

**ditech BUSINESS LENDING EXPANDED CRITERIA 12-MONTH BANK STATEMENT PROGRAM**  
**ALT DOC NO INCOME NO EMPLOYMENT (NINE)**

<b>1. PRODUCT DESCRIPTION</b>	<ul style="list-style-type: none"> <li>The No Income No Employment (NINE) program permits the use of personal or business bank statements to support a self-employed borrower for qualification purposes.</li> <li>This program is designed for the use of business bank statements when the borrower's business is small in scope and has limited expenses.</li> <li>This is a non-QM mortgage.</li> <li>Must comply with Ability to Repay underwriting standards</li> </ul>										
<b>2. LOAN TERM</b>	30-year term										
<b>3. PRODUCT CODES</b>	LL3 Exp Criteria A+ Alt Doc 30 Yr Fixed										
	MM6 Exp Criteria A Alt Doc 30 Yr Fixed										
<b>4. TEMPORARY BUYDOWNS</b>	Not permitted										
<b>5. LTV/CLTV</b>	<b>ALT DOC NINE</b>										
		Units	Loan Amount	LTV/CLTV	Credit Score		Max DTI	Housing History		Significant Derogatory Credit Seasoning	
					Grade A+	Grade A		Grade A+	Grade A	Grade A+	Grade A
	<b>PRIMARY RESIDENCE</b>										
	Purchase Rate & Term Refi	1	\$1,500,000	85%	720	N/A	43%	0x30x24	0x30x12	4 years	3 years
				80%	700	720					
				75%	640	680					
				70%	620	620					
		2-4	\$1,500,000	75%	640	680					
				70%	620	620					
	Cash-Out Refi	1	\$1,500,000	80%	720	N/A					
				75%	680	720					
				70%	640	680					
				65%	620	620					
		2-4	\$1,500,000	70%	640	680					
65%				620	620						
<b>SECOND HOME</b>											
Purchase Rate & Term Refi	1	\$1,500,000	75%	680	N/A	43%	0x30x24	0x30x12	4 years	3 years	
			65%	680	680						
Cash-Out Refi	1	\$1,000,000	70%	680	N/A						
			60%	680	680						

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		INVESTMENT PROPERTY																						
		Purchase Rate & Term Refi	1-4	\$1,500,000	75%	680	N/A	43%	0x30x24	0x30x12	4 years	3 years												
		Borrowers who are on temporary leave are limited to a max 80% LTV/CLTV or program max, whichever is less																						
<b>6. MINIMUM LOAN AMOUNT</b>	Minimum loan amount \$100,000																							
<b>7. MAXIMUM CASH OUT</b>	<ul style="list-style-type: none"> <li>LTV/CLTV &gt;=65% \$300,000</li> <li>LTV/CLTV &lt;65% \$500,000</li> </ul>																							
<b>8. DOCUMENTATION TYPE</b>	Alt Doc NINE																							
<b>9. POWER OF ATTORNEY</b>	Permitted																							
<b>10. UNDERWRITING</b>	<ul style="list-style-type: none"> <li>All loan must be submitted to ditech for underwriting</li> <li>Must be manually underwritten and fully documented according to the product and policy guidelines on this product matrix and the Expanded Criteria chapter of the Client Guide</li> <li>Transmittal Summary (Form 1008) is required and must be signed and dated</li> <li>Submit to DU for appropriate fraud alerts and contributory messages</li> </ul>																							
<b>11. QUALIFYING RATE</b>	Note rate																							
<b>12. RESIDUAL INCOME</b>	Total monthly income less total monthly expenses <ul style="list-style-type: none"> <li>Grade A+: Household residual income &gt;= \$1,500</li> <li>Grade A: Household residual income &gt;= \$1,500</li> </ul>																							
<b>13. PAYMENT SHOCK</b>	<ul style="list-style-type: none"> <li>Payment shock is calculated by dividing the difference between the new and existing housing payments by the existing housing payment</li> <li>Payment shock cannot exceed 150%</li> </ul> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th colspan="2">Example</th> </tr> </thead> <tbody> <tr> <td>New Payment (PTIA)</td> <td>\$1,500</td> </tr> <tr> <td>Subtract Existing Payment (Rent or PTIA)</td> <td>\$1,000</td> </tr> <tr> <td>Difference</td> <td>\$500</td> </tr> <tr> <td>Divided by the Existing Payment</td> <td>\$1,000</td> </tr> <tr> <td>Payment Shock %</td> <td>50%</td> </tr> </tbody> </table>												Example		New Payment (PTIA)	\$1,500	Subtract Existing Payment (Rent or PTIA)	\$1,000	Difference	\$500	Divided by the Existing Payment	\$1,000	Payment Shock %	50%
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<b>14. TYPES OF FINANCING</b>	<b>Purchase Mortgage</b> <ul style="list-style-type: none"> <li>Non-arm's length transactions not permitted except for inherited properties</li> <li>Not eligible if the seller acquired the property within 180 days (note date to contract date)</li> </ul> <b>Rate &amp; Term Refinance</b> <ul style="list-style-type: none"> <li>Loan amount may include</li> </ul>																							

