TLS WEALTH BUILDER HELOC GUIDELINES

Effective December 11, 2025

Channel: Wholesale

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100. Fair Lending Statement

The Loan Store's (TLS) commitment to the fair treatment of all our customers and potential customers is an essential part of our broader commitment to maintaining the highest standards of corporate responsibility. This commitment to the consistent, objective and unbiased treatment of all our customers extends to every aspect of TLS's operations and the mortgage lending process, including mortgage underwriting.

TLS makes its credit products available to all qualified applicants without discrimination on the basis of race, color, sex, religion, age, national origin, handicap, marital or familial status, receipt of public assistance, or good faith exercise of rights under the Federal Consumer Protection Act. All customers are to be treated fairly, consistently and in compliance with fair lending laws and regulations.

If we make a credit, pricing or other decision on a prohibited basis, it is a violation of the fair lending laws and regulations. Fair lending is not only the law; fair and consistent treatment of all our customers is the right thing to do and makes good business sense. TLS needs and expects every employee to contribute his or her best to the consistent, objective and unbiased treatment of all our customers.

200. Loan Programs

201. Wealth Builder HELOC Eligibility Matrix

Wealth Builder HELOC Eligibility Matrix						
All States Except Texas						
Occupancy	**Type**	**Loan Amount [1]**	**Max LTV [2]**	**Fico**	**Max Cash-Out**	**Initial Advance Limits**
Primary (1-4 unit)	Purchase, Rate/Term	$750,000	85%	700	NA	Min: $150,000 Max: 99% of line amount
		$1,500,000	90%	720		
		$2,000,000	85%	720		
		$2,000,000	80%	700		
		$2,500,000[3]	75%	720		
		$3,000,000[3]	70%	720		
		$3,500,000[3]	60%	740		
	Cash-Out	$2,000,000	80%	700	No Max	
		$2,500,000[3]	75%	720		
		$3,000,000[3]	70%	740		
All States						
Occupancy	**Type**	**Loan Amount [1]**	**Max LTV [2]**	**Fico**	**Max Cash-Out**	**Initial Advance Limits**
Second Home (1-4 unit)	Purchase, Rate/Term, Cash-Out	$2,000,000	80%	720	No Max	Min: $150,000 Max: 99% of line amount
		$2,500,000	75%	720		
		$3,000,000[3]	70%	720		
Investment (1-4 unit)	Purchase, Rate/Term	$1,000,000	75%	720	NA	Min: $150,000 Max: 99% of line amount
	Cash-Out		70%		$500,000	
Notes:						
[1] Free-and-clear properties not eligible unless the minimum draw requirement is met. Refer to Cash-Out Refinance – Cash Disbursed at Closing section of guidelines for requirements [2] Additional LTV limits may apply. Refer to the rate sheet and the Regional and Geographic Restrictions section of guidelines for more details [3] Loan amounts greater than $2,000,000 require pre-approval exception from warehouse bank						

300. Program Overview

Program Highlights	
Loan Description	• First Lien HELOC (360-month term)
DTI Ratios	• Max DTI 40% with 10% of the line of credit ("LOC") in reserves • Max DTI 43% with 15% of the LOC in reserves • Qualifying payment is calculated at the qualifying rate at the full LOC amount (loan amount) amortized for 30-years. See Product Eligibility, Terms and Codes matrix below and the program rate sheet for more details

The following tables provide product information. For margins, floors and caps, refer to the Rate Sheet.

Loans in All States (Except Texas Homestead Property Loans)				
Occupancy	**Program Code**	**Terms**	**Qualifying Rate**	**Index**

Primary 2nd Home Investment	EQADV	Months 1-360: monthly adjustable (Rate equals Index + Margin and can change between the Floor Rate and the Lifetime Cap).	Note Rate (Current Index + Margin)	30-Day Average SOFR

400. Regional and Geographic Restrictions

This product is eligible in all states except Hawaii, Illinois and New York. Occupancy in Texas is restricted to Second Home and Investment.

