



Prime Seconds Programs

12-12-2022

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Click Link Below to View Matrix at Homemac.com

- [Prime Seconds Matrix](#)

Program rates and parameters are subject to change without notice.

Section 1.0 Introduction

1.1 Overview and Underwriting Philosophy

The HMAC Eligibility Guideline (hereafter referred to as “Guidelines”) outline the requirements for residential mortgage loans to be sold to HMAC, LLC (hereafter referred to as “HMAC” or “HMAC”). This document serves to provide guidance and consistency in the underwriting and review of the loan and its characteristics related to the borrower and property. HMAC offers programs to lenders for borrowers who may have limited access to credit. As such, HMAC evaluates many elements of the loan but primarily relies on the evaluation of the borrower’s ability to repay the loan. In addition to ability-to-repay (ATR), HMAC’s programs take into consideration—with the expectation of full verification and examination—the borrower’s income stability and employment history, credit history, asset position, and the property being used for collateral. Each loan is assessed on the basis of its individual merits with a common sense and holistic approach to the borrower’s ability and willingness to repay. To this end, HMAC’s programs consider the benefit to the borrower on each loan.

1.2 Underwriting Criteria

The Guidelines are intended to reference and supplement the Fannie Mae Seller Guide. For specific information concerning qualification requirements that are not referenced in this document, Originators should refer to the Fannie Mae Seller Guide. For specific loan characteristic and eligibility requirements related to LTV, FICO, DTI, etc., refer to the HMAC Matrix (hereafter referred to as “Matrix”). Loans sold to HMAC must meet the criteria of the current published Guidelines and Matrix as of the file submission date.

1.2.1 Ability-To-Repay (ATR)

HMAC recommends the Exhibit B: Ability-To-Repay Borrower Attestation or similar document be included with all loan files delivered for purchase.

1.2.2 Underwriting Documentation

All loans must be manually underwritten. The Underwriting Approval, Income Calculation Worksheet, and the Underwriter’s determination of ATR is required as part of the credit package. As an option, the lender may utilize an AUS Recommendation for guidance on income documentation in lieu of documentation requirements on matrix.

Section 2.0 CES Program and Requirements

2.1 Program Overview

The HMAC PRIME closed end second (CES) can be stand-alone and in combination with new first liens. When used in combination with a new first mortgage, the income documentation used for qualifying must be the same for both liens.

See Matrix for details and program specific.

- The CES is designed for primary, second home and investment borrowers. For both QM and Non-QM transactions, with flexibility in mortgage history, credit history, and/or payment and documentation options. This program offers expanded credit parameters for multiple borrower profiles while utilizing standard and alternative document types.
 - Full Doc 1 or 2 Yrs: Standard FNMA Documentation
 - Bank Statements: 12, 24 Bank Statements
- Loan amounts are rounded down to the nearest \$100.
 - Example \$205,631, round down to \$205,600

2.2 Eligible Products

The following loan products are eligible for purchase by HMAC. See Matrix for details.

- Fully Amortizing Fixed Rate
 - Qualifying ratios are based on PITIA payment with the principal and interest payments amortized over the loan term.
 - 10, 15, 20, 30 year fixed rate.
- Balloon Notes.
 - 30/15, 40/15
 - See matrix for limitations.

2.3 Ineligible Senior Liens

A copy of the 1st mortgage statement is required to determine eligibility. Statement date to be within 60 days of Note date. Copy of 1st mortgage note is required if statement does not provide sufficient details to determine terms.

- Loans in active forbearance or deferment.
- Loans with negative amortization.
- Reverse mortgages.
- Interest only mortgages
- Balloon loans that the balloon payment comes due during the amortization period of the 2nd loan.

2.4 Interest Only Senior Liens

Interest only senior liens are acceptable when qualified at a maximum DTI of 45%. The current I/O payment on the senior lien is used to calculate DTI.

2.5 Maximum Combined Liens

The maximum combined 1st and 2nd liens is \$2,000,000.

2.6 Seasoning: Loan and Document

HMAC will typically not purchase loans seasoned more than 90 days from the Note Date at the loan delivery date. Underwriting and borrower credit documents may not be more than 120 days seasoned at the Note Date. When using a previous appraisal, it may be seasoned up to 12 months from the Note Date.

2.7 Seasoning: Property Listing

Properties that have been on the market within twelve months of the application date are ineligible.

2.8 Seasoning: Ownership

Properties owned less than six (6) months ineligible.

2.9 Borrower Contact Consent Form

To assist the loan servicer in contacting the borrower in a timely manner, the seller is required to obtain a valid phone number for the borrower(s). The phone number can be collected on the 1003 loan application or by using the Borrower Contact Consent Form Exhibit F: Borrower Contact Consent Form.

2.10 State and Federal High-Cost Loans

Not eligible for HMAC loan purchase.

2.11 Legal Documentation

Available Fannie Mae security instruments, notes, riders/addenda, and special purpose documents can be utilized for loan documentation.

2.12 Interest Credit

Loans closed within the first ten (10) days of the month may reflect an interest credit to the borrower.

2.13 Assumability

Fixed Rate Notes are not assumable.

2.14 Property Hazard Insurance

2.14.1 Coverage Requirements

Hazard insurance for loans must protect against loss or damage from fire and other hazards covered by the standard extended coverage endorsement. The coverage must provide for claims to be settled on a replacement cost basis. Extended coverage must include, at a minimum, wind, civil commotion (including riots), smoke, hail, and damages caused by aircraft, vehicle, or explosion.

Follow FNMA guidance for additional information.

2.15 Flood Insurance

Flood insurance is required for any property located within any area designated by the Federal Emergency Management Agency (FEMA) as a Special Flood Hazard Area (SFHA). A SFHA is typically

denoted as Flood Zone A or Zone V (coastal areas). Properties in Flood Zone A or V must be in a community which participates in the FEMA program to be eligible for financing.

Flood insurance must be maintained throughout the duration of the loan.

