

## DITECH BUSINESS LENDING PIGGYBACK CLOSED END SECOND EE PRODUCT CORRESPONDENT LENDERS ONLY

<b>1. PRODUCT DESCRIPTION</b>	<ul style="list-style-type: none"> <li>Second lien position</li> <li>Single disbursement</li> <li>Loan amount must in \$100 increments</li> <li>Servicing retained</li> <li>Qualified Mortgage (QM) Safe Harbor loans are permitted</li> <li>Qualified Mortgage (QM) Rebuttable Presumption loans are permitted –see the Qualified Mortgage (QM) Rebuttable Presumption section for requirements.</li> </ul> <p><b>Product Options</b></p> <ul style="list-style-type: none"> <li>Closed end, fixed rate, fully amortizing loan</li> <li>10, 15, 20, and 30 year terms</li> </ul>																																
<b>2. PRODUCT CODES</b>	GG6 Piggyback Closed End Second EE																																
<b>3. ELIGIBLE FIRST MORTGAGE PRODUCTS</b>	<p>The following conforming first mortgage products may be used in conjunction with this Piggyback Closed End product. Regardless of the loan product, a DU Approve/Eligible decision is required.</p> <table border="1" style="width: 100%; border-collapse: collapse; margin: 10px 0;"> <tr><td>W90 10 Yr Fannie/Freddie Fixed</td><td>W91 10 Yr Freddie Mac Eligible Fixed</td></tr> <tr><td>345 15 Yr Fannie/Freddie Fixed</td><td>347 15 Yr Freddie Mac Eligible Fixed</td></tr> <tr><td>W78 20 Yr Fannie/Freddie Fixed</td><td>W79 20 Yr Freddie Mac Eligible Fixed</td></tr> <tr><td>346 30 Yr Fannie/Freddie Fixed</td><td>348 30 Yr Freddie Mac Eligible Fixed</td></tr> <tr><td>Z89 30 Yr 5/1 Fannie /Freddie LIBOR ARM 2/2/5 Cap</td><td>BB5 30 Yr 5/1 Freddie Mac Eligible LIBOR ARM</td></tr> <tr><td>A68 30 Yr 5/1 Fannie/Freddie LIBOR ARM 5/2/5 Cap</td><td>BB6 30 Yr 7/1 Freddie Mac Eligible LIBOR ARM</td></tr> <tr><td>B14 30 Yr 7/1 Fannie /Freddie LIBOR ARM</td><td>BB7 30 Yr 10/1 Freddie Mac Eligible LIBOR ARM</td></tr> <tr><td>H42 30 Yr 10/1 Fannie/Freddie LIBOR ARM</td><td>X39 10 Yr Super Conforming Freddie Mac Eligible Fixed</td></tr> <tr><td>X38 10 Yr Fannie/Freddie High-Balance Fixed</td><td>W08 15 Yr Super Conforming Freddie Mac Eligible Fixed</td></tr> <tr><td>V40 15 Yr Fannie /Freddie High Balance Fixed</td><td>X49 20 Yr Super Conforming Freddie Mac Eligible Fixed</td></tr> <tr><td>X48 20 Yr Fannie/Freddie High-Balance Fixed</td><td>W09 30 Yr Super Conforming Freddie Mac Eligible Fixed</td></tr> <tr><td>V41 30 Yr Fannie/Freddie High-Balance Fixed</td><td>CC2 30 Yr 5/1 Super Conforming Freddie Mac Eligible LIBOR ARM</td></tr> <tr><td>Y02 30 Yr Fannie High-Balance 7/1 LIBOR ARM</td><td>CC3 30 Yr 7/1 Super Conforming Freddie Mac Eligible LIBOR ARM</td></tr> <tr><td>Z90 30 Yr Fannie High-Balance 5/1 LIBOR ARM 2/2/5 Cap</td><td>CC4 30 Yr 10/1 Super Conforming Freddie Mac Eligible LIBOR ARM</td></tr> <tr><td>V42 30 Yr Fannie High-Balance 5/1 LIBOR ARM 5/2/5 Cap</td><td></td></tr> <tr><td>Y04 30 Yr Fannie High-Balance 10/1 LIBOR ARM</td><td></td></tr> </table> <p>Copy of first mortgage note must be provided to evidence:</p> <ul style="list-style-type: none"> <li>First mortgage may not have a remaining term of less than five years</li> <li>First mortgage must not permit the note holder to “call” the financing within the first five years following loan closing</li> <li>First lien with material modifications (loan amount, interest rate, final maturity or product structure) regardless of seasoning is not permitted</li> </ul>	W90 10 Yr Fannie/Freddie Fixed	W91 10 Yr Freddie Mac Eligible Fixed	345 15 Yr Fannie/Freddie Fixed	347 15 Yr Freddie Mac Eligible Fixed	W78 20 Yr Fannie/Freddie Fixed	W79 20 Yr Freddie Mac Eligible Fixed	346 30 Yr Fannie/Freddie Fixed	348 30 Yr Freddie Mac Eligible Fixed	Z89 30 Yr 5/1 Fannie /Freddie LIBOR ARM 2/2/5 Cap	BB5 30 Yr 5/1 Freddie Mac Eligible LIBOR ARM	A68 30 Yr 5/1 Fannie/Freddie LIBOR ARM 5/2/5 Cap	BB6 30 Yr 7/1 Freddie Mac Eligible LIBOR ARM	B14 30 Yr 7/1 Fannie /Freddie LIBOR ARM	BB7 30 Yr 10/1 Freddie Mac Eligible LIBOR ARM	H42 30 Yr 10/1 Fannie/Freddie LIBOR ARM	X39 10 Yr Super Conforming Freddie Mac Eligible Fixed	X38 10 Yr Fannie/Freddie High-Balance Fixed	W08 15 Yr Super Conforming Freddie Mac Eligible Fixed	V40 15 Yr Fannie /Freddie High Balance Fixed	X49 20 Yr Super Conforming Freddie Mac Eligible Fixed	X48 20 Yr Fannie/Freddie High-Balance Fixed	W09 30 Yr Super Conforming Freddie Mac Eligible Fixed	V41 30 Yr Fannie/Freddie High-Balance Fixed	CC2 30 Yr 5/1 Super Conforming Freddie Mac Eligible LIBOR ARM	Y02 30 Yr Fannie High-Balance 7/1 LIBOR ARM	CC3 30 Yr 7/1 Super Conforming Freddie Mac Eligible LIBOR ARM	Z90 30 Yr Fannie High-Balance 5/1 LIBOR ARM 2/2/5 Cap	CC4 30 Yr 10/1 Super Conforming Freddie Mac Eligible LIBOR ARM	V42 30 Yr Fannie High-Balance 5/1 LIBOR ARM 5/2/5 Cap		Y04 30 Yr Fannie High-Balance 10/1 LIBOR ARM	
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<b>4. TEMPORARY BUYDOWNS</b>	Not permitted																																