New Mexico

Due to state requirements relating to escrow accounts, the max LTV in New Mexico for Wealth Builder loans is capped at 79.99% for the loan amounts that fall within the conforming loan limit (based on when the borrower signs the note) that are secured by the borrower's principal residence.

500. Borrower Eligibility and Property Restrictions

Borrowers are eligible for up to 3 Wealth Builder HELOC Loans through this program (one per occupancy type of owner occupied, second home and investment property) not to exceed $3.5m combined.

- Calculating the qualifying payment from additional Wealth Builder HELOC loans for the purpose of qualifying for a new one:
    - Borrower has one or more existing Wealth Builder HELOC Loan(s) reported on credit:
        - Use payment reporting on credit plus documented taxes, insurance and HOA dues (as applicable)
    - Borrower has a newly closed Wealth Builder HELOC Loan on one property that has not started reporting on credit:
        - Existing: Use P&I payment based on LOC amount plus documented taxes, insurance and HOA dues
        - New: Use P&I payment plus documented taxes, insurance and HOA dues
    - Borrower is applying for two Wealth Builder HELOC Loans which will close simultaneously:
        - Subject property: Use P&I payment plus documented taxes, insurance and HOA dues
        - Other: Use P&I payment on the LOC amount plus documented taxes, insurance and HOA dues
    - Borrower is using equity/credit from an existing Wealth Builder HELOC Loan for the down payment for a new one:
        - Existing: Use P&I payment on the balance including funds advanced for down payment, plus documented taxes, insurance and HOA dues
        - New: P&I payment plus taxes, insurance and HOA dues
- Loan files must include the Wealth Builder HELOC Simulator results (Here) in the loan file
    - The results from the Wealth Builder HELOC Simulator specific to their mortgage scenario must be included in the loan file
    - The Underwriter must review the Wealth Builder HELOC Simulator results for net tangible benefit
        - As applicable, state required NTB forms must always be included in the loan file

Eligible Borrowers	Ineligible Borrowers

• U.S. citizens
• Inter vivos revocable trusts
• Permanent resident aliens
• Non-permanent aliens that meet the following requirements:
  ○ Documentation to verify the borrower is legally present in the U.S.
  ○ Evidence borrower is legally employed in U.S. for past 12 months
  ○ Income and employment are likely to continue for 3 years
	• Non-permanent resident aliens that do not meet eligibility requirements
	• Diplomats
	• Irrevocable trusts
	• Land trusts
	• Limited and/or general partnerships, corporations, LLCs
	• Non-occupant co-borrowers

501. Excluded Parties Search (LDP/GSA)

All loans require confirmation that companies or individuals involved in the origination or underwriting of a mortgage transaction are not on the General Services Administration (GSA) excluded party list or the HUD Limited Denial Participation (LDP).

The following parties will be screened accordingly (including but not limited to):

- Borrower(s), Co-Borrower(s), Non-Occupant Borrowers and Non-Borrowing Owners
- Property Seller(s) - including Builders, Sellers in an LLC (authorized signers in the LLC)
- Mortgage Loan Originators and Loan Origination Companies (loan officers, third party originators, mortgage brokers and correspondents)
- Real Estate Agents and Real Estate Companies
- Real Estate Agent(s) and Real Estate Company(ies)
- Settlement Agent or the individual listed as the settlement agent on the settlement/closing disclosure statement
- Settlement Company
- Appraiser and Appraisal Company
- Joint Owners on asset accounts and Gift Donors
- All Trustees (closing in a trust)

Note the following:

The underwriter must establish that no participants are Excluded Parties and document the determination on the Transmittal Summary

502. Property Ownership Restrictions

Refer to the following table for property ownership restrictions and the total number of financed properties the borrower(s) may own across all lenders and loan types.

Subject Property	Max Number of Financed Properties
Primary Residence ≤ 80% LTV	Unlimited
Primary Residence > 80% LTV	3

Second Home	10
Investment Property	10

600. Underwriting Documentation

The following table provides underwriting documentation requirements.