2.15.1 Flood Certificate

Determination whether a subject property is in a flood zone must be established by a Flood Certificate provided by the Federal Emergency Management Agency (FEMA). Flood Cert from CoreLogic or ServiceLink is preferred. The appraisal report should also accurately reflect the flood zone.

The flood insurance requirement can be waived if:

- Subject property improvements are not around Special Flood Hazard, even though part of the land is in Flood Zone A or V; or
- Borrower obtains a letter from FEMA stating that its maps have been amended so that the subject property is no longer in an area of Special Flood Hazard

2.15.2 Minimum Flood Insurance Coverage

For reference, the minimum amount of flood insurance required for most first mortgages secured by 1-unit properties and individual PUD units is the lower of:

- 100% of the replacement cost of the insurable value of the improvements.
- the maximum insurance available from the National Flood Insurance Program (NFIP), which is currently \$250,000 per dwelling; or,
- the unpaid principal balance of the mortgage.

The minimum amount of flood insurance required for a PUD or condo project is the lower of:

- 100% of the insurable value of the facilities; or,
- the maximum coverage available under the appropriate National Flood Insurance Program (NFIP).

The flood policy for a PUD or condominium project must cover any common element buildings and any other common property located in a SFHA.

Section 3.0 Property Eligibility

3.1 Appraisals

There are two collateral evaluation methods available for the second mortgage program.

3.1.1 Appraisal Options

There are two collateral evaluation methods available for the second mortgage program.

3.1.1 Appraisal Options

- An original Residential Appraisal dated within 12 months of the Note Date plus an Appraisal Review with a value equal to or greater than the appraisal. CLTV is calculated using the lower value of the original appraisal or appraisal review. The original appraisal must be AIR compliant.

OR

Primary and 2nd Homes:

- A new Residential Appraisal plus an AVM supporting value within 10%. If the AVM variance is greater than 10%, the lower of the two is used to calculate CLTV.

Investor

- New 2055 Appraisal and Residential Review supporting value within 10% variance. Lower of the two is to be used to calculate CLTV.

3.2 Minimum Property Standards

Minimum property standards include but may not be limited to:
600 square feet.

- Property constructed for year-round use
- Permanently affixed continuous heat source
- Maximum deferred maintenance cannot exceed \$2,000
- No health or safety issues both internal and external

3.2.1 Eligible Property Types

- SFR, PUD, Townhome, Rowhome, Modular
- Condos – Warrantable

3.2.2 Ineligible Property Types

- Rural
- Condotels
- Non-warrantable Condos
- Manufactured
- Multi-unit
- Log Homes
- Working Farms and Hobby Farms

- Unique Properties
- Agricultural or Commercial Zoned Properties
- Co-ops
- Room and Board Facilities
- Adult Assisted Living/Care Facilities

3.2.3 Acreage Limitations

- Maximum 10 acres

3.3 State Ineligibility

All states eligible.

3.4 Title Vesting and Ownership

Ownership must be fee simple.

Acceptable forms of vesting are:

- Individuals
- Joint tenants
- Tenants in Common
- Inter Vivos Revocable Trust

3.4.1 Inter Vivos Revocable Trust

Inter Vivos Revocable Trusts are allowed when the requirements outlined below are met.

- The trust must be established by one or more natural persons, solely or jointly.
- The primary beneficiary of the trust must be the individual(s) who is establishing the trust.
- Trust must be in the borrower's name.
- Trust must state that the borrower(s) have a right to revoke the Trust during their lifetimes.
- Income and assets of at least one borrower of the individuals establishing the Trust must be used to qualify for the mortgage.
- Trust must comply with all applicable state and local laws and regulations.
- Trustee must have the power to mortgage the property.
- The trust must become effective during the lifetime of the person establishing the trust.

Provide copy of Trust Agreement or Trust Certificate (where allowed by law) reviewed and approved by Title company. Title must not contain any title exceptions and offer full title protection without exception to the trust.

3.5 Leasehold Properties

In areas where leasehold estates are commonly accepted and documented via the Appraisal, loans secured by leasehold estates are eligible for purchase. The mortgage must be secured by the property improvements and the borrower's leasehold interest in the land. The leasehold estate and any improvements must constitute real property, be subject to the mortgage lien, and be insured by the lender's title policy.

Seller must provide documentation and Leaseholds must meet all FNMA eligibility requirements (i.e., term of lease).

3.6 Limitations on Financed Properties

Primary and Second Homes

- The maximum number of financed properties to any one borrower is limited to twenty (20) residential properties including subject property.
- Commercial properties and residential > 5-units excluded from calculation.

Investor Properties

- There is no limit on the number of financed properties.

3.7 Disaster Areas

Sellers are responsible for identifying geographic areas impacted by disasters and taking the appropriate steps to ensure the subject property has not been adversely affected.

Subject properties that have been adversely affected by disaster events that receive a formal disaster declaration issued by local, state, or federal departments of emergency management must follow the procedures listed below. The following guidelines apply to properties located in FEMA declared disaster areas, as identified on the FEMA website at <http://www.fema.gov/disasters>.

In addition, when there is knowledge of an adverse event occurring near and around the subject property location, such as earthquakes, hurricanes, floods, landslides, tornadoes, wildfires, volcanic eruptions, civil unrest or terrorist attacks, additional due diligence should be used to determine if the disaster guidelines should be followed.

Guidelines for disaster areas should be followed for 90 days from the disaster period end date or the date of the event, whichever is later.

See HMAC's full Loan Eligibility Guidelines for additional specifics on Disaster Areas or FNMA Guidelines.

3.8 Declining Values

Properties in which the appraiser is reporting a declining trend in values for the subject's market area are limited to a maximum 75% CLTV on primary and 2nd homes, 70% CLTV on non-owner.

3.9 Condominiums

Fannie Mae eligible condominium projects allowed.

The seller may review and approve FNMA warrantable projects. Follow the review process required by Fannie Mae for Limited Review.

