toward cash reserves.

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Cash Reserves	<p>All loans require a minimum cash reserve. Please refer to the Product Matrices for reserve requirements. Reserves must be and comprised of liquid assets that borrower can readily access. If a borrower owns multiple financed properties, verified the borrower also must have six (6) months cash reserves for each additional property. Equity lines of credit, gift funds, and cash out from refinance transactions are not acceptable sources to meet the reserve requirement. Vested funds from individual retirement accounts (IRA/SEP/Keogh/401K accounts) are acceptable sources of funds for reserves. If the retirement assets are in the form of stocks, bonds, or mutual funds, in order to be considered for reserves, the account must be discounted by 30% to account for market volatility.</p>						
Conversion of Departing Residence to Investment Property	<ul style="list-style-type: none"> • The rental income from the departing residence may be used if the borrower has a loan to value of 75% or less, as evidenced by either: <ul style="list-style-type: none"> o A current residential appraisal (no more than 6 months old from application date) and outstanding liens as evidenced by a mortgage statement or credit report reference or; o An Exterior Only appraisal (2055) (no more than 6 months old from application date) and outstanding liens as evidenced by a mortgage statement or credit report reference or; o An AVM listing the prior sales price minus outstanding liens as evidenced by a mortgage statement or credit report reference. The AVM may not be used as a current valuation to determine the borrower's equity percentage. • A 25% expense/vacancy deduction must be applied to all rental income. Copies of the signed lease are required. • Reserves of six (6) months of PITI must be documented in addition to the required reserves for the primary residence. 						
Fixed Income	<p>Retirement or Pension income must be verified by the following:</p> <ul style="list-style-type: none"> • Copies of retirement award letters. • Copies of last two (2) months bank statements to document the regular deposit of payments. • Distributions from a retirement account (401K, IRA, Keogh, SEP) must be documented with a distribution letter and copies of last two (2) months bank statements to document the regular deposit of payments. <p>Annuity retirement benefits must have a minimum continuance of three years from the date of the application to be considered as qualifying income.</p> <p>Social Security Income must be verified by the following:</p> <ul style="list-style-type: none"> • Copy of the Social Security Administrations award letter. • Copies of last two (2) months bank statements to document the regular deposit of payments. <p>Benefits must have a minimum continuance of three years from the date of the application to be considered as qualifying income.</p> <p>Alimony and Child Support Income are allowable sources of income with proof of a minimum of three year continuance.</p>						
Gifts including Gift of Equity	<ul style="list-style-type: none"> • Gift funds may not be used to pay off debt to qualify. • Gift funds are not allowed for investment property transactions. • Gifts of equity are not allowed to be used as a source of funds. <table border="1" style="margin: 10px auto; border-collapse: collapse; text-align: center;"> <thead> <tr style="background-color: #e6f2ff;"> <th style="padding: 5px;">Occupancy</th> <th style="padding: 5px;">≤ 80% LTV, CLTV, HCLTV</th> </tr> </thead> <tbody> <tr> <td style="padding: 5px;">Primary 1-4 unit</td> <td style="padding: 5px;">5% Borrower contribution required</td> </tr> <tr> <td style="padding: 5px;">Second Home Investment</td> <td style="padding: 5px;">Not Allowed</td> </tr> </tbody> </table> <p>Gift funds are an acceptable source of funds as follows for primary residences and second homes with LTV/CLTV ≤ to 80% as follows:</p> <ul style="list-style-type: none"> o Borrower must contribute at least 5% from their own funds. o Gift donor must be a relative, defined as the borrower's spouse, child, or other dependent, or by any other individual who is related to the borrower by blood, marriage, adoption, or legal guardianship; or a fiancé or domestic partner. o Gift letter from donor that includes name, address, telephone number and relationship to borrower o Evidence of funds transfer and receipt prior to closing. 	Occupancy	≤ 80% LTV, CLTV, HCLTV	Primary 1-4 unit	5% Borrower contribution required	Second Home Investment	Not Allowed
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Primary 1-4 unit	5% Borrower contribution required						
Second Home Investment	Not Allowed						
Income Sources and Calculation of Income	<p>All income sources and method of income calculation must meet most recent Agency/Appendix Q Standards for Determining Monthly Debt and Income. The loan file should include an Income Analysis form detailing income calculations.</p> <ul style="list-style-type: none"> • The non-taxable portion of fixed income such as Social Security income, VA benefits, Pensions and Annuity income may be grossed-up twenty five percent (25%). 						