Underwriting Documentation	

Age of Documents	• Appraisal: Refer to guideline section "Appraisals and Property Standards" below
	• Preliminary Title Report: 90 days
	• Credit Package: Credit documents include credit reports and employment, income and asset documentation.
	  ○ For all mortgage loans (existing and new construction), the credit documents must be no more than 4 months old on the note date.
	  ○ When consecutive credit documents are in the loan file, the most recent document is used to determine whether it meets the age requirement.
	  ○ When Income Tax Returns are used for qualifying, the "most recent year's" tax return is required and is defined as the last return scheduled to have been filed with the IRS.
	  ▪ If an example is required, please refer to Fannie Mae guideline "Allowable Age of Federal Income Tax Returns" Here

Electronic Signatures	• Initial disclosures may be electronically signed by the borrower, subject to compliance with the consumer consent and other applicable provisions of the Electronic Signatures in Global and National Commerce Act (E-Sign Act)
Foreign Language Documents	• All documents in the mortgage file must either be in English or accompanied by a translation into English ○ The translation must be prepared by an unaffiliated 3rd party that cannot be the borrower, lender, loan officer, or anyone with a direct interest in the transaction
Minimum Tradelines	• A cumulative total (all borrowers combined) of 4 tradelines is required with a minimum rating of 24 months • At least 1 of the tradelines must be reported in the last 12 months
Representative Score	• Middle of 3 scores or lower of two scores used • Lowest score among all borrowers used • Borrowers with only 1 score are ineligible
Bankruptcies Consumer Credit Counseling Foreclosure	• A 4-year waiting period is required from the completion date of the deed-in-lieu, foreclosure, pre-foreclosure sale (short-sale), or charge-off as reported on the credit report or other documents provided by the borrower

	• A 4-year waiting period is required for Chapter 7 and Chapter 11 Bankruptcies measured from the discharge or dismissal date of the bankruptcy action • A 4-year waiting period from the dismissal date, and a 2-year waiting period is required from the discharge date, for Chapter 13 bankruptcies ○ A borrower who was unable to complete the Chapter 13 plan and received a dismissal will be held to a 4-year waiting period • Multiple Bankruptcy Filings – Borrowers with more than one bankruptcy filing in the past 7 years are not permitted • Consumer Credit Counseling – Must be completed prior to application date
Housing History	• No mortgage or rental delinquencies permitted in the past 12 months

Tax Liens
Judgments
Collections
Non-Mortgage Charge-Offs
	• Proof that tax liens and judgements have been paid must be provided in the loan file, or underwriter discretion to be paid at closing
	• Collections and Non-Mortgage Charge offs should adhere to the following:
	  ○ Medical collection accounts are excluded from the limits below and are not required to be paid in full
	  ○ For 1-unit, principal residence properties, borrowers are not required to pay off outstanding collection or non-mortgage charge-offs regardless of the amount
	  ○ For 2-4 unit owner-occupied and second home properties, collection and non-mortgage charge-offs totaling more than $5,000 must be paid in full prior to or at closing
	  ○ For investment properties, individual collection and non-mortgage charge-off accounts equal to or greater than $250 and accounts that total more than $1,000 must be paid in full prior to or at closing

Undisclosed Debt	• Borrower(s) must disclose all applicable debt on the loan application ○ TLS will follow prudent mortgage practices to protect against undisclosed debts
Credit Restoration	• Credit restoration is allowed and must provide an updated credit report
Wage Earners	• Most recent paystubs covering a 30-day period • Most recent 2 years' W-2s

700. Income Documentation

The following table provides income documentation requirements, based on the type of income.

Income Documentation	
Wage Earners	• Most recent paystubs covering a 30-day period • Most recent 2 years' W-2s

Self-Employed	• Most recent 2 years' federal returns with all schedules • Most recent 2 years' federal Corporate and/or Partnership returns (if applicable) • If paystubs and W-2s are issued, most recent paystubs and 2 years' W-2s • If more than 6 months into fiscal year, borrower signed P&L The Underwriter must prepare a written evaluation of its analysis of a self-employed borrower's personal income, including the business income or loss, reported on the borrower's individual income tax returns. The purpose of this written analysis is to determine the amount of stable and continuous income that will be available to the borrower. This is not required when a borrower is qualified using only income that is not derived from self-employment and self-employment is a secondary and separate source of income (or loss). Examples of income not derived from self-employment include salary and retirement income.
IRS Tax Transcripts	• Required only when tax returns are required