The following table from FNMA Seller's Guide section B4-2.2-01 describes attached units in an established condo project that are eligible for a Limited Review.

Limited Review Eligible Transactions Attached Units in Established Condo Projects (For Projects Outside of Florida)	
Occupancy Type	Maximum LTV, CLTV, and HCLTV Ratios
Principal Residence	85%
Second Home	75%
Investment Property	75%

Site Condos meeting the Fannie definition are eligible for single-family dwelling LTV/CLTV.

Section 4.0 Transaction Types

4.1 Eligible Transactions

- Purchase
- Rate & Term
- Cash-out

4.1.1 Cash-out Seasoning

Properties owned over 6 months, no restrictions. Properties owned less than 6 months ineligible. See 2.6 Seasoning: Ownership for exceptions to cash-out seasoning.

4.2 Non-Arm's Length

Non-arm's length transactions ineligible.

Section 5.0 Borrower Eligibility and Requirements

Refer to Fannie Mae guidelines for all definitions of eligibility status.

5.1 Fraud Report and Background Check

All loans must include a third-party fraud detection report for all borrowers. Report findings must cover standard areas of quality control including, but not limited to: borrower validation, social security number verification, criminal records, and property information (subject property and other real estate owned). All high-level alerts on the report must be addressed by the seller. If the seller cannot electronically access the fraud report to clear high-level alerts within the fraud provider's system, an Underwriter's Certification from the seller is acceptable. The Certification must address each individual high alert and explain what actions were taken to satisfy the issues. It must be signed and dated by a member of the seller's underwriting staff or operations management personnel.

5.2 Non-Occupant Co-Borrowers

Non-Occupant co-borrowers are ineligible.

5.3 First Time Homebuyers

HMAC defines a First Time Home Buyer as a borrower who has no ownership interest (sole or joint) in a residential property during the three-year period preceding the date of the purchase of the subject property.

A First Time Home Buyer is required to have a documented 0x30x12 month housing history. Private party housing histories are ineligible.

5.4 Residency

5.4.1 U.S. Citizen

Eligible without guideline restrictions.

See HMAC's full Loan Eligibility Guidelines for specifics on:

- Permanent Resident Alien
- Non-Permanent Resident Aliens

5.4.2 Ineligible Borrowers

The following borrowers are ineligible:

- Irrevocable Trust
- Land Trust
- Individual possessing diplomatic immunity or otherwise excluded from US jurisdiction
- Any material parties (company or individual) to transaction listed on HUD's Limited Denial of Participation (LDP) list, the federal General Services Administrative (GSA) Excluded Party list or any other exclusionary list.
- Foreign Nationals.
- Borrowers without a valid Social Security Number.

Section 6.0 Credit

6.1 Credit Report

A credit report is required for every borrower. All applicants must have a valid SSI number. Fannie Mae guidelines should be utilized for processing and documenting all required credit reports and determining borrower's credit eligibility for HMAC loan purchase.

Borrower explanations are to be provided for any Disputed Tradelines with derogatory information reported in the last two years.

For borrowers who have a security freeze on their credit, the security freeze must be removed and credit repulled.

6.2 Loan Integrity and Fraud Check

Data integrity is critical to quality loan file delivery and mitigation of fraud risk. All loans must be submitted to an automated fraud and data check tool (i.e., FraudGuard, DataVerify, etc.). A copy of the findings report must be provided in the loan file along with any documentation resolving any deficiencies or red flags noted.

6.3 Credit Inquiries

Lenders must inform borrowers that they are obligated to notify the lender of any new extension of credit, whether unsecured or secured, that takes place during the underwriting process and up to the consummation of the loan.

For all inquiries within the most recent 90 days of the credit report date, a signed letter of explanation from the borrower or creditor is required to determine whether additional credit was granted because of the borrower's request. If new credit was extended, borrower must provide documentation on the current balance and payment; based on the verification of all new debt/liabilities, the borrower should be qualified with the additional monthly payment. If no credit was extended, borrower must state the purpose of the inquiry.

6.4 Gap Credit Report

Seller should confirm there are no new borrower debt obligations. A gap credit report or soft pull is required if Note date is greater than 30 days after the date of the credit report relied upon for underwriting. The gap credit report or soft pull is to be dated within 15 days of the Note date.

When a gap report or soft pull is required, it becomes part of the Mortgage File and all payments/balances and DTI are to be updated.

6.5 Housing History

Borrowers must have satisfactory consecutive 12-month mortgage and/or rent payment history in the three (3) years prior to loan application. Mortgage and rental payments not reflected on the credit report must be documented via an institutional Verification of Rent or Verification of Mortgage (VOR/VOM), or with alternative documentation. Alternative documentation must show the most recent 12-month

history, and may be in the form of cancelled checks or bank statements, mortgage/rental statements including payment history, etc. Payments to private lenders require support with cancelled checks.

Alternative documentation is ineligible for FTHB.

6.6 Consumer Credit

6.6.1 Consumer Credit History

Applicants with current credit delinquencies are ineligible.

6.6.2 Consumer Credit Charge-offs and Collections

No charge-offs or collection accounts in the last 48 months.

6.6.3 Consumer Credit Counseling Services

Borrowers enrolled in credit counseling are ineligible.

6.6.4 Judgment or Liens

No open judgements or liens.

6.6.5 Income Tax Liens

All income tax liens (federal, state, local) must be paid off prior to or at loan closing.

6.7 Credit Event Seasoning

No foreclosures, short-sale, deed in lieu, bankruptcies in last 48 months.

No multiple credit/housing events (FC, BK, SS/DIL) in the last seven (7) years.

6.8 Credit Score

The primary wage-earner score is used as the Representative Credit Score on Full Documentation loans. The primary wage-earner must have one (1) valid score from at least two of the following agencies: Experian (FICO), Trans Union (Empirica), and Equifax (Beacon). Only scores from these agencies are acceptable.