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<p><b>5. QUALIFYING RATE AND RATIOS</b></p>	<p><b>Qualifying Rate on the First Lien</b></p> <ul style="list-style-type: none"> <li>• Fixed Rate First Mortgage             <ul style="list-style-type: none"> <li>• Qualify using the fully amortized fixed payment</li> </ul> </li> <li>• ARM First Mortgage             <ul style="list-style-type: none"> <li>• <b>ARMs with an initial fixed rate &lt;= 5 years</b>, qualify at the higher of the fully indexed rate or the note rate plus <b>2%</b></li> <li>• ARMs with an initial fixed rate period &gt; 5 years, qualify at the greater of the note rate or the fully indexed rate</li> </ul> </li> </ul> <p><b>Qualifying Rate on the Second Lien</b></p> <ul style="list-style-type: none"> <li>• Qualify using the fully amortized fixed payment</li> </ul> <p><b>Ratios</b></p> <ul style="list-style-type: none"> <li>• 35% DTI for CLTV &gt; 90%</li> <li>• 43% DTI for CLTV &lt;= 90%</li> </ul>
<p><b>6. TYPES OF FINANCING</b></p>	<p><b>Purchase Money Piggyback</b></p> <ul style="list-style-type: none"> <li>• Must close concurrent with a ditech conforming first mortgage purchase transaction</li> <li>• Entire loan amount must be disbursed at closing</li> <li>• Entire loan amount must be used for the down payment</li> <li>• <b>Principal curtailment is not permitted</b></li> <li>• Non-arm's length transactions not permitted</li> </ul> <p><b>Credit Only Piggyback</b></p> <ul style="list-style-type: none"> <li>• Must close concurrently with a ditech conforming first mortgage rate &amp; term refinance transaction</li> <li>• Entire loan amount must be disbursed at closing</li> <li>• Entire loan amount must be used to pay off existing first mortgage and/or existing subordinate lien plus closing costs and discount points associated with the first or second lien</li> <li>• The existing subordinate lien must have either been used in whole to acquire the subject property. Loans that do not meet this guideline are considered cash out transactions and are not eligible.</li> <li>• Cash out is not permitted on the second lien. Cash-out is limited to the first lien only, to the lesser of 2% of the principal amount of the new first lien or \$2000</li> <li>• Regardless of the use of the first lien proceeds, if any of the proceeds are for debt consolidation, debt payoff or cash out, the loan is considered a cash out transaction and is not eligible</li> <li>• <b>Principal Curtailment permitted on first lien:</b> <ul style="list-style-type: none"> <li>• <b>Maximum allowed up to the lesser of 2% of the new loan amount or \$2,000</b></li> <li>• <b>Must be reflected on the Closing Disclosure</b></li> </ul> </li> <li>• Properties that are currently listed for sale, or that have been listed for sale in the past six months from the date of application are ineligible</li> <li>• Delayed financing not permitted.</li> <li>• Continuity of Obligation is met when any one of the following exists:</li> </ul>

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- At least one borrower is obligated on the new loan who was also a borrower obligated on the existing loan being refinanced.
- **At least one borrower held title to the subject property for the most recent six-month period. The file must contain documentation evidencing that the borrower has been making the mortgage payments, including any payments for secondary financing.**
- The loan being refinanced and the title to the property are in the name of a natural person or an LLC, as long as the borrower was a member of the LLC prior to transfer. Transfer of ownership from a corporation to an individual does not meet the continuity of obligation requirements.
- The borrower has recently inherited, or was legally awarded the property (divorce, separation or dissolution of a domestic partnership).

