EquitySelect
1st Lien HELOC

Product Guideline Overview

Rev 12.22.25

EquitySelect - 1st Lien
Product Matrix Overview

Key Product Features	
Purpose	Refinance
Lien Position	First Lien Position Only
Primary Residence	Owner Occupied
Maximum LOC	LOCs are determined by applying an LTV (determined by various factors, including interest rate and borrower age) to an acceptable collateral appraisal. The Maximum LOC is $4 million.
Maximum LTV	Max 74.99%
Maximum DTI	Max DTI 50%
Line of Credit (LOC)	The Line of Credit (LOC), out of which the Borrower may draw funds. The LOC excludes unpaid and accruing interest.
Index	30 Day SOFR Average – Compounded average of the SOFR over a rolling 30-day period. The 30-day compounded average of SOFR published by the Federal Reserve Bank of New York
Floor Rate	Margin selected
Rate Caps	Lifetime Cap of 15%, All States (Colorado = 12%)
Loan Term	40 Year Loan Term
Qualifying Rate	10% Fixed rate of interest
Minimum Monthly Payment Percentage Plan	The Borrower will choose a Minimum Monthly Payment Percentage Plan for the life of the loan equal to an annual Plan Rate of 1%, 2%, 3%, 4% or 5% (if available). Each month beginning the second month subsequent to the initial funding date the Borrower will be required to make a Minimum Monthly Payment equal to 1/12th of the selected annual Plan Rate multiplied by the outstanding loan balance at the end of the prior month. Borrowers 59 years and younger do not have access to the 1% & 2% Minimum Monthly Payment Percentage Plans, regardless of selected margin. Borrowers 54 years and younger do not have access to the 1%, 2%, 3% or 4% Minimum Monthly Payment Percentage Plan
Minimum Payment Cap	The Minimum Monthly Payment Cap will be calculated by applying one-twelfth (1/12) of the selected Minimum Payment Plan Percentage to the estimated outstanding account balance assuming a 10% fixed rate of interest (“Qualifying Rate”), as of or close to, the end of the first (1), second (2), third (3), fourth (4), and fifth (5) year, applied to each Minimum Payment Plan of 5%, 4%, 3%, 2%, and 1% respectively, assuming the Home Equity Line of Credit was fully drawn on the initial funding date and the calculated Minimum Monthly Payment was made in each Billing Cycle during these periods.

Minimum Credit Score	650 Minimum Credit Score / 670 Minimum Credit Score with 1x30 mortgage late in the last 12 mos.
Mortgage Lates	1x30 mortgage late in the last 12 mos. (670 Minimum Credit Score).
Minimum Initial Draw (Required)	Minimum Initial Draw is the greater of $75,000 or 50% of the maximum LOC.
Delinquent Property Taxes and Insurance	Currently delinquent or previously late Taxes / Insurance / HOA Dues are allowable at Underwriter discretion, however, may not be deemed excessive. All delinquencies must be paid current at closing
Maximum Initial Draw	90% of the maximum LOC may be drawn at closing.
Repayment of Initial Draw	Not Required
Draw Money as You Need	Allows for Variable Draws
Draw Term	7 Year Draw Term
Prepayment Penalty	No Pre-payment Penalty
Negative Amortization	No limit on % allowed
Balloon Payment	A Balloon Payment Will Result
No P+I Recast	After close of Draw term there is no P+I recast. The Minimum Monthly Payment Percentage Plan selected continues until end of term or repayment.
Protected LOC Amount	Unpaid interest will not reduce the LOC Amount. Any unremitted or unpaid Minimum Monthly Payments will reduce the LOC amount.
LOC Growth	Unused LOC does not grow
LOC Repayment Period	The Loan does not recast and fully amortize after the Draw Period. The borrower continues to make the Minimum Monthly Mortgage Payment through the Repayment Period. Negative Amortization will continue to be added to the Unpaid Loan Balance until the Final Maturity Date. Borrowers are allowed and encouraged to make more than the minimum monthly payment.
Eligible Properties	• Single Family Residences • Condominiums (Warrantable) • Attached or Detached PUD • 2-4 Units allowed Only if Borrower occupies one of the units as their primary residence
Maximum Property Value	No Limit
Appraisals	Full Appraisals Apply
2nd Appraisals	For properties with an estimated value $2,500,001 or higher, two (2) appraisals will be required. The lower of the two appraised values will be used to determine the valuation. For Property values between $2,000,000 and $2,500,000: FNMA valuation tools and SSR's will be required to support value In lieu of a 2nd appraisal.