To determine the Representative Credit Score for a borrower, select the middle score when 3 agency scores are provided, and the lower score when only 2 agency scores are provided. For multiple borrowers, use the Representative Credit Score of the primary wage-earner for Full Documentation loans. Additional borrowers must meet the minimum Credit Score as per the matrix.

For all other Doc types, use the lowest of all borrowers' Representative Credit Scores.

6.9 Standard Tradeline Requirements

The primary wage-earner must meet either of the minimum tradeline requirements listed below:

- At least three (3) tradelines reporting for a minimum of twelve (12) months with activity in the last 12 months; or,
- At least two (2) tradelines reporting for a minimum of twenty-four (24) months with activity in the last 12 months

Valid tradelines have the below characteristics:

- The credit line must be reflected on the borrower's credit report
- The account must have activity in the last 12 months but may be open or closed
- Student loans may be counted as tradelines if they are in repayment and are not deferred
- An acceptable 12 or 24-month housing history not reporting on credit may also be used as a tradeline (VOR from professional management company).

The following are not acceptable to be counted as valid tradelines:

- Liabilities in deferment status
- Accounts discharged through bankruptcy
- Authorized user accounts
- Charge-offs
- Collection accounts
- Foreclosures
- Deed-in-lieu foreclosures
- Short sales
- Pre-foreclosure sales

6.10 Obligations / Liabilities not appearing on Credit Report

6.10.1 Housing and Mortgage Related Obligations

All properties owned by the borrower must be fully documented. These obligations must be verified using reasonably reliable records such as taxing authority or local government records, homeowner's association billing statements, information obtained from a valid and legally executed contract.

The monthly mortgage payment (PITIA) used for qualification consists of the following:

- Principal and Interest
- Hazard and flood and insurance premiums
- Real Estate Taxes
- Special Assessments
- Association Dues
- Any subordinate financing payments.
- Premiums and similar charges that are required by the creditor (i.e., mortgage insurance)

6.10.2 Current Debt Obligations, Child Support, Alimony or Maintenance Obligations

A lender may use a credit report to verify a borrower's current debt obligations, unless the lender has reason to know that the information on the report is inaccurate or disputed.

Monthly alimony, child support or separate maintenance fees should be current at time of application and must be included in the borrower's DTI ratio. The file should contain supporting documentation as evidence of the obligation, such as a final divorce decree, property settlement agreement, signed legal separation agreement, or court order. If payments are past due, the borrower is ineligible.

Section 7.0 Assets

7.1 Document Options

For purchase files, documentation of sufficient funds from acceptable sources for down payment, closing costs, prepaid items, debt payoff are required. FNMA guidelines used to verify funds.

Section 8.0 Income Documentation

8.1 Income Analysis

The income documentation and calculation per FNMA guides with 2 years verification unless otherwise noted by the program document requirements.

8.1.1 Income Worksheet

The loan file should include Seller's income calculations, or HMAC's income calculation worksheet detailing income calculations.

Income analysis for borrowers with multiple businesses must show income/(loss) details separately, not in aggregate.

8.1.2 Employment and Income Verification

Most recent two (2) years employment is required to be documented and verified for all income/documentation types unless otherwise noted by specific program requirements.

If any borrower is no longer employed in the position disclosed on the Form 1003 at the HMAC purchase date, loan will be ineligible for purchase.

A two-year employment history is required for the income to be considered stable and used for qualifying.

When the borrower has less than a two-year history of receiving income, Seller must provide written analysis to justify the stability of the income used to qualify the Borrower.

8.2 Debt to Income Ratio / DTI

Standard Debt-to-Income ("DTI") maximums as per Matrix.

DTI is calculated and reviewed for adherence to Fannie Mae guidelines and inclusion of all income and liability expenses.

8.3 Documentation Options

Full income documentation for wage earners and self-employed borrowers. Bank statement documentation for self-employed borrowers.

8.4 Full Income Documentation

8.4.1 Full Doc

Self-employed borrowers:

- 2 years tax returns (business and personal) including all schedules.
- YTD P&L (prepared by tax professional)

W-2 borrowers:

- W-2 for most recent year and 30 day most recent paystubs or WVOE

Other Requirements:

- A verbal VOE from each employer 10-days of the note date for wage and salaried employees.
- For self-employed verify existence of business within 30-days of the note date with one of the following:
 - Letter from business tax professional.
 - On-line verification from regulatory agency or licensing bureau.
 - Certification verifying business existence through direct contact or internet search.

Other Miscellaneous Income

- Treatment of miscellaneous income sources follow FNMA guidelines.

8.5 Alternative Income Documentation: 12 or 24 months Bank Statements

8.5.1 Alt-Doc: 12 or 24 months Bank Statements

For self-employed borrowers. Bank statements (personal and/or business) may be used as an alternative to tax returns to document a self-employed borrower's income.

At least one of the borrowers must be self-employed for at least 2 years (25% or greater ownership) to qualify for this program.

No 4506-C/tax transcripts/Tax Returns (4506-C required for salaried co-borrowers)

The lower of the stated income on the initial 1003 or UW income analysis is used to qualify.

8.5.2 Alt-Doc: Bank Statement Restrictions

Excessive NSF's on the bank statements may cause the loan to be ineligible. Business bank statements must be operating account(s) reflecting normal business expenses.

8.5.3 Alt-Doc: Bank Statement Documentation

- Borrower must document two years current continuous self-employment with business license or statement from corporate accountant/CPA confirming the same.
 - Other documentation from third parties may be acceptable on a case by case basis (e.g., letter from an attorney).
 - Acceptable business license must be verified by third party (e.g., government entity, borrower's business attorney). Borrowers whose self-employment cannot be independently verified are not eligible.
 - In instances where a license is not required (e.g., choreographer), a letter from a CPA confirming employment may be accepted in lieu of a license.

1099 Contractor

- A borrower who is a "1099 contractor" may be considered self-employed for this program with confirmation from a CPA that the borrower is a 1099 contractor and files Schedule C or Schedule E with the IRS (personal tax returns). Borrower cannot have ownership of 1099 Payor's business.