### 7. LOAN AMOUNT

- Minimum loan amount
  - \$20,000
- Maximum loan amount
  - \$500,000
  - Limited to lesser of program eligibility or borrower qualification
- Maximum combined loan amount
  - \$1,500,000

### 8. CLTV LIMITATIONS

- The lower of the first or second mortgage CLTV requirements will determine the maximum allowable CLTV.

Units	CLTV	Credit Score	DTI
<b>PRIMARY RESIDENCE</b>			
1	95%	720	35%
1	90%	720	43%
1	85%	680	43%

### 9. PROPERTY TYPES

#### Eligible Property Types

- 1 unit
- Condo – must be Fannie Mae warrantable and comply with first mortgage guidelines
  - Nevada
    - HOA dues for the subject unit must be current prior to closing
    - HOA may not be seller of the subject unit
- PUD
  - Nevada
    - HOA dues for the subject unit must be current prior to closing
    - HOA may not be seller of the subject unit

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### Ineligible Property Types

- 2-4 units
- Agricultural and agriculturally zoned properties, such as working farms or ranches
- Bed and breakfast
- Boarding houses and group homes
- Commercial, industrial or business zoning
- Condotels
- Condominium conversions
- Cooperatives
- Earth-sheltered, or dome home
- Leaseholds
- Log Homes
- Manufactured Homes
- Mixed use properties; including, but not limited to home businesses, such as catering, in-home day care, animal boarding facilities, or auto repair businesses
- Mobile homes
- Modular homes
- Motel conversions
- Non-warrantable condos
- Properties located in declining markets
- Properties in Hawaiian lava zones 1 and 2 as determined by the US Geological Survey Hawaiian Volcano Observatory
- Properties located in retirement or senior community with age restrictions
- Properties located on Indian/Native American Tribal Land
- Properties not readily accessible by roads that meet local standards
- Properties not suitable for year round residence
- Properties that does not have full utilities installed to meet all local health and safety standards including, but not limited to:
  - A continuing supply of potable water
  - A public sewer or certified septic system
  - Public electricity
  - Natural or LP gas
- Properties with any type of litigation
- Property with health & safety, habitability or structural issues
- Properties with more than 20 acres
- Properties with pending litigation
- **Properties with resale restrictions such as retirement or senior community with age restrictions**
- Properties with square footage of less than 700 feet unless two comparable sales are provided that are within 100 square feet
- Rural zoning
- "Subject to" value without a Completion Certificate (Fannie Mae Form 1004D)

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	<ul style="list-style-type: none"> <li>• Timeshares</li> </ul>
<b>10. OCCUPANCY</b>	<p>Primary residence</p> <p><u>Parents Purchasing for Child</u> Children purchasing home for aged parents will not be considered a primary residence and is not eligible</p>
<b>11. GEOGRAPHIC LOCATIONS/ RESTRICTIONS</b>	<p><b>Ineligible States</b></p> <ul style="list-style-type: none"> <li>• Alaska</li> <li>• Delaware</li> <li>• New Mexico</li> <li>• New York</li> <li>• West Virginia</li> <li>• Wisconsin</li> </ul> <p><b>Rhode Island</b></p> <ul style="list-style-type: none"> <li>• Appraisal may not exceed \$250 and the Title may not exceed \$150.</li> </ul> <p><b>Tennessee</b></p> <ul style="list-style-type: none"> <li>• Third party closing costs cannot exceed 4% of the loan amount</li> </ul> <p><b>Texas Piggyback</b></p> <ul style="list-style-type: none"> <li>• All proceeds must be applied towards the down payment</li> <li>• The first mortgage Sales Contract and Commitment are required</li> <li>• Funds must be disbursed to the Title Company</li> <li>• Properties subject to Texas Section 50(a)(6) are not permitted</li> </ul>
<b>12. SPECIFIC STATE REQUIREMENTS</b>	The State Requirements are located in the Compliance Section, Chapter 2 of the Client Guide
<b>13. ASSUMPTIONS</b>	Not permitted
<b>14. ESCROW WAIVERS</b>	Follow first mortgage guidelines
<b>15. PREPAYMENT PENALTY</b>	Not permitted
<b>16. APPROVAL AUTHORITY</b>	All loans must be submitted to ditech
<b>17. UNDERWRITING/AUS DECISIONS</b>	<p><b>First Mortgage</b></p> <ul style="list-style-type: none"> <li>• Must receive a DU Approve/Eligible decision</li> <li>• Manual review of the loan is not permitted</li> </ul> <p><b>Second Lien</b></p> <ul style="list-style-type: none"> <li>• Loan must be manually underwritten and fully documented according to the product and policy guidelines on this product matrix, attached Client Guide Supplement and the Conforming chapter of the Client Guide and submitted to DU to receive appropriate fraud alerts and contributory messages</li> </ul>