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	<ul style="list-style-type: none"> <li>• Pay off of outstanding principal balance of existing first loan, plus any required per diem interest</li> <li>• Pay off of closed end loan that is seasoned for 12 months (from date of application), was used to purchase the subject property or was used for documented home improvement</li> <li>• Pay off of HELOC where a cash draw greater than \$2,000 has not been taken in the last 12 months (from application date) or proceeds were used for documented home improvement</li> <li>• Prepayment penalty associated with the existing mortgage</li> <li>• Cash out limited to the lower of 1% of the loan amount or \$2,000</li> <li>• Borrowers who have refinanced twice in the past 12 months are ineligible for another refinance</li> <li>• Properties owned less than 12 months: use the lesser of the purchase price plus documented improvements or the appraised value to calculate LTV. Purchase price can be documented using the Closing Disclosure</li> <li>• Continuity of Obligation required</li> </ul> <p><b>Cash-Out Refinance</b></p> <ul style="list-style-type: none"> <li>• At least one borrower must have held title to subject property for at least 6 months, measured from date vested on title to note date</li> <li>• Borrowers who have refinanced twice in the past 12 months are ineligible for another refinance</li> <li>• Properties owned less than 12 months: use the lesser of the purchase price plus documented improvements or the appraised value to calculate LTV. Purchase price can be documented using the Closing Disclosure from original financing</li> <li>• Continuity of Obligation required</li> </ul>
<p><b>15. TEXAS OWNER OCCUPIED PROPERTIES</b></p>	<ul style="list-style-type: none"> <li>• Owner occupied properties located in Texas subject to Texas Section 50(a)(6) are not permitted             <ul style="list-style-type: none"> <li>• A copy of the current mortgage or note is required to determine the previous terms are not subject to Texas Section 50(a)(6) (also known as Home Equity Deed of Trust, Home Equity Installment Contract or Residential Home Loan Deed of Trust</li> <li>• Conversion of a 50(a)(6) loan to a 50(a)(4) loan not permitted</li> </ul> </li> </ul>
<p><b>16. PROPERTIES LISTED FOR SALE</b></p>	<p><b>Rate &amp; Term Refinance</b></p> <ul style="list-style-type: none"> <li>• Properties currently listed for sale are not eligible. Properties that have been listed for sale within six months of the application date are eligible with the following:             <ul style="list-style-type: none"> <li>• Primary residence and second home</li> <li>• Documentation to show cancellation of listing on or before application date</li> <li>• Letter of explanation from the borrower detailing the reason for cancelling the listing</li> </ul> </li> </ul> <p><b>Cash-Out Refinance</b></p> <ul style="list-style-type: none"> <li>• Properties currently listed for sale are not eligible. Properties that have been listed for sale within six months of the application date are eligible with the following:             <ul style="list-style-type: none"> <li>• Primary residence and second home</li> <li>• Max LTV/CLTV 80% or program max, whichever is less</li> <li>• Documentation to show cancellation of listing on or before application date</li> <li>• Letter of explanation from the borrower detailing the reason for cancelling the listing</li> </ul> </li> </ul>