See HMAC's full Loan Eligibility Guidelines for other income specifics.

8.5.4 Alt-Doc: Bank Statement Income Analysis

Bank statements are used to calculate and show consistency of income for the self-employed borrower.

When using 12 or 24 months of bank statements, no P&L is required.

Personal & Business Bank Statements Combined

- If personal and business bank activity are combined in one bank account, borrower is to provide the most recent 24 or 12 months consecutive bank statements from the same account.
- The bank statements are analyzed per Business Bank Statement Analysis guidance in HMAC's full Loan Eligibility Guidelines to determine qualifying income.
- Standard expense factor applies; 50% expense factor.
- If the type of business operates more efficiently or typically has a materially different expense factor (higher or lower than standard expense factor), then the expense factor per either a CPA/CTEC/EA letter or P&L may be applied.
- The minimum expense factor with CPA letter or P&L is 20%.
 - When a CPA or tax preparer produced statement is provided, apply the stated expense factor to calculate the qualifying income (subject to the minimum expense factors). Provide either of the following:
 - A CPA/CTEC/EA produced written statement/letter specifying the actual expense ratio of the business (including cost of goods sold and all other business expenses) based on the most recent year's filed tax returns. Such statement shall not include unacceptable disclaimer or exculpatory language regarding its preparation (Exhibit H: Sample of CPA Letter); or,
 - A CPA/CTEC/EA produced Profit and Loss (P&L) statement that has been reviewed by the CPA/CTEC/EA, the CPA/CTEC/EA states they have reviewed the P&L in writing, and the P&L and accompanying statement do not have unacceptable disclaimer or exculpatory language regarding its preparation.
 - The expense factor per the P&L or CPA/CTEC/EA produced statement must be reasonable. The annual deposits on the bank statements must be at least 75% of the gross receipts per the P&L.
- When the borrower is an inter vivos trust, personal bank statements in the name of the trust are allowed for qualification.

Personal & Business Bank Statements Separated

- If the borrower maintains separate bank accounts for personal and business, only personal bank statements are used for qualifying.
- The borrower is to provide the most recent 24 or 12 months consecutive personal bank statements and three (3) months business bank statements (to support the borrower does maintain separate accounts, and to show business cash flows to utilize 100% of business-related deposits in personal account).
- The deposits are analyzed and averaged to determine monthly income.
 - No expense factors
 - Deposits to a personal account from sources other than self-employment is not to be included.
- When the borrower is an inter vivos trust, personal bank statements in the name of the trust are allowed for qualification.

Business Bank Statements Only

- If only using business bank statements, borrower is to provide the most recent 24 or 12 months

- consecutive business bank statements.
- The bank statements are analyzed per Section 8.7.5 to determine monthly income.
 - Standard expense factor applies; 50% expense factor.
 - If the type of business operates more efficiently or typically has a materially different expense factor (higher or lower than 50%), then the expense factor per either a CPA/CTEC/EA letter or P&L may be applied.
 - The minimum expense factor with CPA letter or P&L is 20%.
 - When a CPA or tax preparer produced statement is provided, apply the stated expense factor to calculate the qualifying income. Provide either of the following:
 - A CPA/CTEC/EA produced written statement/letter specifying the actual expense ratio of the business (including cost of goods sold and all other business expenses) based on the most recent year's filed tax returns. Such statement shall not include unacceptable disclaimer or exculpatory language regarding its preparation (Exhibit H: Sample of CPA Letter); or,
 - A CPA/CTEC/EA produced Profit and Loss (P&L) statement that has been reviewed by the CPA/CTEC/EA, the CPA/CTEC/EA states they have reviewed the P&L in writing, and the P&L and accompanying statement do not have unacceptable disclaimer or exculpatory language regarding its preparation.
 - The expense factor per the P&L or CPA/CTEC/EA produced statement must be reasonable. The annual deposits on the bank statements must be at least 75% of the gross receipts per the P&L.

The bank statements should show a trend of ending balances that are stable over the 24 or 12 month period.

- Large deposits inconsistent with history must be documented as business income.
- Net deposits must not reflect any other income sources already taken into consideration (i.e., deduct SS payments, W-2 wage earnings, etc., that have already been used for income calculation).

See HMAC's full Loan Eligibility Guidelines for Bank Statement Income Analysis Guidance.

Section 9.0 Senior Liens

9.1 Senior Lien Documentation Requirements

Stand-Alone CES:

- Current (within 60 days) first mortgage statement showing,
 - Current principal balance.
 - Fully amortized.
 - Term.

Copy of note required if terms cannot be determined with statement.

- HOA statement (if applicable).
- HOI, flood insurance (if applicable), flood cert.

Piggy-Back 2nd:

- Follow 1st lien income requirements.
- 1st mortgage approval reflecting 2nd.
- DU/LP Approve/Eligible, or LP Accept or Approve/Accept/Ineligible due to loan size or non-conforming 1st liens (if applicable).
- Purchase agreement (if applicable).
- Closing instructions reflecting 2nd.

Exhibit A: Occupancy Affidavit



Loan Number: _____

Occupancy Affidavit

Borrower: _____

Co-Borrower(s): _____

Property Address: _____

I/We the undersigned certify that:

_____ **Primary Residence** – I/We will occupy the Property as my/our principle residence within Sixty (60) days after the date of closing as stated in the Mortgage or Deed of Trust I/we executed. I/We will continue to occupy the Property as my/our principal residence for at least one year after the date of occupancy, unless Lender otherwise agrees in writing.

_____ **Second Home** – I/We will occupy the Property as second home (vacation, etc.) while maintaining a principal residence elsewhere.

_____ **Investment Property** – I/We will not occupy the Property as a principal residence or second home. I/We will not occupy for more than 14 days in any calendar year. The Property is an investment to be held or rented rather than for household or personal use.