Seasoning Requirements: 1st Lien	A new Equity Select must generally have an application date that is at least 12-months after the closing date of a "cash out" 1st mortgage loan or after 6-months on a rate and term. Exceptions may be granted on a case by case basis.
Additional restrictions:	• Deferred property taxes under a state tax deferral program are not permitted. • Subordinate liens allowed.
Non-Borrowing Spouse	Non-Borrowing Spouse's income can be included in the borrower's total annual income if their state is considered a community or marital income state. (see Product Eligibility Information)
Asset Dissipation	For borrowers 62+ years of age the following will be dissipated and included as income for purposes of calculating DTI: • Savings and liquid investments • Undrawn Line of Credit • Required Cash Out (to meet minimum initial draw) in excess of $100,000.
Living Trusts	Properties held in a trust are eligible if the requirements for a living trust are met. Irrevocable Trusts are Not Allowable.
Power of Attorney	A power of attorney (POA) can be used for transactions if the borrower is physically or mentally incapable of signing or for convenience. Refer to guidelines for full detail.
Escrow Repair Holdbacks	Not Allowable
Education / Counseling Requirements	Borrower must view the ES 1st Lien specific Education Video and sign the certification of understanding and completion a minimum of 3 days prior to closing.
Assumability	Not Assumable
Monthly Escrows / Impounds	Not Required
Monthly Servicing Fee	No monthly servicing fee payable separately by Borrower.

Product Eligibility Information

Occupancy Type:

- Primary Residence Only

Eligible Borrowers:

- US Citizens
- Permanent Residents (Form I-551)

Credit Scores:

- 650 Minimum Credit Score.
- 670 Minimum Credit Score with 1x30 mortgage late in the last 12 months.

Mortgage History:

- 1x30 Mortgage Late in the last 12 months (with 670 credit score).

Seasoning Requirements:

1st Lien Mortgage

- A new Equity Select must generally have an application date that is at least 12-months after the closing date of a "cash out" 1st mortgage loan or after 6-months on a rate and term. Seasoning is from Prior Loan Note Closing date to EquitySelect Closing Date

- Exceptions may be granted on a case-by-case basis.

Eligible DTI:

- Max 50% DTI

Eligible Forms of ID:

- Drivers License
- US Passport
- Military Photo ID
- Permanent Resident Alien Card with Photo

Eligible Property Types:

- Single Family Residences
- Condominiums (Warrantable)
- Attached or Detached PUD
- 2-4 Units allowed Only if Borrower occupies one of the units as their primary residence

Ineligible Property Types:

- Non-Warrantable Condominiums
- Mobile Homes
- Manufactured Housing
- New construction where the certificate of occupancy was issued less than 12 mos. prior to the appraisal order date and is located within a Special Flood Hazard Area
- Native American Tribal Land homes
- 2 - 4 unit with leasehold interest
- 4 unit with accessory dwelling unit
- Rural Properties
- Leased Land
- Property with illegal accessory units
- Investment properties
- Vacation homes
- Second homes
- Co-ops
- Geodesic, Earth, or Berm homes
- Commercial properties
- Boarding houses
- Bed and Breakfast Or Air B&B
- Condotels
- Properties located within Coastal Barrier Resources Act areas
- Working farms other than “hobby farms”

Properties Listed For Sale:

Properties Listed For Sale within the last 12 months are not generally acceptable, however the borrower may provide a letter of explanation detailing the reason(s) for the Underwriter to review. Exceptions considered on a case-by-case basis. If an exception is granted the following is required:

- Listing must be cancelled prior to initial loan application date
- Detailed letter of explanation
- Proof of listing cancellation
- UW will use the prior Listing Price or Appraised Value, whichever is lower.