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<b>17. PRINCIPAL CURTAILMENT</b>	<ul style="list-style-type: none"> <li>• Permitted for Rate and Term Refinance</li> <li>• Max 2% of new loan amount or \$2,000, whichever is less</li> </ul>
<b>18. OCCUPANCY</b>	<ul style="list-style-type: none"> <li>• Primary Residence</li> <li>• Second Homes</li> <li>• Investment Properties</li> </ul>
<b>19. ELIGIBLE PROPERTY TYPES</b>	<ul style="list-style-type: none"> <li>• 1-4 units</li> <li>• Condo <ul style="list-style-type: none"> <li>• Fannie Mae warrantable</li> <li>• See Expanded Criteria Condo-PUD Matrix</li> </ul> </li> <li>• PUD</li> <li>• Leasehold Estates</li> <li>• Nevada Condo and PUD <ul style="list-style-type: none"> <li>• HOA dues for the subject unit must be current prior to closing</li> <li>• HOA may not be seller of the subject unit</li> </ul> </li> </ul>
<b>20. INELIGIBLE PROPERTY TYPES</b>	<ul style="list-style-type: none"> <li>• 2-4 unit PUD</li> <li>• Co-op</li> <li>• Manufactured homes</li> <li>• Non-warrantable condos</li> </ul>
<b>21. INELIGIBLE STATES</b>	<ul style="list-style-type: none"> <li>• Maryland</li> <li>• Massachusetts</li> <li>• New Mexico</li> <li>• New York</li> <li>• West Virginia</li> </ul> <p>State specific regulatory requirements supersede all underwriting guidelines</p>
<b>22. ELIGIBLE BORROWERS</b>	<ul style="list-style-type: none"> <li>• U.S. Citizens</li> <li>• Permanent Resident</li> <li>• Non-Permanent Resident</li> <li>• Inter Vivos Revocable Trust</li> <li>• First-time Homebuyer <ul style="list-style-type: none"> <li>• Single-family</li> <li>• Primary residence</li> <li>• Warrantable condos</li> </ul> </li> <li>• Reserves <ul style="list-style-type: none"> <li>• 9 months reserves for Grade A+</li> <li>• 6 months reserves for Grade A</li> </ul> </li> </ul>

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Product Matrices contain eligibility guidelines only.  
Consult the Client Guide for full details.