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Income Sources and Calculation of Income (con't)	<ul style="list-style-type: none"> Foreign income used for qualifying must be supported by the most recent two (2) years U.S. tax returns. Unreimbursed business expenses must be deducted from income. This includes borrowers who earn commission income regardless of the percentage of commission income to total income. <p>Employment and Income Stability : Borrower(s) must have a minimum of two (2) years employment and income history. Gaps in employment over thirty (30) days during the most recent two (2) year period require a satisfactory letter of explanation from the borrower. All borrowers contributing income for qualification must be employed at present employment for a minimum of six (6) months to qualify if there is a gap in employment during the previous two (2) years.</p> <p>Important Note Regarding Documentation: Appendix Q states that a borrower with a 25 percent or greater ownership interest in a business is considered self-employed. Any borrower for whom the ownership of 25 percent or more of a corporation, limited liability company, partnership, sole proprietorship or other entity appears in the loan file must have the supporting documentation that is required by the relevant portions of the "Self-Employed Borrowers." This documentation is required even if the borrower is a salaried employee of such business entity and/or another company, and even if the lender only relied upon the borrower's salary or other income to establish eligibility. <u>All required documentation as described here and in the following sections must be obtained prior to closing and submitted in the closed loan file.</u></p>																															
Maximum DTI Ratios	Max 43%. Max 40% DTI for loans > 80% LTV/CLTV.																															
Rental Income	<ul style="list-style-type: none"> Rental income from other properties must be documented with the borrower's most recent signed federal income tax return that includes Schedule E. Leases are required for all properties where rental income is being used to qualify. Proposed rental income from the comparable rent schedule may be used for qualifying if there is not a current lease or assignment of lease on purchase of an investment property. Properties with expired leases that have converted to month to month per the terms of the lease will require bank statements for the lesser of 12 months or the time period after the lease expired. A 25% vacancy factor must be applied to the gross rent used for qualifying. Multiply the gross rent by 75% and subtract the PITI to arrive at the rental income/loss used for qualifying. Commercial properties owned on schedule E must be documented with a rent roll and evidence that the primary use and zoning of the property is commercial. 																															
Reserves	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 25%;">Occupancy</th> <th style="width: 15%;">LTVs</th> <th style="width: 40%;">Loan Amount</th> <th style="width: 20%;">PITI Reserves</th> </tr> </thead> <tbody> <tr> <td rowspan="4" style="text-align: center; vertical-align: middle;">Primary</td> <td rowspan="3" style="text-align: center; vertical-align: middle;">LTV ≤ 80%</td> <td style="text-align: center;">≤ \$1,000,000</td> <td style="text-align: center;">6 mos.</td> </tr> <tr> <td style="text-align: center;">> \$1,000,000 to ≤ \$2,000,000</td> <td style="text-align: center;">9 mos.</td> </tr> <tr> <td style="text-align: center;">> \$2,000,000 to ≤ \$3,000,000</td> <td style="text-align: center;">24 mos.</td> </tr> <tr> <td rowspan="2" style="text-align: center; vertical-align: middle;">LTV > 80%</td> <td style="text-align: center;">≤ \$1,500,000</td> <td style="text-align: center;">18 mos.</td> </tr> <tr> <td style="text-align: center;">> \$1,500,000 to ≤ \$2,000,000</td> <td style="text-align: center;">24 mos.</td> </tr> <tr> <td style="text-align: center; vertical-align: middle;">Second Home</td> <td rowspan="3" style="text-align: center; vertical-align: middle;">All LTV</td> <td style="text-align: center;">> \$1,000,000 to ≤ \$2,000,000</td> <td style="text-align: center;">12 mos.</td> </tr> <tr> <td style="text-align: center; vertical-align: middle;">Investment</td> <td style="text-align: center;">< \$1,500,000</td> <td style="text-align: center;">12 mos.</td> </tr> <tr> <td style="text-align: center; vertical-align: middle;">Interest Only</td> <td style="text-align: center;">> \$1,500,000</td> <td style="text-align: center;">18 mos.</td> </tr> <tr> <td></td> <td style="text-align: center;">All LTV</td> <td style="text-align: center;">All Loan Amount</td> <td style="text-align: center;">18 mos.</td> </tr> </tbody> </table>	Occupancy	LTVs	Loan Amount	PITI Reserves	Primary	LTV ≤ 80%	≤ \$1,000,000	6 mos.	> \$1,000,000 to ≤ \$2,000,000	9 mos.	> \$2,000,000 to ≤ \$3,000,000	24 mos.	LTV > 80%	≤ \$1,500,000	18 mos.	> \$1,500,000 to ≤ \$2,000,000	24 mos.	Second Home	All LTV	> \$1,000,000 to ≤ \$2,000,000	12 mos.	Investment	< \$1,500,000	12 mos.	Interest Only	> \$1,500,000	18 mos.		All LTV	All Loan Amount	18 mos.
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Salaried Borrowers	<p>Salaried Borrowers:</p> <ul style="list-style-type: none"> Completed, signed and dated final Uniform Residential Mortgage Application. Most current form must be used. W-2's from all employers for the past two (2) years. All W-2's must be computer generated. If the borrower does not have 2 years of employment due to previously being in school a copy of the school transcript is required. Most recent paystubs, covering a thirty-day (30) period with YTD earnings. All paystubs must be computer generated. Tax returns are not required for salaried borrowers if wage income is the only source of income used for qualification. Unreimbursed business expenses must be deducted from income regardless if the borrower's commission income is less than 25% of total income. Borrowers employed in a family business must provide evidence that they are not owners of the business with a CPA letter from the business and personal tax returns. Signed IRS Form 4506T. The 4506T transcripts need to be obtained from the IRS prior to closing and used to validate the income documentation used to underwrite the loan. Wage transcripts are acceptable. Any income documentation discrepancy between the IRS transcripts and the supporting income documentation (Paystubs, W-2's, tax returns, etc.) as provided by the borrower must be reconciled and adequately addressed. The transcripts must be included in the file submission. 																															