701. Asset Depletion

- Asset depletion permitted on net documented assets
  - Net Documented Assets: If both reserves and asset depletion are documented with the same account, subtract reserves to get eligible net documented assets that may be used in the monthly income calculation
- Monthly income calculation is net documented assets based on percentage allowed divided by 120 months. The table below lists allowable assets and percentage allowed for net documented assets
- Assets must be an allowable asset type as noted in the table below

Asset Depletion Matrix		
Allowable Assets / Net Documented Assets	**Borrower ≥ 65 years old**	**Borrower < 65 years old**
Checking	100%	100%
Savings	100%	100%
Money Market	100%	100%
Certificate of Deposit	100%	100%
Stocks and Bonds	100%	70%
Mutual Funds	100%	70%
Retirement Accounts	100%	70%
Depletion Months	**120**	**120**

702. Ineligible Assets and Account Types

In addition, assets from the following sources are always ineligible even if in an above allowable asset category.

- Stock options
- Foreign funds
- Health Savings Accounts (HSA)
- Assets title in an irrevocable trust
- 529 accounts
- Cash value/surrender value of life insurance
- Privately held stock
- Deferred compensation

- Non-regulated financial companies
- Cash-out refinance proceeds
- Custodial accounts
- Accounts pledged as collateral on another loan
- Annuities
- Non-vested restricted stock units
- Non-liquid assets (automobiles, artwork, business, net worth, etc.)
- Non-financial assets (collectibles, stamps, coins, artwork, etc.) unless liquidated and placed into an eligible account
- Escrow accounts
- Below investment grade corporate and municipal bonds
- Business funds
- Self-directed IRA

703. General Information

Unless addressed in this section, follow Fannie Mae general underwriting guidelines Here.

General Information	
Alimony/Child Support	• Copy of divorce decree, separation agreement, or other legal decree outlining terms • 3 years' continuance • Most recent 6 months' cancelled checks/bank statements receipt
Removing Debts Paid by Others/Business	• 6 months' cancelled checks/bank statements • Underwriter discretion to allow debt exclusion upon review of these documents; underwriter must document exclusion decision in the loan file
Commission Income	• A minimum history of 2 years of commission income is recommended; however, commission income that has been received for 12 - 24 months may be considered as acceptable income, as long as there are positive factors to reasonably offset the shorter income history
Restricted Stock Units (RSU)	• RSUs/stock options may be used as qualifying income if the borrower has been employed in the same industry for a minimum of 5 years and it has been consistently received for 2 years as documented on paystubs, W-2's, and tax returns, and the current employer vesting schedule indicates the income will continue for 2 years at a similar level as prior 2 years. • A 2-year average of prior income received from RSUs or stock options should be used to calculate the income, with the continuance based on the vesting schedule using as stock price based on the lower of the current stock price or the 52-week average for the most recent 12 months reporting at the time of closing ○ The income used for qualifying must be supported by the future vesting based on the stock price used for qualifying and vesting schedule

	• Additional awards must be similar to the qualifying income and awarded on a consistent basis • There must be no indication the borrower will not continue to receive future awards consistent with historical awards received • Stock must be a publicly traded stock • RSU and stock options that are vested cannot be used for reserves if using for income to qualify
ADU Income	• Primary residences only • 2 year history of managing and earning ADU rental income • Must have 2 years' Schedule E documenting ADU rental income • ADUs must be common to the area the property is located
Departing Residence Rental Income	• Signed 12-month lease is required to use income from a departing residence • Use 75% of gross rental income from lease agreement • Additional reserves are required if borrower owns other financed properties Here • Refer to Fannie Mae guidelines for requirements Here

800. Asset Documentation and Reserve Requirements

To fully document a borrower's ability to meet their obligations, all liquid assets should be disclosed on the URLA and verified, not just the amount required to meet minimum reserve requirements.