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<b>23. INELIGIBLE BORROWERS</b>	Foreign Nationals
<b>24. CO-BORROWERS</b>	<ul style="list-style-type: none"> <li>No more than 4 borrowers permitted on a transaction</li> <li>Non-occupant co-borrower not permitted</li> </ul>
<b>25. CREDIT</b>	<ul style="list-style-type: none"> <li>All borrowers must meet credit score requirements, regardless of whether income is used to qualify</li> <li>Borrowers whose income is not used to qualify do not have to meet minimum trade line requirements</li> <li>See the Expanded Criteria chapter of the Client Guide for trade line requirements</li> </ul> <p><b>Credit Grade Determination for Significant Derogatory Credit</b>  The borrower's least favorable factor will determine the credit grade. For example, a negative rating on a mortgage will determine the credit grade if it is worse than the age of the bankruptcy. <b>The initial application date will be used to determine the seasoning for the events listed above.</b></p> <ul style="list-style-type: none"> <li>If a foreclosure is included in a bankruptcy, each event is treated separately for grade determination.</li> <li>Chapter 7 bankruptcy is measured from the discharge date</li> <li>Chapter 11 bankruptcy will not impact the credit grade unless the borrower is personally liable for the reorganized debt</li> <li>Chapter 13 bankruptcy is measured from the discharge date. If the Chapter 13 bankruptcy is canceled, grading is measured from cancellation date</li> <li>Borrowers with multiple bankruptcies are ineligible</li> <li>Loss mitigation includes forbearance, any modification of the original terms, deed-in-lieu, notice of default, pre-foreclosure, short sale, short refinance, charge-off, modification or non-foreclosure action. Multiple loss mitigation events are allowed</li> </ul>
<b>26. HOUSING PAYMENT HISTORY</b>	<ul style="list-style-type: none"> <li>Inclusive of all liens regardless of position</li> <li>Applies to all mortgages on all financed properties</li> <li>Subject mortgage must be current</li> <li>One of the following is required: <ul style="list-style-type: none"> <li>At least one borrower must have a recent, consecutive 24-month housing payment history</li> <li>Borrowers who own their primary residence free and clear. Evidence property is owned free and clear must be documented</li> </ul> </li> <li>First-time homebuyers must have a 24 month rental housing payment history</li> </ul>
<b>27. BORROWER CONTRIBUTION</b>	<p><b>Borrower Investment</b></p> <ul style="list-style-type: none"> <li>A minimum 5% down payment must be paid from the borrower's own funds.</li> </ul> <p><b>Gift Funds</b></p> <ul style="list-style-type: none"> <li>Primary residence</li> <li>Down payment of 100% from gift permitted for LTV less than or equal to 80% or program max, when no secondary financing exists</li> </ul>
<b>28. SELLER CONTRIBUTIONS</b>	<ul style="list-style-type: none"> <li>Primary Residence and Second Homes: 6%</li> <li>Investment Properties: 3%</li> </ul>
<b>29. RESERVES GRADE A+</b>	<p><b>Grade A+</b></p> <ul style="list-style-type: none"> <li>6 months PITIA reserves <ul style="list-style-type: none"> <li>LTV/CLTV &lt;=80%</li> </ul> </li> </ul>

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	<ul style="list-style-type: none"> <li>• 9 months PITIA reserves for any of the following: <ul style="list-style-type: none"> <li>• LTV/CLTV &gt;80%</li> <li>• Second home</li> <li>• Investment properties</li> <li>• 2-4 unit</li> <li>• First-time homebuyer</li> </ul> </li> <li>• 6 months PITIA reserves required for each additional financed property using the highest PITIA payments up to 6 properties. If borrower owns more than 6 financed properties, additional reserves are not required</li> <li>• Reserves are calculated based on the PITIA of each individual property</li> <li>• Proceeds from cash-out refinance may not be used to meet the reserve requirements</li> </ul>
<p><b>30. RESERVES GRADE A</b></p>	<p><b>Grade A</b></p> <ul style="list-style-type: none"> <li>• 3 months PITIA reserves <ul style="list-style-type: none"> <li>• LTV/CLTV &lt;=80%</li> </ul> </li> <li>• 6 months PITIA reserves for any of the following: <ul style="list-style-type: none"> <li>• LTV/CLTV 80%</li> <li>• Second home</li> <li>• Investment properties</li> <li>• 2-4 unit</li> <li>• First-time homebuyer</li> </ul> </li> <li>• 2 months PITIA reserves required for each additional financed property using the highest PITIA payments up to 6 properties. If borrower owns more than 6 financed properties, additional reserves are not required</li> <li>• Reserves are calculated based on the PITIA of each individual property</li> <li>• Proceeds from cash-out refinance may not be used to meet the reserve requirements</li> </ul>
<p><b>31. INCOME/ EMPLOYMENT</b></p>	<p>The following borrowers are eligible:</p> <ul style="list-style-type: none"> <li>• Borrowers who derive 25% or more of their primary income from a business in which they hold a controlling interest or rental income</li> <li>• Must be in the same line of work or own the same business entity for two years</li> <li>• Verification of existence of business is required</li> <li>• If one borrower meets these requirements and the other does not, the borrower that is not eligible must fully document their income. The net deposits used from the bank statement for the self-employed borrower must not reflect the income that is fully documented for the other borrower (e.g., deduct Social Security payments, W-2 wages, etc.) <ul style="list-style-type: none"> <li>• Non-taxable income, such as child support payments, disability retirement plans, and worker's compensation may be adjusted by 25% to determine the qualifying income. Verification must be made that the particular source of income is nontaxable and that both the income and its nontaxable status are likely to continue.</li> </ul> </li> <li>• The <a href="#">Borrower Affirmation – 12-Month Bank Statement Program (NINE)</a> must be signed</li> <li>• The <a href="#">No Income No Employment (NINE) Bank Statement Calculator</a> may be used to assist in calculating income from bank statements.</li> <li>• See documentation requirements in Sections 36-through 43 at the end of the summary</li> </ul>