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	<ul style="list-style-type: none"> <li>• May not follow DU documentation requirement</li> <li>• Both first and second mortgage loan files must be underwritten simultaneously</li> <li>• Transmittal Summary (Form 1008) required for the first mortgage and separate Transmittal Summary (Form 1008) required for the second lien</li> <li>• <b>DU Findings Report used in the underwriting decision must be included in the loan file</b></li> <li>• Follow Fannie Mae guidelines in effect as of the loan application date for any underwriting criteria not referenced in this product matrix</li> <li>• Must adhere to Ability to Repay underwriting standards</li> <li>• Maximum four borrowers on the transaction</li> </ul>
<b>18. PROCESSING STYLE</b>	Full Documentation
<b>19. BORROWER ELIGIBILITY</b>	<p><b>Permanent Resident Alien</b></p> <ul style="list-style-type: none"> <li>• Copy of valid and current Permanent Resident card (Green Card – Form I-551)</li> </ul> <p><b>Non-Permanent Resident Alien</b></p> <ul style="list-style-type: none"> <li>• Not permitted</li> </ul> <p><b>Trusts</b></p> <ul style="list-style-type: none"> <li>• Inter Vivos Revocable trusts permitted.</li> </ul>
<b>20. CO-BORROWERS</b>	Non-occupant co-borrowers are not permitted
<b>21. CREDIT</b>	<p>Must comply with conforming first mortgage guidelines except as follows:</p> <p><b>Credit Score</b></p> <ul style="list-style-type: none"> <li>• See the CLTV Limitations section for credit score requirements</li> </ul> <p><b>Trade Line Requirements</b></p> <ul style="list-style-type: none"> <li>• 3 established open and active trade lines on the credit report <ul style="list-style-type: none"> <li>• One reported for a minimum of 24 months</li> <li>• All active in the last 12 months (defined as last activity within 12 months of credit report date)</li> <li>• One with a minimum \$2,500 high credit balance</li> </ul> </li> <li>• Borrowers failing to meet the minimum 3 trade line requirement but have a minimum of 1 open and active trade line with 12 months or more reporting is eligible if all of the following are met: <ul style="list-style-type: none"> <li>• 8 or more tradelines reported, and</li> <li>• Minimum 7 years of established credit history</li> </ul> </li> </ul>

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### **Housing (Mortgage/Rental) Payment History (PITIA)**

- At least one borrower must have a 12 month recent, consecutive primary payment history
- Inclusive of all liens regardless of lien position
- Applies to all mortgages on all financed properties
- 0 x 30 in the past 12 months
- Borrowers living rent free or who are unable to provide third-party verification of prior housing history in the last 12 months are ineligible.
- Private mortgage holder or landlord – 12 months cancelled checks or bank statement required

### **Bankruptcy**

- Chapter 7: 4 years from discharge/dismissal date prior to application date
- Chapter 13, Chapter 11 and Consumer Credit Counseling (CCC): 4 years from discharge/dismissal date
- Reduced waiting periods due to extenuating circumstances not permitted
- Multiple bankruptcies are not eligible

### **Foreclosure**

- 4 years from completion date prior to application date
- Foreclosure limitations apply to formal foreclosure filings
- Reduced waiting periods due to extenuating circumstances not permitted

### **Prior Loss Mitigation** (including deed-in-lieu, pre foreclosure, short sale, NOD, short refinance and modification)

- 4 years prior to application date
- Reducing waiting periods due to extenuating circumstances not permitted

### **Delinquent credit that will impact title** (including delinquent taxes, judgments, charge-offs, tax liens and mechanic's lines)