801. Reserve Requirements

- A minimum of 10% of LOC (loan amount) is required for all transactions
- A minimum of 15% of the LOC (loan amount) is required for loans with a DTI > 40%
- 2 months' statements or most recent quarterly statement required

Additional Reserve Requirements

- Proceeds from secured or unsecured lines of credit are ineligible as reserves
- Non-U.S. dollar assets are ineligible as reserves (foreign assets follow Fannie Mae requirements Here)
- Reserves cannot be gifted
- Marketable securities or vested stocks are an acceptable source of reserves, as well as retirement accounts
- The borrower must be able to liquidate funds used to meet the reserve requirement
    - Accounts that cannot be liquidated are not eligible to be used as reserves
- Net documented assets for asset depletion
    - If both reserves and asset depletion are documented with the same account, subtract reserves to get eligible net documented assets that may be used in the monthly income calculation
- When an income has a defined expiration date or allows the depletion of an asset, care must be taken when this is the sole source or majority of qualifying income

- The Underwriter must consider the borrower's continued capacity to repay the mortgage loan when the income source expires, or the distributions will deplete the asset prior to maturation of the mortgage loan

802. Down Payment, Gifts and Contributions

- Purchase Transactions
  - The borrower must have 10% of own funds into the transaction
  - Gift funds are permitted for all eligible occupancy types
  - A signed gift letter and verification of the donor's ability to donate are required
  - Max 3% interested party contributions
- Refinance Transactions
  - Gift funds are permitted as principal curtailment for all occupancy types
  - A signed gift letter and verification of the donor's ability to donate are required
  - Rate/term refinances only

Donor Requirements

A gift can be provided by a relative, defined as the borrower's:

- Spouse
- Child
- Other dependent
- Any other individual who is related to the borrower by:
  - Blood
  - Marriage
  - Adoption
  - Legal guardianship
  - Fiancé
  - Fiancée
  - Domestic partner

Note the following:

The donor may not be, or have any affiliation with, the builder, the developer, the real estate agent, or any other interested party to the transaction

Gift of Equity

A gift of equity is permitted for principal residence and second home purchase transactions. Acceptable donor requirements for gifts also apply to gifts of equity; however, Gift of Equity can count as borrower funds to meet the 10% minimum borrower contribution requirement.

- A signed gift letter is required
- The settlement statement listing the gift of equity is required

Note the following:

If the requirements listed are met, the gift of equity is not subject to interested party contribution requirements

900. Appraisals and Property Standards

- Loan amounts up to $2,000,000 require 1 full appraisal
- Loan amounts over $2,000,000 require 2 full appraisals
- All loans must adhere to Appraisal Independence Requirements (AIR)
- Provide both Fannie Mae and Freddie Mac UCPD Submission Summary Reports (SSR's) along with all appraisal submissions
    - If either Fannie Mae CU or Freddie Mac LCA risk scores are either not returned or greater than 2.5, then an additional valuation in the form of an AVM and/or Desk Review may be required
        - If both CU/LCA scores are ≤ 2.5, then an AVM/Desk Review is not required
        - If Both CU/LCA return No Score, then provide either:
            - AVM with satisfactory value and confidence score (If AVM is the chosen method and returns either an unsatisfactory score or confidence level, you may then subsequently order a Desk Review) or
            - Desk Review/Appraisal Risk Review that supports the origination appraised value
        - If either CU/LCA are > 2.5, then a satisfactory third-party appraisal review tool is required and can be either:
            - AVM with satisfactory value and confidence score (If AVM is the chosen method and returns either an unsatisfactory score or confidence level, you may NOT then subsequently order a desk review)
- All appraisals must be dated within the 12 months prior to the date of the note and mortgage
- When the effective date of the original appraisal report is more than 4 months, but less than 12 months from the date of the note and mortgage, the appraiser must perform an appraisal update that includes inspecting the exterior of the property and reviewing current market data to determine whether the property has declined in value since the date of the original appraisal report
    - This policy applies regardless of whether the property was appraised as proposed or existing construction
        - The appraisal update must occur within 4 months prior to the date of the note and mortgage
    - Transferred appraisals may be considered for purchase on an exception basis
        - To be evaluated for an exception, the appraisal must be on Fannie Mae approved form and must meet the age of documentation requirements set forth in this guideline