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<b>32. IRS FORM 4506-T</b>	Not required
<b>33. MAXIMUM FINANCED PROPERTIES</b>	<p><b>Multiple Loans to the Same Borrower</b></p> <ul style="list-style-type: none"> <li>• Primary Residence <ul style="list-style-type: none"> <li>• No restriction on number of financed properties</li> </ul> </li> <li>• Second Homes and Investment Properties <ul style="list-style-type: none"> <li>• Up to 10 financed properties (including primary residence), or</li> <li>• Own or have financed an unlimited number of properties if the subject transaction has a max 70% LTV/CLTV or program max, whichever is less</li> </ul> </li> <li>• New multiple loans must be underwritten simultaneously</li> <li>• See additional requirements in the Assets/Reserves section</li> <li>• Max two loans to the same borrower in a single market area (within several block radius, defined neighborhood or lending area)</li> <li>• The aggregate dollar amount of the unpaid principal balance of mortgage loans on all financed properties may not exceed \$4M for one borrower – exceptions may be considered</li> </ul>
<b>34. APPRAISAL REQUIREMENTS – WHOLESALE CLIENTS</b>	<p><b>Wholesale Clients</b></p> <ul style="list-style-type: none"> <li>• Appraisal(s) must be ordered through the Mercury platform. See Client Guide for ordering details.</li> <li>• The following is required: <ul style="list-style-type: none"> <li>• One full appraisal if combined loan amount &lt;=\$1.5 million and CDA</li> <li>• Two full appraisals and CDA (CDA completed on lower of the two appraisals) if the combined loan amount &gt;\$1.5 million</li> </ul> </li> <li>• CDA will be ordered by ditech once appraisal(s) are received. If the transaction requires two full appraisals: <ul style="list-style-type: none"> <li>• One appraisal and the CDA is required for the initial review</li> <li>• 2<sup>nd</sup> appraisal is required prior to pre-close review</li> <li>• If 2<sup>nd</sup> appraisal value is less than the 1<sup>st</sup> appraisal, a new CDA is required</li> </ul> </li> <li>• Condition ratings C1 through C4 permitted</li> <li>• Quality ratings Q1 through Q5 permitted</li> <li>• Properties in declining markets <ul style="list-style-type: none"> <li>• Primary residence</li> <li>• Single family, PUD and warrantable condos</li> <li>• 10% reduction to LTV/CLTV up to 80% or program max, whichever is less</li> </ul> </li> </ul> <p><b>Review of CDA-Basis for Determining LTV/CLTV</b></p> <ul style="list-style-type: none"> <li>• If CDA returns a value &lt;=10% of appraised value or the purchase price, use lower of the purchase price or appraised value to determine LTV/CLTV</li> <li>• If CDA returns a value that is “Indeterminate” or &gt;10% of the appraised value, the appraisal is not acceptable.</li> <li>• If CDA returns a value greater than the appraised value, use the appraised value to determine LTV/CLTV</li> </ul>
<b>35. APPRAISAL REQUIREMENTS – CORRESPONDENT CLIENTS</b>	<p><b>Correspondent Clients</b></p> <ul style="list-style-type: none"> <li>• Appraisal(s) must be ordered through Clients standard ordering process/AMC</li> <li>• CDA and field review must be ordered through Clear Capital</li> <li>• The following is required:</li> </ul>