- Must be paid off prior to or at closing

### **Tax Repayment Plans**

- Must be paid off prior to or at closing

### **Deferred Student Loans**

- Comply with conforming first mortgage guidelines

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<p><b>22. ASSET/RESERVES</b></p>	<p>Must comply with conforming first mortgage guidelines except as follow s:</p> <p><b>Downpayment</b></p> <ul style="list-style-type: none"> <li>Borrower must contribute at least 5% of their own funds into the purchase transaction</li> </ul> <p><b>Ineligible Sources</b></p> <ul style="list-style-type: none"> <li>Gifts</li> <li>Gifts of Equity</li> <li>Business Assets</li> </ul> <p><b>Reserves</b></p> <ul style="list-style-type: none"> <li>Follow first mortgage guidelines</li> </ul>
<p><b>23. EMPLOYMENT/INCOME</b></p>	<ul style="list-style-type: none"> <li>Refer to the attached Employment and Income Supplement and to the Client Guide</li> <li>Explain employment gaps of one month or more</li> </ul> <p><b>Form 4506-T</b></p> <ul style="list-style-type: none"> <li>Follow first mortgage guidelines</li> </ul>
<p><b>24. LIMITATIONS ON OTHER R.E OWNED</b></p>	<ul style="list-style-type: none"> <li>Must comply with conforming first mortgage guidelines</li> <li>See Asset/Reserve section for other financed properties</li> </ul>
<p><b>25. APPRAISAL REQUIREMENTS</b></p>	<ul style="list-style-type: none"> <li>Appraisal must be ordered through Client's standard ordering process/AMC.</li> <li>An Interior and Exterior Appraisal Report and Collateral Desktop Analysis + MLS Sheet (CDA) are required for all loans.</li> <li>CDA must be ordered through Clear Capital</li> <li>If the variance between the appraisal or the purchase price and the CDA <math>\leq</math> 10%, the lower of the purchase price or appraised value will be used to establish LTV/CLTV</li> <li>If the variance between the appraisal and the CDA <math>&gt;</math> 10% or the CDA returns an "indeterminate" value, a Clear Capital BPO and a Value Reconciliation of Three Reports must be performed. The reconciled value determined by Clear Capital will be used to establish LTV/CLTV</li> <li>If the CDA value is greater than the appraised value, the appraised value will be used to establish LTV/CLTV</li> <li>Recertification of value is not permitted</li> <li>Transferred FHA/VA appraisals are not permitted</li> <li>Condition rating C5 and C6 are not permitted.</li> </ul>
<p><b>26. MORTGAGE INSURANCE</b></p>	<p>N/A</p>

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**27. REBUTTABLE PRESUMPTION**

- A transaction is classified as Qualified Mortgage (QM) Rebuttable Presumption when the APR is greater than or equal to the Average Prime Offer Rate (APOR) + 3.5%, which can be categorized as Higher Priced Covered Transaction (HPCT)
- Ditech employees refer to the Compliance Manual for a full description of Qualified Mortgage (QM) Rebuttable Presumption

<b>RESIDUAL INCOME</b>	
Residual income is the qualified gross monthly income less the gross monthly debt. The debt and income used to calculate the DTI ratio should be used for the residual income evaluation per the base product guidelines.	
<b>If monthly residual income is</b>	<b>Then, the minimum reserves required are ...</b>
\$2500 or greater	No minimum reserves, comply with minimum reserves requirement for the base loan program.
>= \$800 < \$2500	The greater of: <ul style="list-style-type: none"> <li>• Three months liquid reserves OR</li> <li>• Minimum reserve for base loan program</li> </ul>
<\$800	Not eligible

**28. SPECIAL REQUIREMENTS/ RESTRICTIONS**

- Ordering closing documents thru Digital Docs is mandatory. Please contact your sales director or Client Services for additional information.
- Full ALTA title policy with expanded coverage that insures both the first lien and second lien positions is required

**E-Signatures**

- Permitted on the initial disclosures and the initial application (1003)

**Power of Attorney**

- Comply with conforming first mortgage guidelines
- E-Signatures not permitted

**Ineligible**

- Construction Financing
- Contract for Deed
- Land Contracts
- Lease Option to Buy
- Flipped Properties
- Repair Escrows

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## BUSINESS LENDING HOME EQUITY CLOSED END PRODUCT EMPLOYMENT AND INCOME SUPPLEMENT

This supplement works in conjunction with the Product Matrix and Client Guide. The more restrictive of Desktop Underwriter or these employment and income requirements must be applied.

### EMPLOYMENT INCOME

A Verbal Verification of Employment (VVOE) completed within 10 calendar prior to the note date is required for all current Employment Income