INVESTMENT PROPERTY ONLY (the following **must** be completed on an investment property loan)

_____ I/We understand that consumer protection laws applicable to consumer loans will not apply to this loan, including the Truth in Lending Act (15 U.S.C. § 1601 et seq.), Real Estate Settlement Procedures Act (12 U.S.C. § 2601 et seq.), Gramm-Leach Bliley Act (15 U.S.C. §6802–6809), Secure and Fair Enforcement Mortgage Licensing Act (12 U.S.C. § 5101 et seq.), and Homeowners Protection Act (12 U.S.C. § 4901 et seq.).

REFINANCE ONLY (the following **must** be completed on a refinance transaction)

_____ I/We the undersigned, certify that the property referenced above is **NOT** currently listed for sale or under contract to be listed for sale.

I/We the undersigned acquired this property on this date:

_____, _____.



Loan Number: _____

Occupancy Affidavit

Borrower: _____

Co-Borrower(s): _____

Property Address: _____

I/We the undersigned certify that:

_____ **Primary Residence** – I/We will occupy the Property as my/our principle residence within Sixty (60) days after the date of closing as stated in the Mortgage or Deed of Trust I/we executed. I/We will continue to occupy the Property as my/our principal residence for at least one year after the date of occupancy, unless Lender otherwise agrees in writing.

_____ **Second Home** – I/We will occupy the Property as second home (vacation, etc.) while maintaining a principal residence elsewhere.

_____ **Investment Property** – I/We will not occupy the Property as a principal residence or second home. I/We will not occupy for more than 14 days in any calendar year. The Property is an investment to be held or rented rather than for household or personal use.

INVESTMENT PROPERTY ONLY (the following **must** be completed on an investment property loan)

_____ I/We understand that consumer protection laws applicable to consumer loans will not apply to this loan, including the Truth in Lending Act (15 U.S.C. § 1601 et seq.), Real Estate Settlement Procedures Act (12 U.S.C. § 2601 et seq.), Gramm-Leach Bliley Act (15 U.S.C. §6802–6809), Secure and Fair Enforcement Mortgage Licensing Act (12 U.S.C. § 5101 et seq.), and Homeowners Protection Act (12 U.S.C. § 4901 et seq.).

REFINANCE ONLY (the following **must** be completed on a refinance transaction)

_____ I/We the undersigned, certify that the property referenced above is **NOT** currently listed for sale or under contract to be listed for sale.

I/We the undersigned acquired this property on this date:

_____.



I/We understand that it is illegal to provide false information in an application for a mortgage loan. Mortgage fraud is punishable by up to thirty (30) years in federal prison or a fine of up to \$1,000,000, or both under the provisions of Title 18, United States Code, Sec 1001.et seq.

I/We understand that failure to comply with the requirement in the Mortgage or Deed of Trust regarding occupancy of the property will entitle the lender exercise it's remedies for breach of covenant under the Mortgage or Deed of Trust. Such remedies include, without limitation, requiring immediate payment in full of the remaining indebtedness under the Loan together with all other sums secured by the Mortgage or Deed of Trust, and exercise of power of sale or other applicable foreclosure remedies, to the extent permitted by the Mortgage or Deed of Trust.

Borrower Signature	Date	Borrower Name	Date
--------------------	------	---------------	------

Borrower Signature	Date	Borrower Name	Date
--------------------	------	---------------	------

Exhibit B: Ability-To-Repay Borrower Attestation



Ability-to-Repay Borrower Attestation

Date: _____

Application No: _____

This Important Ability-to-Repay Notice is being provided to each borrower prior to the signing of the loan documents, but after federal Truth in Lending disclosures have been provided.

In reviewing your credit application, [_____] has considered and verified the following information as it relates to your ability to repay this loan according to its terms as required by applicable law: (1) your current and reasonably expected income and/or assets (other than the value of the dwelling and any attached real property); (2) your current employment status (to the extent that employment income is relied on to determine repayment ability); (3) the monthly payment for principal and interest on the loan; (4) the monthly payment on any simultaneous loan that [_____] knows or has reason to know will be made; (5) the monthly payment for mortgage-related obligations (e.g., property taxes, certain insurance premiums, fees and special assessments for condominiums, and homeowners association, ground rent, and leasehold payments); (6) your current debt obligations, alimony, and child support; (7) your monthly debt- to-income ratio and/or residual income; and (8) your credit history.

Below and in the attached Application Form (Uniform Residential Loan Application on Fannie Mae Form 1003) is the information that [_____] has been used and considered in making this loan, as required by applicable law:

Employment and Income:

Current Monthly Income: _____

Current Monthly Income from Assets: _____

Housing Expenses:

Principal and Interest Payment: _____

Real Estate Taxes: _____

Homeowner's Insurance: _____

Association Dues: _____

Other: _____

Total Housing Payment: _____

Debts:

Installment and Revolving monthly debt payments: _____

Other Obligations (including alimony and child support payments): _____

Total Monthly Other Debts: _____

The information listed above and in the Attachment, was provided by you in your application and interview, and/or in third-party records and other documents (such as credit reports and tax records). Based on its consideration of this information, [_____] has made a reasonable and good faith determination that you have the reasonable ability to repay this loan according to its terms.



[] wants to make sure that the information listed above is correct and complete. [] is in the business of making loans and collecting loan payments—it has no desire to make a loan that cannot be repaid under the terms of the agreement.

By your signature(s) below, you are confirming that:

- (1) You have read and understand this Important Ability-to-Repay Notice, and the information listed above is correct and complete;
- (2) Your current or reasonably expected income or assets (other than the value of the dwelling and any attached real property) is/are consistent with the information listed above;
- (3) Your current employment status is consistent with the information listed above and/or attached;
- (4) Your current housing expenses, debts, and other obligations (including alimony and child support payments) are consistent with the information listed above;
- (5) You have not applied for or opened any new credit accounts, defaulted on any credit accounts, filed for bankruptcy, or had any judgments entered against you by a court;
- (6) You have not experienced any other changes from the time you signed or otherwise completed the information listed above and in the attached Uniform Residential Loan Application (Form 1003) that would reduce your reasonable ability to repay this loan according to its terms.