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<b>36. ESCROW WAIVERS</b>	<ul style="list-style-type: none"> <li>• See the Client Guide for escrow waiver eligibility</li> <li>• Higher Priced Mortgage Loans (HPML): Primary residence loans must maintain an escrow account for a minimum of 5 years</li> </ul>
<b>35. MORTGAGE INSURANCE</b>	N/A

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## DOCUMENTATION REQUIREMENTS

<b>36. OVERVIEW</b>	<ul style="list-style-type: none"> <li>A common sense approach to underwriting a borrower's creditworthiness must be taken to determine the willingness and ability to repay the loan. This program provides for income calculation based on bank statements as an alternative method to tax returns to document the self-employed borrower's ability to repay. Each borrower has a different situation and each loan needs to be weighed on its own merit. If the borrower is self-employed or in a unique business, a narrative must be provided by the borrower that clearly outlines the nature of the business and the cash flows. The expense assumptions must be reasonable for the type of self-employment. Decreasing income trends must be explained and additional documentation may be required.</li> </ul>
<b>37. ELIGIBLE BORROWERS</b>	<p>The following borrowers are eligible:</p> <ul style="list-style-type: none"> <li>Borrowers who derive 25% or more of their primary income from a business in which they hold a controlling interest or rental income</li> <li>Must be in the same line of work or own the same business entity for two years</li> <li>Verification of existence of business is required</li> <li>If one borrower meets these requirements and the other does not, the borrower that is not eligible must fully document their income. The net deposits used from the bank statement for the self-employed borrower must not reflect the income that is fully documented for the other borrower (e.g., deduct Social Security payments, W-2 wages, etc.             <ul style="list-style-type: none"> <li>Non-taxable income, such as child support payments, disability retirement plans, and worker's compensation may be adjusted by 25% to determine the qualifying income. Verification must be made that the particular source of income is nontaxable and that both the income and its nontaxable status are likely to continue.</li> </ul> </li> </ul>
<b>38. BANK STATEMENT REQUIREMENTS</b>	<ul style="list-style-type: none"> <li>The loan application must include all sources and amounts of income</li> <li>The bank statements must support the income listed on the application</li> <li>Income may be documented by either personal or business bank statements</li> <li>The co-mingling of personal and business or multiple business accounts is not allowed</li> <li>If one account is used to show income and another account used for reserves, documentation must be provided to show evidence that the funds are separate and distinct</li> <li>Deposits from income sources that are not reflected on the loan application or those not needed to qualify will not be included in the qualifying income</li> <li>Income sources separate from self-employment must be verified. Examples of verification include social security letter, employment verification, and divorce decree. If tax returns or a verification of employment are provided for the borrower using bank statements to support their income, the loan must be fully documented.</li> </ul> <p>Personal bank statements:</p> <ul style="list-style-type: none"> <li>Must be used when the borrower owns multiple businesses</li> <li>Borrower's business has a number of employees, significant overhead or operating expenses</li> <li>Should demonstrate the distributions received from the borrower's business interests to satisfy his or her personal obligation</li> </ul> <p>Business accounts may be used when:</p> <ul style="list-style-type: none"> <li>The borrower(s) owns 100% of the business</li> <li>The business must be small in nature and has minimal overhead and operating expenses</li> </ul>
<b>39. DOCUMENTATION</b>	<ul style="list-style-type: none"> <li>The most recent twelve months' bank statements must be provided for qualifying income</li> </ul>

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## DOCUMENTATION REQUIREMENTS