<b>Base Pay (salary or hourly)</b>	<ul style="list-style-type: none"> <li>• Current paystub covering a 30-day period showing YTD income dated no earlier than 30 days prior to the loan application</li> <li>• Most recent two year's W-2s or</li> </ul>
<b>Bonus</b>	<ul style="list-style-type: none"> <li>• Current paystub covering a 30-day period showing YTD income dated no earlier than 30 days prior to the loan application</li> <li>• Most recent two year's W-2s</li> <li>• Written Verification of Employment, employer letter or equivalent itemizing bonus income</li> <li>• Bonus income calculation must be a two year average</li> <li>• Income received for 12 to 24 months may be considered as acceptable income with documented justification with written analysis to mitigate use of shorter history</li> </ul>
<b>Commission</b>	<ul style="list-style-type: none"> <li>• Current paystub covering a 30-day period showing YTD income dated no earlier than 30 days prior to the loan application</li> <li>• Most recent two year's W-2s or 1099s</li> <li>• Most recent two year's signed personal tax returns with all schedules</li> <li>• Written Verification of Employment, employer letter or equivalent itemizing commission income</li> <li>• Commission income calculation must be a two year average</li> <li>• Income received for 12 to 24 months may be considered as acceptable income with documented justification with written analysis to mitigate use of shorter history</li> <li>• Unreimbursed business expenses must be subtracted from income</li> </ul>
<b>Employment by a Relative, Property Seller or Real Estate Broker</b>	<ul style="list-style-type: none"> <li>• Current paystub covering a 30-day period showing YTD income dated no earlier than 30 days prior to the loan application</li> <li>• Most recent two year's W-2s</li> <li>• Verify borrower is not an owner of the business by providing                             <ul style="list-style-type: none"> <li>• Signed personal tax returns, or</li> <li>• Signed business income tax return showing ownership percentage</li> </ul> </li> </ul>
<b>Extended Absence</b>	<ul style="list-style-type: none"> <li>• Must be employed in current job for 6 months or longer</li> <li>• Document two year work history prior to the absence</li> <li>• Current paystub covering a 30-day period showing YTD income dated no earlier than 30 days prior to the loan application</li> <li>• Most recent two years W-2s</li> </ul>
<b>Employment Gap</b>	Explain employment gaps of one month or more
<b>Foreign Income</b>	Not permitted
<b>Military or Military Reserve</b>	<ul style="list-style-type: none"> <li>• Current Leave and Earnings Statement and</li> <li>• Most recent two year's W2s</li> </ul>
<b>Overtime</b>	<ul style="list-style-type: none"> <li>• Current paystub covering a 30 day period showing YTD income dated no earlier than 30 days prior to the loan application</li> <li>• Most recent two year's W-2s</li> <li>• Written Verification of Employment, employer letter or equivalent itemizing overtime income</li> <li>• Overtime income calculation must be a two year average</li> </ul>

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## BUSINESS LENDING HOME EQUITY CLOSED END PRODUCT EMPLOYMENT AND INCOME SUPPLEMENT

	<ul style="list-style-type: none"> <li>Income received for 12 to 24 months may be considered as acceptable income with documented justification with written analysis to mitigate use of shorter history</li> </ul>
<b>Seasonal Income</b>	<ul style="list-style-type: none"> <li>Current paystub covering a 30 day period dated no earlier than 30 days prior to the loan application</li> <li>Most recent two year's W-2s or two years signed personal tax returns with all schedules</li> <li>Written confirmation from employer that there is a reasonable expectation that borrower will be rehired for the next season</li> </ul>
<b>Secondary Employment</b>	<p>Employed and Self-Employed</p> <ul style="list-style-type: none"> <li>Document as for primary employment</li> </ul>
<b>Self-Employment</b>	<ul style="list-style-type: none"> <li>Two years signed personal income tax returns with all schedules</li> <li>Two years fully executed business income tax returns with all schedules                             <ul style="list-style-type: none"> <li>Must be signed by business owners</li> </ul> </li> <li>YTD Profit and Loss Statement signed by borrower</li> <li>Current year Balance Sheet</li> <li>Cash flow analysis required (Form 1084 or comparable form)</li> <li>If prior year tax return has not been filed, provide the following:                             <ul style="list-style-type: none"> <li>Year-end Profit and Loss Statement signed by the borrower</li> <li>Year-end Balance Sheet for sole proprietor (Schedule C), and</li> <li>1099s and W-2s, if applicable</li> <li>Loans closing in January and prior to the receipt of W-2s may use the prior year's year-end paystub. For borrowers using 1099s, evidence of receipt of 1099 income must be provided                                     <ul style="list-style-type: none"> <li>If percentage of ownership is not shown on tax returns, obtain the information from the corporation's account with evidence that borrower has the right to compensation</li> </ul> </li> </ul> </li> <li>Self employment income <math>\geq</math> 1 year <math>&lt;</math> 2 years                             <ul style="list-style-type: none"> <li>Income must have been reported on the most recent year's tax return, and</li> <li>Demonstrate a minimum two year history or comparable or higher income in same profession or industry, or</li> <li>Demonstrate a combination of 1 year experience and 1 year professional training or education in an area related to the occupation</li> </ul> </li> </ul>
<b>Temporary Leave Income</b>	<ul style="list-style-type: none"> <li>Copy of disability policy or benefits statement to show:                             <ul style="list-style-type: none"> <li>Borrower's current eligibility</li> <li>Amount and frequency of payments</li> <li>If there is a contractually established termination or modification date</li> </ul> </li> <li>Current paystub covering a 30 day period dated no earlier than 30 days prior to the loan application documenting pre-leave income</li> <li>If returning to work after the first mortgage payment, use lesser of the leave income or pre-leave monthly income to qualify</li> </ul>
<b>Tip Income</b>	<ul style="list-style-type: none"> <li>Current paystub covering a 30-day period dated no earlier than 30 days prior to the loan application</li> <li>Most current two year's W-2s</li> </ul>
<b>Union Member</b>	<ul style="list-style-type: none"> <li>Written Verification of Employment or current paystub covering a 30-day period dated no earlier than 30 days prior to the loan application</li> <li>Current paystub from current employer and final paystub from each employer worked during the current year, if multiple employers</li> <li>Most current two year's W-2s from all employers</li> <li>Most current two year's fully executed personal tax returns with all schedules</li> </ul>