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Salaried Borrowers (con't)

Salaried Borrowers who also file Self-Employed and/or Supplemental Income/Loss Tax Return Schedules:

- Salaried borrowers who also own 25% or more of a business or other entity are required to provide a year-to-date P&L and balance sheet for that business or entity even if the income from that business or entity is not being used to qualify. This requirement includes all businesses and entities including those organized as pass through entities.
- Salaried borrowers who file a schedule C (sole proprietorship) will be considered as self-employed and required to provide a year-to-date P&L and balance sheet. This includes borrowers who may be filing the Schedule C as a tax write off for accounting purposes.
- Most recent signed two (2) years business tax returns are required for businesses where the borrower owns 25% or more and the business reports an income loss on the schedule K-1. Loss must be deducted from income.

Salaried Borrowers with Commission/Bonus:

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

VVOE:

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

Self-Employed Borrowers

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

P&L and Balance Sheet Requirements:

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

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Source of Funds	<ul style="list-style-type: none"> Funds needed for closing must be verified with copies of the most recent two (2) months bank statements including all pages. Large deposits, defined as a single deposit that exceeds 50% of the total monthly qualifying income, must be sourced. Acceptable sources of verified funds include: <ul style="list-style-type: none"> Bank deposits Stocks, stock options, bonds, and mutual funds. Stocks and bonds will be discounted at 70% of value for reserves. Life Insurance surrender value if used for cash to close must be liquidated. If used for reserves no liquidation is required. Sale of real property. Sale of personal property with supporting documentation. Disbursement from a Trust Fund. Disbursement from an IRA/401K. Disaster relief grants. Borrowers may use lump sum grant for down payment. No minimum contribution is required. Grant may not be used for closing costs or reserve requirements. Document that payment received is an actual grant and not a loan. Subordinate lien against the property is ineligible.
Unacceptable Income	<ul style="list-style-type: none"> Any source that cannot be verified. Restricted stock income (RSU). Income that is temporary. Non-occupant income. Expense account payments. Retained earnings. Rental Income (Boarder Income) received from the borrower's primary residence.
Verification of Active Business	<ul style="list-style-type: none"> Verification from a third party such as a CPA, regulatory agency or by an applicable licensing bureau. If CPA letter is used it must indicate the borrower has been self-employed for a minimum of 2 years.
PROPERTY	
Appraisal Requirements	<ul style="list-style-type: none"> Appraisals must not be over 120 days old from the date of the Note. If appraisal is over 120 days old a new appraisal needs to be performed. For new construction an appraisal update on form 1004D is required. 2 full Appraisals required for loan amounts >\$1,500,00. Appraisals assigned from another lender are not acceptable. LTV will be based on lower of the two values. All inconsistencies between the two appraisals must be addressed and reconciled. CDA Appraisal review required on all. <ul style="list-style-type: none"> Must not be over 120 days old from the Note date If the desk review produces a value in excess of a 10% negative variance to the appraised value, the loan is not eligible for purchase
Condo Review	FNMA/FHLMC warrantable condominiums. Minimum 400 sq. ft.
Declining Property Values	Reduce maximum LTV/CLTV by 5% for any property located in an area of declining property values. Maximum 85% LTV/CLTV.
Eligible Properties	<ul style="list-style-type: none"> 1-4 units attached/detached owner occupied properties. 1-unit second homes. 1-4 unit non-owner occupied properties. Low/mid/high-rise new and established Fannie Mae or Freddie Mac warrantable condominiums. <ul style="list-style-type: none"> Warrantable condominium types S and T. Limited review is not eligible. All attached condos require full lender review with or without CPM. The conventional Condo and PUD warranty form must be used to warrant the condo project. The project must be reviewed within the 3 months preceding the date of the note. New condominiums (type R). New condominiums may not be subject to additional phasing or annexation. Project acceptance certification generated by CPM, and unexpired PERS approval, as applicable. Minimum square footage 400.
Ineligible Properties	<ul style="list-style-type: none"> Manufactured Homes/Factory built housing Geothermal Homes/Log Homes/Unique Properties No Land Trusts/Indian Leased Land/Co-ops Property Condition rating C5 or 6, Quality condition Q6 Agriculturally zoned properties Properties with oil and gas lease Leasehold Properties with more than 10 acres Construction Loan refinance Non-Warrantable Condos/Condotels/Condo with HOA in litigation Commercial/Mixed-Use Properties Working/Hobby Farms Properties with income producing attributes PACE/SOLAR/HERO - any item that will include a UCC associated with property and/or will create an easement on title is ineligible Payoff of an installment loan land contract