	<ul style="list-style-type: none"> <li>• If another account is used for reserves, only two months' statements to establish seasoning are required</li> <li>• If additional bank statements are provided, they will be reviewed and become part of the overall review of the loan. Given the difficulty to reconcile funds between accounts, it may cause the loan to become ineligible or require the loan to be fully documented</li> <li>• Bank statements reflecting the occurrence (one time or isolated incident) of NSF checks, wire transfers, overdraft protection transfers, negative ending balances and transfers from other accounts must be satisfactorily explained and documented. Bank statements reflecting multiple NSF checks, overdraft protection transfers, negative ending balances, or lack a satisfactory explanation indicate cash flow problems and are not eligible</li> <li>• The bank statements provided must document that the income is stable, likely to continue and sufficient to enable the borrower to repay the debt.</li> </ul>
<b>40. REVIEW OF BANK STATEMENTS</b>	<ul style="list-style-type: none"> <li>• Deposits must be consistent and typical whether personal or business accounts are used</li> <li>• Deposits that are larger than typical for the account may be included with a satisfactory explanation. Supporting documentation may be required. Atypical deposits are defined as more than 50% of the gross monthly determined income</li> <li>• If the borrower's spouse is on the personal bank account and not on the loan, only 50% of the total deposits may be used towards qualifying income. Low beginning and/or ending balances may require additional documentation up to, and including complete individual and/or business tax returns</li> </ul>
<b>41. CALCULATING INCOME</b>	<ul style="list-style-type: none"> <li>• Use the following to establish qualifying income:             <ul style="list-style-type: none"> <li>• Personal accounts use 100% of the deposits</li> <li>• Business accounts use 70% of the deposits</li> </ul> </li> <li>• Any irregularity in the borrower profile or the documentation provided may be cause for the loan to become ineligible.</li> <li>• The income presented must be reasonable for the profession.</li> <li>• When using business bank statements to support the borrower's income, the nature and structure of the business must be evaluated to determine if the applied expense assumptions are reasonable. Additional documentation, up to and including full documentation (e.g., tax returns), may be required to determine the borrower's qualifying income at the underwriter's discretion.</li> <li>• The lesser of the income stated on the application or the calculated income using the cash flow from the bank statements will be used to qualify the borrower.</li> <li>• If the business expenses appear to be greater than 30%, business bank statements to support the borrower's income is not permitted. Personal bank statements must be provided. Examples of businesses that would typically have expenses that exceed 30% include a construction company, restaurant, or retail firm.</li> <li>• Use the average deposits to determine the borrower's income for qualification. Transfers from a borrower's business account to a personal account are acceptable if they are consistent, (i.e. the borrower is paying himself regular distributions).</li> <li>• Atypical deposits may not be included unless supporting documentation is provided to show that the monies would be typical for the borrower's type of business or line of work. Credit back from returns and cash advances from credit cards are not acceptable to be included in the qualifying income.</li> </ul>