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<b>NON-EMPLOYMENT INCOME</b>	
<b>Alimony and Child Support Payments</b>	<p>12 month documentation of receipt of income</p> <ul style="list-style-type: none"> <li>Cancelled checks</li> <li>Deposit slips</li> <li>Fully executed tax returns or</li> <li>Court records</li> </ul> <p>Confirm income will continue for three years with one of the following</p> <ul style="list-style-type: none"> <li>Divorce decree</li> <li>Separation agreement</li> <li>Court order</li> <li>Voluntary payment agreement</li> </ul>
<b>Automobile Allowance/ Expense Account Payments</b>	<ul style="list-style-type: none"> <li>IRS 2106 for previous two years</li> <li>Employer verification that payments will continue</li> <li>Only the amount by which the borrower's auto allowance or expense account payments exceed the borrower's monthly expenditures for the automobile may be added to the borrower's monthly income</li> <li>The following must be treated as recurring debt                             <ul style="list-style-type: none"> <li>Monthly car payment, and</li> <li>Any loss resulting from the difference between actual expenditures and the expense account allowance</li> </ul> </li> <li>If the borrower does not report the allowance on Form 2106 or Schedule C                             <ul style="list-style-type: none"> <li>the full amount of the allowance is added to the borrower's monthly income and</li> <li>the full amount of the lease or financing expenditure is added to the borrower's total monthly obligations</li> </ul> </li> </ul>
<b>Boarder Income</b>	<ul style="list-style-type: none"> <li>Rental income may be used to qualify a borrower with a disability if income is received from a live-in aide</li> <li>Demonstrate history of shared residence over 12 months</li> <li>Evidence of receipt for 12 months</li> <li>Must be shown on borrower's personal tax returns</li> <li>Most current signed personal tax returns with all schedules</li> <li>May use an amount up to 30% of total gross income to qualify</li> </ul>
<b>Capital Gains</b>	<ul style="list-style-type: none"> <li>Most current two years signed personal tax returns with all schedules</li> <li>Verify sufficient assets to continue generating similar earnings for next three years</li> <li>Capital gains income calculation must be a two year average</li> </ul>
<b>Employer Differential Payments</b>	<ul style="list-style-type: none"> <li>Employer to verify payment amount and duration</li> <li>Consider as gross income</li> <li>Cannot be used to offset the mortgage payment directly even if employer pays the servicer directly</li> </ul>
<b>Income Derived From Severance and Lump Sum Retirement Package or</b>	<ul style="list-style-type: none"> <li>Max 70% LTV/CLTV</li> <li>Asset restrictions                             <ul style="list-style-type: none"> <li>Owned by one or more borrowers</li> <li>Liquid and unrestricted with no penalties</li> <li>Distribution letter from employer and verification of deposit</li> <li>Document with recent statement</li> </ul> </li> </ul>

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<b>Retirement Accounts</b>	<ul style="list-style-type: none"> <li>• 401K, IRA SEP-IRA eligible if distribution is not yet set up or being received but is not enough to qualify</li> <li>• Stocks, bonds, mutual funds – use 70% of value remaining after cost of transaction</li> <li>• Net Documented Assets are equal to sum of eligible assets minus funds used for closing or reserves minus 30% of remaining value of stocks, bonds, or mutual funds</li> <li>• Divide Net Documented Assets by 360 to calculate income</li> </ul>
<b>Foster Care Income</b>	<ul style="list-style-type: none"> <li>• Verify two year history under a recognized state or county sponsored program             <ul style="list-style-type: none"> <li>• Letter from organization verifying income, or</li> <li>• Deposit slips/bank statements,</li> </ul> </li> <li>• If income received for less than two years but more than one year, income cannot exceed 30% of gross income</li> </ul>
<b>Housing or Parsonage Allowance</b>	<ul style="list-style-type: none"> <li>• Allowance may not be used to offset the monthly housing payment</li> <li>• All of the following is required             <ul style="list-style-type: none"> <li>• Written VOE or letter from employer or paystubs reflecting the amount of the housing allowance and terms paid</li> <li>• Evidence of 12 months receipt of housing allowance</li> </ul> </li> </ul>
<b>Interest and Dividend Income</b>	<ul style="list-style-type: none"> <li>• Verify two year history supported by             <ul style="list-style-type: none"> <li>• Most recent two year's signed personal income tax returns with all schedules, or</li> <li>• Most recent two year's account statements.</li> </ul> </li> <li>• Confirm funds used for down payment does not negatively affect income</li> <li>• Interest and dividend income calculation must be a two year average using the year-to-date earnings.</li> </ul>
<b>Long Term Disability</b>	<p>Disability policy or statement from benefits payer, insurance company or employer to determine</p> <ul style="list-style-type: none"> <li>• disability benefits</li> <li>• disability payments and</li> <li>• if there is a contractually established termination date</li> </ul>
<b>Non-Taxable Income</b>	<ul style="list-style-type: none"> <li>• Verify and document that source of income is non-taxable (award letters, policy agreements, account statements, etc.)</li> <li>• Income may be grossed-up if needed to qualify</li> <li>• Use the tax rate used to calculate the borrower's last year's income tax</li> <li>• If borrower is not required to file a Federal tax return, the tax rate to use is 25%</li> </ul>
<b>Notes Receivable</b>	<ul style="list-style-type: none"> <li>• Copy of Note and</li> <li>• Evidence of receipt for last 12 months as follows             <ul style="list-style-type: none"> <li>• Deposit slips or receipts</li> <li>• Cancelled checks</li> <li>• Bank statements or</li> <li>• Fully executed personal tax returns with all schedules</li> </ul> </li> </ul>
<b>Projected Income</b>	Not permitted
<b>Public Assistance Programs</b>	Provide documentation from paying agency confirming amount, frequency and duration of income
<b>Primary Residence Vacated for Another Primary</b>	Both the current PITIA and the proposed PITIA must be used to qualify the borrower for the subject transaction