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<p>Ineligible Transactions</p>	<ul style="list-style-type: none"> • Escrow Holdback • Balloon Mortgage • Recasting or re-amortized transactions • Temporary buydown • Loans with prepayment penalty • Purchase transaction where the seller acquired title to subject property less than 90 days prior to date of sales contract
<p>Multiple Financed Properties</p>	<ul style="list-style-type: none"> • Borrowers may not own more than four (4) residential 1-4 unit financed properties regardless of the occupancy of the subject property. • Borrowers must have six (6) months PITI reserves for each additional financed property owned. • Financed properties held in the name of an LLC or other corporation, commercial properties, and unimproved land can be excluded from the calculation of number of properties financed where the borrower is not personally obligated for repayment of the sums secured by the mortgage on the financed property.
<p>Property Flipping</p>	<ul style="list-style-type: none"> • If Seller has taken title to the subject property within ninety (90) days prior to the date of sales contract the following requirements apply; <ul style="list-style-type: none"> o Property seller on the purchase contract is the owner of record. o Second full appraisal is required. o Increases in value should be documented with commentary from the appraiser. • Loans that are bank or relocation sales are exempt from the above requirements. <p>Personal property may not be included in the purchase agreement/sales contract. Personal property items should be deleted from the sales contract or reasonable value must be documented and the sales price adjusted. Items that are customary to residential real estate transactions such as lighting fixtures, kitchen appliances, window treatments and ceiling fans are not considered personal property.</p>
<p>Properties Listed for Sale/Listing History</p>	<p>Rate/Term Transactions:</p> <ul style="list-style-type: none"> • Property must be taken off the market on or before the disbursement date, and borrowers must confirm their intent to occupy the subject property (for principal residence transactions). • Property listed in the last 90 days of the disbursement date of the new mortgage are ineligible. • Minimum of 6 months seasoning from the note date of the new transaction required if previous refinance was cash-out, including the pay-off of a non-seasoned subordinate lien. • For properties purchased within six (6) months of closing date the LTV will be based upon the lesser of the original sales price or the current appraised value conclusion from the appraiser. Original sales price will be determined from the Closing Disclosure from the subject acquisition transaction. • Inherited properties are exempt from this seasoning requirement. LTV will be calculated off current appraised value. • The mortgage amount may include the: <ul style="list-style-type: none"> o Principal balance of the existing first lien. o Pay off of a purchase second lien with no draws exceeding \$2,000 within the past 12 months from date of application. Withdrawal activity must be documented with a transaction history of the line of credit. 12 months seasoning is not required. o Pay off of a co-owner pursuant to a written agreement. o Financing of the payment of prepaid items and closing costs. o Pay off of a non purchase second lien seasoned a minimum of 12 months from date of application. The second lien must not evidence draws exceeding \$2,000 within the past 12 months from date of application. Withdrawal activity must be documented with a transaction history of the line of credit. • Cash back to the borrower is limited to the lesser of \$2000 or 1% of the new mortgage loan. <p>Cash-Out Transactions:</p> <ul style="list-style-type: none"> • Borrower must have held title for a minimum of 6 months from closing date. Inherited properties are exempt from this seasoning requirement. LTV will be calculated off current appraised value. • Properties that have been listed for sale within the past 6 months of closing date are not eligible for a cash-out refinance. If the property was listed within the previous 6 – 12 months from closing date, a letter from the borrower explaining the reason for retaining the property is required. • If the subject property was purchased within the 6-12 month period prior to the closing date for the new loan the LTV will be based on the lesser of the sales price or the current appraised value.
<p>MISCELLANEOUS</p>	
<p>Age of Documents</p>	<ul style="list-style-type: none"> • 60 Days for all credit docs • All items are measured from final date of the document to Note Date.