Borrower(s):

_____/_____/_____
Signature Date

_____/_____/_____
Signature Date

Exhibit C: Automatic Debit Payment Agreement (ACH) Form



Automatic Payment Authorization Form

You must attach a voided check or a savings deposit slip.

Yes, I would like to enroll in the free* monthly Automatic Payment Program

Name:		
Street Address:		
City, State, Zip Code:		
Mortgage Loan Number:		
Daytime Phone Number:	Evening Phone Number:	
Financial Institution Name:	Financial Institution Phone Number:	
Account Routing Number:	Account Number:	<input type="checkbox"/> Checking <input type="checkbox"/> Savings

*Please note that your financial institution may assess a fee for this transaction.

Please specify the payment date most convenient for you, which must be within the applicable grace period. **If a payment date is not specified, or your loan is a daily simple interest loan, payments will be deducted on your current loan due date.**

Deduct my payment on the _____ of each month.

I would like additional funds deducted and applied toward reducing my outstanding principal balance. Please deduct an additional \$ _____ per month.

I hereby authorize _____, including its successors and/or assigns, to initiate transfers from my checking or savings account at the financial institution indicated above for the purpose of making my monthly mortgage payment. I authorize the amount of each transfer to include my regularly scheduled payment including principal, interest and escrow items, reimbursement of corporate advances, optional insurance as applicable and the costs of any services I request.

I understand that, in accordance with the terms of my mortgage note and/or adjustments in my escrow for taxes and insurance, my payment may change from time to time as set forth in my loan documents. You are hereby authorized to change the amount of the draft from my checking or savings account, provided that you notify me of the new payment amount at least 10 days prior to the draft date. I agree that the payment change notice provided to me under the Adjustable Rate Mortgage Provisions of the Truth-in- Lending Act and/or escrow analysis form shall



constitute notice of payment change as required by the Electronic Funds Transfer Act and Federal Reserve Board Regulation E.

I HEREBY AGREE TO THE TERMS AND CONDITIONS IN THIS FORM.

Borrower's Signature _____ Date _____

Co-Borrower's Signature _____ Date _____

Exhibit D: Non-Occupant Co-Borrower Certification



Loan Number: _____

Non-Occupant Co-Borrower Certification

Borrower: _____

Co-Borrower(s): _____

Subject Property Address: _____

I/We the undersigned certify that:

- _____ I/We are the Co-borrower(s) of the Promissory Note associated with the first mortgage loan that is being made to the above Borrower(s).
- _____ I/We attest that my/our income is/are being taken into account for qualifying purposes only.
- _____ I/We attest that we do not currently, nor will we ever occupy the above mentioned Subject property.
- _____ I/We attest that we will sign the mortgage or deed of trust note at closing.
- _____ I/We understand that upon consummation of this transaction I/we will have joint liability for the note with the Borrower(s).
- _____ I/We do not have an interest in the property sales transaction; such as the property seller(s), the builder(s), or the Real estate broker(s).
- _____ I am a/We are family member(s) of the borrower(s) defined as follows: The borrower's spouse, child, dependent, domestic partner, fiancé, fiancée, or any other individual related to the borrower by blood, marriage, adoption, or legal guardianship.

I/We understand that it is illegal to provide false information in an application for a mortgage loan. Mortgage fraud is punishable by up to thirty (30) years in federal prison or a fine of up to \$1,000,000, or both under the provisions of Title 18, United States Code, Sec 1001 et seq.

I/We understand that failure to comply with the requirement in the Mortgage or Deed of Trust regarding occupancy of the property will entitle the lender exercise it's remedies for breach of covenant under the Mortgage or Deed of Trust. Such remedies include, without limitation, requiring immediate payment in full of the remaining indebtedness under the Loan together with all other sums secured by the Mortgage or



Deed of Trust, and exercise of power of sale or other applicable foreclosure remedies, to the extent permitted by the Mortgage or Deed of Trust.

Borrower	Date	Borrower	Date
----------	------	----------	------

Co-Borrower	Date	Co-Borrower	Date
-------------	------	-------------	------

Relationship to Borrower(s)	Relationship to Borrower(s)
-----------------------------	-----------------------------

Exhibit E: Borrower Contact Consent Form



BORROWER CONTACT CONSENT FORM (Information Optional)

To insure we have the correct contact information for servicing your loan, please provide the following information.

By signing, I authorize my mortgage servicer (its transfers and/or assigns) to contact me regarding the servicing of my loan using the following contact information.

Mailing address for your mortgage statements and other correspondence:

- Same as the subject property
- Please use this mailing address instead:

Cell phone number:

- I choose not to provide a cell phone number.

I understand that by providing a cell phone number and by signing this form, I am giving the holder of my mortgage Note and its billing servicer permission to use the cell phone number to contact me regarding my loan.

Borrower: _____

Co-Borrower: _____

Email address:

- I choose not to provide an email address.

I understand that by providing an email address, I am giving the holder of my mortgage Note and its billing servicer permission to use this email to contact me regarding my loan.

Borrower: _____

Co-Borrower: _____

Signature(s)

Borrower: _____

Date

Co-Borrower: _____

Date

Exhibit F: VA Form #26-6393 Loan Analysis

OMB Control No. 2900-0523
Respondent Burden: 30 minutes
Expiration Date: 06/30/2019