901. Unacceptable Collateral

- Properties with:
    - Health/safety issues
    - Less than average condition noted on appraisal
    - No permanent heat source (except for properties in Hawaii)
- Manufactured
- Leasehold properties
- Co-Ops

- Community living group homes, long-term care facilities, etc.
- Not suitable for year-round use or no year-round access
- Utilities that are turned off
- Condotels
- Properties subject to private transfer fee covenants
- Illegal use of the property
- Hawaii – located within lava zones 1 or 2
- Property located in an area that is deemed an environmental risk
- Unique property in which the marketability cannot be established (i.e. dome, geothermal)
- Unapproved non-conforming use property (does not include grandfathered use)
- Timeshare, houseboat, segmented ownership project
- Residential dwelling consisting of five or more units
- Community land trusts
- Survey exceptions
- Properties with previous sink hole
    - As noted on contract, prelim (recorded permit and/or remediation), sellers' disclosures, etc.
- Property on tribal land

1000. Occupancy

Primary, second home and investment property occupancy types are eligible under this product. Refer to Section 201. Wealth Builder HELOC Eligibility Matrix for general eligibility standards by occupancy type.

1100. Property Eligibility

Eligible Property types include:

- SFR
    - Including modular
    - Manufactured not permitted
- 2-4 units properties
- Warrantable Condos
    - No litigation permitted
    - Limited Reviews are permitted
        - Subject to meeting all Fannie Mae or Freddie Mac requirements
    - Mixed Use properties are eligible
        - Subject to meeting all Fannie Mae or Freddie Mac requirements
- Properties recently listed for sale
    - Must meet Fannie Mae requirements
        - Properties that were listed for sale must have been taken off the market on or before the disbursement date of the new mortgage loan
        - See Fannie Mae Sections Here for cash-out and Here for rate/term
- Urban Properties located in Texas
    - 10 acres max
    - Parcel must be contiguous
    - Located within the limits of a municipality or its extraterritorial jurisdiction or a platted subdivision

- Served by police protection, paid or volunteer fire protection and at least 3 of the following services provided by a municipality or under contract to a municipality:
    - Electric
    - Natural gas
    - Sewer
    - Storm sewer
    - Water
- Rural Properties located in Texas
    - Defined as a property that is not defined as “Urban” or “Suburban” is allowed with the following restrictions:
        - 10 acres max
        - Agricultural/farming activity and exemption not permitted
- Free and clear properties are eligible if the initial draw requirement is met to fund near-term financial obligations
    - Refer to Section 1201. Cashout Refinance section of guidelines for additional restrictions and requirements

1101. Disaster Policy

When a property is located in a disaster area, the loan file must contain an inspection to ensure that the structure is sound and not negatively impacted by the disaster.

- If the appraisal was done AFTER the disaster end date, then no additional property inspection is required
- If the appraisal was completed BEFORE the disaster end date, then a disaster inspection (exterior with photos) must be provided to demonstrate that the subject property has not been damaged by the disaster event

1200. Transaction Types

Unless addressed in this section, follow Fannie Mae general underwriting guidelines for definitions and LTV calculations.

Transaction Types	
Purchase	• Standard Product ○ Max draw at closing is 99%
Rate/Term Refinance	• Max cash out (or available equity at closing) = lesser of 1% or $2,000 • 1% draw holdback is not counted toward the 1% / $2,000 cap calculation • Payoff of all liens secured to subject regardless of age or original purpose
Cash-Out Refinance	• Refer to Section 1201. Cash-Out Refinance below

1201. Cash-Out Refinance

Definition

For the purposes of the Wealth Builder HELOC product, a cash-out refinance is defined as circumstances where the credit line amount the borrower is applying for exceeds the payoff of mortgage liens secured by the subject

property and closing costs if rolled-in to the loan, by the lesser of 1% of the total credit line or $2,000, whether cash is being disbursed to the borrower at closing or not (see seasoning requirements for cash-out refinance loans below).