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<b>Residence – Pending Sale</b>	
<b>Rental Income</b>	<p>Rental Income on Other Real Estate Owned</p> <ul style="list-style-type: none"> <li>• Most recent two years signed personal income tax returns, including Schedule E and current 12 month lease</li> <li>• Leases can only be substituted when the requirements shown under Partial or No Rental Income on Tax Returns section below</li> </ul> <p>Partial or No Rental Income on Tax Returns</p> <ul style="list-style-type: none"> <li>• Property acquired during or subsequent to the most recent tax filing year, obtain the HUD-1 or Closing Disclosure to confirm the purchase date and one of the following:             <ul style="list-style-type: none"> <li>• Schedule E showing the partial year rental income and expenses; or lease agreement, if the property was acquired subsequent to the last tax filing year.</li> <li>• Rental property was out of service for an extended period, Schedule E must support the unit being out of service for all or a part of the year. The costs associated with a significant renovation should be reflected as Repairs and support the amount of time the unit was out of service. Fair Rental Days on Schedule E is the number of days the unit was in service, which should reflect a reduction in accordance with the time spent off the market during renovation.</li> </ul> </li> </ul> <p><b>Calculating Rental Income</b></p> <ul style="list-style-type: none"> <li>• When Schedule E of the tax returns is used to calculate rental income, depreciation, interest, taxes and insurance should be added back to the cash flow. If the property was in service:             <ul style="list-style-type: none"> <li>• For the entire tax year, the rental income must be averaged for 12 months.</li> <li>• For less than the full year, the rental income must be averaged over the number of months the property was used as a rental unit.</li> </ul> </li> <li>• When current lease agreements are used, calculate the rental income by multiplying the gross rent by 75%.</li> </ul> <p><b>Treatment of Rental Income (or Loss)</b></p> <ul style="list-style-type: none"> <li>• If monthly qualifying rental income minus the full PITIA is positive, it must be added to the borrower's total monthly income.</li> <li>• If monthly qualifying rental income minus the full PITIA is negative, it must be added to the borrower's total monthly obligations.</li> <li>• The full PITIA for the rental property is factored into the amount of rental income (or loss); therefore it should not be counted as a monthly obligation.</li> </ul>
<b>Restricted Stock Units</b>	Not permitted
<b>Retirement and Pension/ Government Annuity/IRA</b>	<p>Verification of at least 6 months of receipt of distributions required</p> <ul style="list-style-type: none"> <li>• One of the following is required             <ul style="list-style-type: none"> <li>• Award letter or verification from former employer</li> <li>• Most recent fully executed personal tax returns with all schedules</li> </ul> </li> <li>• Confirm income will continue for at least 3 years</li> </ul>
<b>Royalty Payments</b>	<ul style="list-style-type: none"> <li>• Most recent signed personal tax returns with all schedules</li> <li>• Fully executed royalty contract, agreement or statement confirming amount, frequency and duration of the income</li> </ul>
<b>Social Security</b>	Social Security Administration Award Letter required
<b>Trust</b>	<ul style="list-style-type: none"> <li>• Trust agreement or trustee letter confirming amount of the trust, frequency of distribution, duration of payments</li> <li>• Confirm trust funds used for down payment does not negatively affect income</li> <li>• Regular receipt of trust income for past 12 months must be documented</li> <li>• Confirm that income will continue for at least 3 years</li> </ul>
<b>Unemployment</b>	<ul style="list-style-type: none"> <li>• Borrower must be employed at the time of closing</li> <li>• Document receipt during last 24 months</li> </ul>

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	<ul style="list-style-type: none"><li>• Most recent two year's signed personal tax returns with all schedules</li><li>• Must be reported on tax returns</li><li>• Must be associated with seasonal layoffs</li></ul>
<b>VA Benefits</b>	<ul style="list-style-type: none"><li>• Letter or distribution form from the Veteran's Administration</li><li>• Education benefits are not acceptable</li></ul>

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