 Department of Veterans Affairs		LOAN ANALYSIS		LOAN NUMBER	
<p>PRIVACY ACT INFORMATION: The VA will not disclose information collected on this form to any source other than what has been authorized under the Privacy Act of 1974 or Title 5, Code of Federal Regulations 1.526 for routine uses as (i.e., the record of an individual who is covered by this system may be disclosed to a member of Congress or staff person acting for the member when the request is made on behalf of the individual) identified in the VA system of records, 5SV A26, Loan Guaranty Home, Condominium and Manufactured Home Loan Applicant Records, Specially Adapted Housing Applicant Records, and Vendee Loan Applicant Records - VA, published in the Federal Register. Your obligation to respond is required in order to determine the veteran's qualifications for the loan.</p> <p>RESPONDENT BURDEN: This information is needed to help determine a veteran's qualifications for a VA guaranteed loan. Title 38, USC, section 3710 authorizes collection of this information. We estimate that you will need an average of 30 minutes to review the instructions, find the information, and complete this form. VA cannot conduct or sponsor a collection of information unless a valid OMB control number is displayed. You are not required to respond to a collection of information if this number is not displayed. Valid OMB control numbers can be located on the OMB Internet Page at: www.reginfo.gov/public/do/PRAMain. If desired, you can call 1-800-827-1000 to get information on where to send comments or suggestions about this form.</p>					
SECTION A - LOAN DATA					
1. NAME OF BORROWER		2. AMOUNT OF LOAN		3. CASH DOWN PAYMENT ON PURCHASE PRICE	
		\$		\$	
SECTION B - BORROWER'S PERSONAL AND FINANCIAL STATUS					
4. APPLICANT'S AGE		5. OCCUPATION OF APPLICANT		6. NUMBER OF YEARS AT PRESENT EMPLOYMENT	
				7. LIQUID ASSETS (Cash, savings, bonds, etc.)	
				\$	
9. UTILITIES INCLUDED		10. SPOUSE'S AGE		11. OCCUPATION OF SPOUSE	
<input type="checkbox"/> YES <input type="checkbox"/> NO				12. NUMBER OF YEARS AT PRESENT EMPLOYMENT	
				13. AGE OF DEPENDENTS	
NOTE: ROUND ALL DOLLAR AMOUNTS BELOW TO NEAREST WHOLE DOLLAR					
SECTION C - ESTIMATED MONTHLY SHELTER EXPENSES <i>(This Property)</i>			SECTION D - DEBTS AND OBLIGATIONS <i>(Itemize and indicate by (-) which debts considered in Section E, Line 40 (If additional space is needed please use reverse or attach a separate sheet))</i>		
ITEMS			ITEMS		
AMOUNT			(-) MO. PAYMENT UNPAID BAL.		
14. TERM OF LOAN: YRS.			22.		
			\$		
15. MORTGAGE PAYMENT (Principal and Interest) @ _____ %			23.		
\$			24.		
16. REALTY TAXES			25.		
17. HAZARD INSURANCE			26.		
18. SPECIAL ASSESSMENTS			27.		
19. MAINTENANCE & UTILITIES			28.		
20. OTHER (HOA, Condo fees, etc.)			29. JOB RELATED EXPENSE (e.g., child care)		
21. TOTAL \$			30. TOTAL \$		
SECTION E - MONTHLY INCOME AND DEDUCTIONS					
ITEMS			SPOUSE		BORROWER
TOTAL					
31. GROSS SALARY OR EARNINGS FROM EMPLOYMENT					\$
32. FEDERAL INCOME TAX			\$		\$
33. STATE INCOME TAX					
34. DEDUCTIONS RETIREMENT OR SOCIAL SECURITY					
35. OTHER (Specify)					
36. TOTAL DEDUCTIONS			\$		\$
37. NET TAKE-HOME PAY					
38. PENSION, COMPENSATION OR OTHER NET INCOME (Specify)					
39. TOTAL (Sum of lines 37 and 38)			\$		\$
40. LESS THOSE OBLIGATIONS LISTED IN SECTION D WHICH SHOULD BE DEDUCTED FROM INCOME					
41. TOTAL NET EFFECTIVE INCOME					\$
42. LESS ESTIMATED MONTHLY SHELTER EXPENSE (Line 21)					
43. BALANCE AVAILABLE FOR FAMILY SUPPORT			GUIDELINE		\$
44. RATIO (Sum of Items 15, 16, 17, 18, 20 and 40 ÷ sum of Items 31 and 38)					%
45. PAST CREDIT RECORD			46. DOES LOAN MEET VA CREDIT STANDARDS? (Give reasons for decision under "Remarks," if necessary, e.g., borderline case)		
<input type="checkbox"/> SATISFACTORY <input type="checkbox"/> UNSATISFACTORY			<input type="checkbox"/> YES <input type="checkbox"/> NO		
47. REMARKS (Use reverse or attach a separate sheet, if necessary)					
CRV DATA (VA USE)					
48A. VALUE		48B. EXPIRATION DATE		48C. ECONOMIC LIFE	
				YRS.	
SECTION F - DISPOSITION OF APPLICATION AND UNDERWRITER CERTIFICATION					
<input type="checkbox"/> Recommend that the application be approved since it meets all requirements of Chapter 37, Title 38, U.S. Code and applicable VA Regulations and directives.					
<input type="checkbox"/> Recommend that the application be disapproved for the reasons stated under "Remarks" above.					
The undersigned underwriter certifies that he/she personally reviewed and approved this loan. (Loan was closed on the automatic basis.)					
49. DATE			50. SIGNATURE OF EXAMINER/UNDERWRITER (Sign in ink)		
51. FINAL ACTION			52. DATE		53. SIGNATURE AND TITLE OF APPROVING OFFICIAL
<input type="checkbox"/> APPROVE APPLICATION <input type="checkbox"/> REJECT APPLICATION					

VA FORM JUN 2016 **26-6393**

SUPERSEDES VA FORM 26-6393, NOV 2012, WHICH WILL NOT BE USED.

Exhibit G: Sample of CPA Letter

January 28, 2019

ABC CPA FIRM
ADDRESS | CITY, ST ZIP CODE

XYZ LENDER
ADDRESS | CITY, ST ZIP CODE

To whom it may concern:

I have worked with borrower, John Homeowner, for 5 years. Mr. Homeowner has been the founder/CEO of company, 123 Business, since 2008. I have either completed or reviewed Mr. Homeowner's taxes, and determined that 123 Business operates at a 35% expense factor.

SINCERELY,

JANE SMITH, CPA