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## DOCUMENTATION REQUIREMENTS FOR RENTAL INCOME

<b>42. BANK STATEMENTS WITH RENTAL INCOME</b>	<p>Rental income may be used in qualifying a borrower. All the rental income must be shown in the borrower's bank statements to be considered in qualifying income. The rental income shown on the bank statements must support the rental lease amounts.</p> <p>If the rental income is not shown on the bank account used to determine the borrower's qualifying income, one additional account may be used to support the rental income, with the following:</p> <ul style="list-style-type: none"> <li>• Documentation to show the account is separate and distinct from the bank account being used to determine the borrower's qualifying income</li> <li>• The account must have been set up for the management of the rental income only. If other funds are co-mingled with the rental income, the account is ineligible</li> <li>• The bank statements must support the receipt of the income as outlined on the lease(s)</li> <li>• Six months bank statements to show evidence of rental income receipt</li> <li>• If multiple accounts have to be used to support the receipt of the rental income, the loan must be fully documented. If the bank statements do not support the rent schedule and the leases, the loan must be fully documented.</li> </ul> <p>Permitted</p> <ul style="list-style-type: none"> <li>• Owner-occupied two-to four-unit properties</li> <li>• Investment properties</li> <li>• Rental income received from a family member with a minimum six months of cancelled rent checks provided by the tenant family member</li> </ul> <p>Not Permitted</p> <ul style="list-style-type: none"> <li>• Rental income on a second home</li> <li>• Room rents             <ul style="list-style-type: none"> <li>• If any of the units in a property are receiving room rents then none of the rental income received for the property may be used</li> <li>• If the borrower is receiving room rents on any of their properties, the loan must be fully documented and is not eligible for Alt Doc NINE</li> </ul> </li> </ul>
<b>43. RENTAL INCOME CALCULATION</b>	<p>The following is required to support the rental income:</p> <ul style="list-style-type: none"> <li>• Single Family Comparable Rent Schedule (FNMA Form 1007) and Operating Income Statement (FNMA Form 216) – Subject property only</li> <li>• Complete Schedule of Real Estate Owned on loan application</li> <li>• Complete Rent Schedule outlining the property address, length of ownership, rent received, and payment details (PTIA)</li> <li>• Copies of the fully executed lease agreements</li> </ul> <p>Income received from rental properties will be calculated as follows:</p> <ul style="list-style-type: none"> <li>• 75% of actual rents, established by the fully executed lease(s)</li> <li>• If the lease is incomplete, expired, or not yet in effect, the entire payment will be included in qualifying ratios</li> </ul> <p>Cash Flow</p> <ul style="list-style-type: none"> <li>• A positive cash flow will be added to gross income</li> <li>• A negative cash flow will be added to total liabilities</li> <li>• If the borrower owns multiple properties then rental income may be calculated on an aggregate basis</li> </ul>

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## DOCUMENTATION REQUIREMENTS FOR RENTAL INCOME

- A loan for the refinance of an investment property generating a negative cash flow is ineligible

Bank Statement Calculation Example					100% Allowed for Personal Bank Statements	70% Allowed for Business Bank Statements
	Statement Date	Deposits	Less transfers	Less one-time deposits	Total Personal Deposits	Total Business Deposits
1	3/31/2018	\$9,800.00			\$9,800.00	\$6,860.00
2	2/28/2018	\$13,548.00	\$2,354.00		\$11,194.00	\$7,835.80
3	1/31/2018	\$5,489.00			\$5,489.00	\$3,842.30
4	12/31/207	\$14,752.00	\$4,544.00		\$10,208.00	\$7,145.60
5	11/30/2017	\$6,352.00			\$6,352.00	\$4,446.40
6	10/31/2017	\$1,587.00			\$1,587.00	\$1,110.90
7	9/30/2017	\$15,483.00	\$3,254.00		\$12,229.00	\$8,560.30
8	8/31/2017	\$3,657.00			\$3,657.00	\$2,559.30
9	7/31/2017	\$45,638.00	\$1,500.00	\$25,000.00	\$19,138.00	\$13,396.60
10	6/30/2017	\$15,634.00			\$15,634.00	\$10,943.80
11	5/31/2017	\$8,456.00			\$8,456.00	\$5,919.20
12	4/30/2017	\$8,955.00			\$8,955.00	\$6,268.50
<b>Totals month 1-12</b>		<b>\$149,351.00</b>	<b>\$11,652.00</b>	<b>\$25,000.00</b>	<b>\$112,699.00</b>	<b>\$78,889.30</b>
<b>Averages</b>		<b>\$12,445.92</b>	<b>\$971.00</b>	<b>\$2083.33</b>	<b>\$9,391.58</b>	<b>\$6,574.11</b>
<b>Individual deposits over this amount require explanation</b>					<b>\$14,087.38</b>	<b>\$9,861.16</b>

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Product Matrices contain eligibility guidelines only.  
Consult the Client Guide for full details.