Eligible POA Types:

Durable Power of Attorney

- Convenience POA
- Physically Incapacitated Borrower POA
- Mentally Incompetent POA

Ineligible POA Types:

- Specific Power of Attorney

Repairs & Escrow Holdbacks:

- Repairs to ensure properties meet Health & Safety standards are required
- Escrow Holdbacks / Set Asides are Not Allowable

Property Related Charges:

- Currently delinquent or previously late Taxes / Insurance / HOA Dues are allowable at Underwriter discretion, however may not be deemed excessive. All delinquencies must be paid current at closing.

Non-Borrowing Spouses

Non-Borrowing Spouse – Not on Title for 6 months:
The following will be required:

- Borrower must have previously owned the property without the spouse on title for a minimum of 6 months prior to loan application.
- Any lien payoff must be borrower debt.
- The NBS must complete the EquitySelect HELOC Education Video

Non-Borrowing Spouse – Currently On Title:
Non-Borrowing Spouses (NBS) are permitted if the NBS was not removed from title to qualify for an increased line of credit. NBS's income can be included in the borrower's total annual income if their state is considered a community or marital income state. In community property or homestead states, the NBS must be added as signers on the Equity Select credit applications.

- The LTV will be calculated based on the youngest age of Borrower or NBS
- The NBS must complete the EquitySelect HELOC Education Video
- NBS credit report will Not be required.
- NBS debt will be excluded from DTI.

States that allow spousal income include:
AK, AL, AR, AZ, CA, CO, DC, FL, IA, ID, IL, KS, LA, MI, MN, MO, MS, MT, NC, ND, NE, NH, NJ, NM, NV, OH, OK, SC, SD, TN, TX, VT, WA, WI, WY.

States that Do Not allow spousal income are:
CT, DE, GA, HI, IN, ME, MD, MA, NY, OR, PA, RI, UT, VA.

Even if a prenuptial agreement is in place, a spouse may still be required to sign the mortgage document in community property or homestead states.

NBS required documentation:

- SSN
- ID
- Income Verification (follows standard requirements)

Counseling Requirements:

- All Borrowers must complete the 1st Lien EquitySelect HELOC Education Video
- All physically sign the Certification of Understanding & Completion Prior to Docs.

Trust Ownership:

- Revocable Trusts Only
- Irrevocable Trusts Are Not Allowable

Properties may close in a living trust, provided the beneficiary of the living trust is a Co-signer and will occupy the Property as their Principal Residence, and the trust provides reasonable means to ensure that HTL will be notified of any changes to the trust, including transfer of beneficial interest and any changes in occupancy status of the Property. A copy of the Trust Agreement or the Declaration of Trust must be provided.

- Attorney review and Opinion Letter is required
- Primary beneficiaries must also complete the HELOC Counseling Video requirements
- Primary beneficiaries must be an eligible Borrower
- New beneficiaries may not be added to the Living Trust
- Primary beneficiaries must sign the HELOC Agreement
- The trustee and primary beneficiaries must sign the Note
- Mortgage & other legal documents, are signed by all parties necessary to create a valid 1st lien. Which include the trustee and the primary & contingent beneficiaries
- Trust must be valid and enforceable
- Provides each beneficiary with a legal right to occupy the Property for the remainder of their life
- Provides for a Notice to HTL of any changes to the trust, including occupancy status of the Property, or any transfer of beneficial interest in the Property.