- Payoff of debt not secured by the subject property is considered cash-out
- The required initial draw holdback minimum of 1% of the credit line does not count as cash-out

Seasoning

The property must have been purchased (or acquired) by the borrower at least 6 months prior to the disbursement date of the new mortgage loan except for the following:

- There is no waiting period if the lender documents that the borrower acquired the property through an inheritance or was legally awarded the property (divorce, separation, or dissolution of a domestic partnership)
- If the property was owned prior to closing by a limited liability corporation (LLC) that is majority-owned or controlled by the borrower(s), the time it was held by the LLC may be counted towards meeting the borrower's 6-month ownership requirement
    - In order to close the refinance transaction, ownership must be transferred out of the LLC and into the name of the individual borrower(s)
- If the property was owned prior to closing by an inter vivos revocable trust, the time held by the trust may be counted towards meeting the borrower's 6-month ownership requirement if the borrower is the primary beneficiary of the trust

Cash Disbursed at Closing

Interest on the Wealth Builder HELOC Loan cumulates daily throughout each monthly billing-cycle, beginning the day of funding. In an effort to help borrowers avoid unnecessary interest expense during the account set-up period, which could take up to 6 weeks, cash disbursed at closing is discouraged unless needed to fund near-term commitments.

- When borrowers are receiving cash from the loan in excess of the lesser of 1% of the credit line or $2,000, they must submit a letter of explanation to underwriting that includes the amount and reason for the cash disbursement
    - Funds disbursed at closing may not be used solely to pay closing costs for the subject loan
- Zero dollar draws (initial advance) are not eligible
- Free and clear properties are eligible if the initial draw requirement is met to fund near-term financial obligations

Delayed Financing

Borrowers who purchased the subject property within the past 6 months (measured from the date on which the property was purchased to the disbursement date of the new mortgage loan) are eligible for a cash-out refinance of all of the following requirements are met:

- The original purchase transaction was an arms-length transaction
- For this refinance transaction, the borrower(s) must meet borrower eligibility requirements as set forth within these guidelines
    - The borrower(s) may have initially purchased the property as one of the following:
        - A natural person

        - An eligible inter vivos revocable trust, when the borrower is both the individual establishing the trust and the beneficiary of the trust
        - An eligible land trust when the borrower is the beneficiary of the land trust or
        - An LLC or partnership in which the borrower(s) have an individual or joint ownership of 100%
- The original purchase transaction is documented by a settlement statement, which confirms that no mortgage financing was used to obtain the subject property
    - A recorded trustee's deed (or similar alternative) confirming the amount paid by the grantee to trustee may be substituted for a settlement statement if a settlement statement was not provided to the purchaser at time of sale
- The preliminary title search or report must confirm that there are no existing liens on the subject property
- The sources of funds for the purchase transaction are documented (such as bank statements, personal loan documents, or a HELOC on another property)
- If the source of funds used to acquire the property was an unsecured loan or a loan secured by an asset other than the subject property (such as a HELOC secured by another property), the settlement statement for the refinance transaction must reflect that all cash-out proceeds be used to pay off or pay down, as applicable, the loan used to purchase the property
    - Any payments on the balance remaining from the original loan must be included in the DTI calculation for the refinance transaction
        - Funds received as gifts and used to purchase the property may not be reimbursed with proceeds of the new mortgage loan
- The new loan amount can be no more than the actual documented amount of the borrower's initial investment in purchasing the property plus the financing of closing costs, prepaid fees and points on the new mortgage loan (subject to the maximum LTV, CLTV and HCLTV ratios for the cash-out transaction based on the current appraised value)
- All other cash-out refinance eligibility requirements are met. Cash-out pricing is applicable

1202. Secondary/Subordinate Financing

Ineligible

1203. Interested Party Contributions

Limited to 3%

1204. Escrow Accounts

Ineligible

1205. Escrow Holdback

Ineligible

1206. Timeline for Closing Documents, Funding and Recording

Loans with closing documents drawn may fund and record up to five business days into the following month