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Borrower Eligibility	<p>Eligible Borrowers:</p> <ul style="list-style-type: none"> • US Citizens • Permanent Resident Aliens and Non-Permanent Resident Aliens with legal residency status • Inter-Vivos Revocable Trusts <p>Ineligible Borrowers (note that this is not a complete list):</p> <ul style="list-style-type: none"> • Foreign Nationals • Limited & General Partnerships • Irrevocable Trusts
Delayed Financing Refinance	<p>Delayed financing refinances in which the borrowers purchased the subject property for cash within ninety days (90) from the date of the application are eligible for purchase. Cash back to the borrower in excess of the original purchase price or appraised value (whichever is less) is not allowed. Delayed financing refinances are not subject to cash-out refinancing program limitations.</p> <p>The original purchase transaction must be documented by a Closing Disclosure confirming that no mortgage financing was used to obtain the subject property.</p> <p>A Delayed Financing may be treated as a Rate/Term refinance transaction if the following criteria are met:</p> <ul style="list-style-type: none"> • Primary Residence only • 5% reduction to the LTV/CLTV • No asset depletion • Property not listed for sale since acquisition • Property not located in Texas
Fraud Report	Required
Impounds	Required if LTV is \geq 90% in CA or $>$ 80% in all other states.
Multiple Loans to the Same Borrower	Borrowers are limited to a maximum of 4 open and active loans with Royal Pacific Funding.
Non-Arm's Length Transactions	<p>All of the parties to a transaction should be independent of one another. Except as indicated below if a direct relationship exists between or among the parties, the transaction is a non-arm's length transaction and the related loan is not eligible for purchase. The following non-arm's length transactions are eligible provided that such transactions and the related circumstances are properly documented:</p> <ul style="list-style-type: none"> • Sales or transfers between members of the same family. Transaction may not be due to any adverse circumstances. • Property seller acting as his or her own real estate agent. • Borrower acting as his or her own real estate agent. • Borrower is the employee of the originating lender. • Borrower purchasing from his or her current landlord (cancelled checks or bank statements required to verify satisfactory pay history between borrower and landlord). • Investment property transactions must be arm's length.
Rate & Term Refinance	Not allowed over 80%. Cash out must be the lower of 2,000 or 1% of the new loan amount.
State Restrictions	<ul style="list-style-type: none"> • Texas
Seller Contributions	Maximum 6% of sales price.
Subordinate Financing	<ul style="list-style-type: none"> • New subordinate financing is permitted up to the maximum allowable LTV/CLTV. Only institutional financing is permitted. • Maximum LTV / CLTV / HLTV for subordinated HELOCS will be based on the fully drawn balance. • Subordination of an existing loan is permitted up to maximum LTV allowed. • Cash-out transactions are not eligible for subordination of existing liens. • Subordinate liens must not have negative amortization, no balloon within 5 years, and no prepayment penalties. • In cases in which a HELOC is resubordinated to the subject mortgage, monthly amount on credit report will be used. <p>If no monthly payment amount is shown on credit report, 1% minimum payment of the maximum line amount will be used for qualifying. If HELOC has a zero balance and no draws within 24 months of application no payment need be include in DTI. Withdrawal activity must be documented with a transaction history for the line of credit.</p>
Vesting	<ul style="list-style-type: none"> • Individual(s) and Loans in a Revocable Trust are acceptable for all occupancies.