Program Highlights

- ✓ **Borrowers customize their own Minimum Monthly Payment Percentage % Plan**
- ✓ **1st Position Lien with a 40 Year Loan Term**
- ✓ **Previously Delinquent Property Taxes / Homeowners Insurance or HOA Dues are allowable at Underwriter discretion.**
- ✓ **Non-Borrowing Spouses' income can be included in the borrower's total annual income if their state is a community or marital income state.**
- ✓ **Power of Attorney's (POA) Allowable**
- ✓ **Borrowers can close in a Living Trust**
- ✓ **Convenient and Accessible Borrower Educational Counseling Video & Certification**
- ✓ **Flexible Seasoning Requirements**
- ✓ **Properties Listed for Sale within 12 Months May be permitted**
- ✓ **Fannie Mae Eligible Condos**
- ✓ **Quick & Efficient Closing Turn Times w/ Hybrid eClosing**
- ✓ **"Age up" within 6 months of Application Date**
- ✓ **No Recast & Non-Recourse LOC**

New Loan Submission Checklist

REQUIRED DOCUMENTS

(All docs must be completed, signed, and dated by all parties)

TITLE & ESCROW:

Title and Escrow may only be ordered through approved Title Companies:

- **Atlas Title**
- **Equity Settlement Services**

APPLICATION / DISCLOSURES:

☐ Application package & All disclosures signed and uploaded to Encompass

ID / SSN:

☐ Legible Photo ID for all Borrower(s)

☐ SSN Verification for Borrower(s)

Additional Documents

INCOME:

☐ Pension: Current Award Letter for 3 years continuance and secondary form of receipt (bank statement or 1099-SSA)

☐ SS: Current Award Letter & secondary form of receipt (bank statement or 1099-SSA)

☐ Employment Income: Paycheck stubs to cover a full 30-day period with YTD gross earnings and most recent 2 years W2s

☐ Self-Employed: Most recent 2 years tax returns, all pages and schedules, including business tax returns, if applicable.

☐ Rental Income: Most recent 1 year Tax returns, all pages and schedules

"If Applicable" Documents:

ASSETS:

☐ Most recent 2 months bank statements, all pages, for short to close amount or if using for imputed income.

PROPERTY INFORMATION:

☐ Current Mortgage Statement

☐ Current Hazard Insurance Policy Dec Page

☐ Current Flood Insurance Policy, if applicable Current HOA Statement, if applicable

☐ Copy of Solar Contract/Lease, if applicable

REO:

☐ REO Properties Entered into LOS Schedule of REO

☐ Current HOI Dec Page, HOA Documents, Tax Bill, and Mortgage statements, if applicable.

MISC:

☐ Power of Attorney Documents
☐ Trust (If vested in a trust, provide complete trust)

FAQ's

- **The Borrower recently refinanced, when can they apply?**
  - *For Rate/Term Refi's: there is a 6 month seasoning hold.*
  - *For prior Cash Out Refi's: there is a 12 month seasoning hold, however depending on extenuating circumstances, we may be able to consider an exception.*

- **What if the Borrower's credit is frozen / locked, how do I proceed?**
  - *In order to proceed the Borrower will need to unlock or unfreeze their credit with their bureau.*

- **Do Condo's require full Fannie Mae Approval?**
  - *Condos must meet Fannie Mae eligible requirements*

- **Are Non-Borrowing Spouses allowed?**
  - *Yes, they may be permitted, refer to Product Eligibility Information.*

- **Does the Borrower have to go to a specific counseling center for the Educational Video?**
  - *No, the Borrower does not have to travel to a counseling center. They can conveniently watch the required EquitySelect Educational Video from their own home.*

- **What happens if the Borrower is past due on their HOA Dues?**
  - *Through the EquitySelect HELOC, we can bring them current at close. Prior lates are allowable at Underwriter discretion.*

- **What if the Property is 4 Units?**
  - *If Borrower occupies one of the 4 Units, we can allow property type.*

- **Are American Express Payments included in the DTI?**
  - *If the account is an Open 30-Day charge account, it can be excluded from the DTI.*

- **Can the Borrower use a POA?**
  - *Yes, the Borrower can use a POA. Guidelines apply to the different allowable POA's.*

- **Can I convert an FHA Appraisal to a Conventional Appraisal?**
  - *Yes, you can convert from FHA to Conventional for Equity Select.*

EquitySelect
List of Approved States to Originate

The following States have been programmed & rolled out by Operations as approved states to originate EquitySelect:

Please note this is not a state licensing map

1. Arizona
2. California
3. Colorado
4. Florida
5. Oregon
6. Utah
7. New Jersey
8. Idaho