

STANDALONE HELOC PINK GUIDELINES

OVERVIEW

These guidelines apply to Standalone HELOC Pink loans. This job aid must be used in tandem with the *Standalone HELOC Pink Process Guide – UND*.

HIGHLIGHTS

- 12/13/23: New guidelines for the Standalone Pink product

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OVERVIEW

Unless addressed in these guidelines, Fannie Mae underwriting guidelines must be followed. Variances cannot be used and Conventional Overlays will apply when applicable.

ELIGIBILITY

LOAN TERMS

- Minimum Line Amount: \$25,000 for Standalones
- Minimum Utilization (draw amount): 75% of the line amount
 - After the initial draw at closing, the minimum proceeding draw is \$1,000.
 - HELOC is subject to 90 day lock-out period after the initial draw at closing.
- Index: Prime
- Cap: 18% unless otherwise limited by state or regulatory requirements.
- Margin: subject to rate sheet
- Floor: 4%
- Qualifying Rate: Index + Margin + 2%
- Monthly reset
- Qualifying note rate must meet state usury limits in TN, HI, SC, MN and OH

OCCUPANCY

Primary residences, second home transactions, and investment properties are permitted. Second home 2-4 units are **ineligible**.

Non-occupying co-borrowers are permitted on primary transactions.

ELIGIBLE PROPERTY TYPES

Below are the eligible property types:

- 1-4 Unit attached or detached single family residence (SFR)
- 1 unit attached or detached planned unit development (PUD)
- 1 unit attached or detached condominium
 - Attached condominium must be Fannie Mae warrantable

INELIGIBLE PROPERTY TYPES

Below are the ineligible property types:

- Properties listed for sale within the last six months as of the application date
- Condo hotels and condotels
- Unique properties (such as log homes)
- Properties with more than ten (10) acres
- Manufactured homes
- Mobile homes
- Cooperatives

- Leaseholds
- Non-Fannie Warrantable Condominiums
- Commercial, farms/working farms, churches, and mixed use commercial properties
- Rural properties (indicated as “rural” on the appraisal or has rural zoning on the appraisal)
- Properties with agricultural zoning or characteristics

INELIGIBLE TRANSACTIONS

Below are the ineligible property transactions:

- Loans in Texas, Vermont, and Iowa
- Escrow holdbacks
- Temporary buydowns (the first mortgage is permitted to have a temporary buydown)
- Community seconds
- Negative amortization
- Assumable loans
- Reverse 1st lien mortgages
- High Cost Mortgage Loans
- Power of Attorney

INELIGIBLE BORROWERS

- Trust Estates
- LLC, Corporation, or Partnership
- Foreign Nationals
- Borrowers with diplomatic immunity or otherwise excluded from US jurisdiction

CREDIT

At least **two** credit scores are required per borrower. The lower of the two scores will be the qualifying FICO for the borrower.

Refer to the HELOC Product Matrix for the minimum credit score requirements.

MORTGAGE PAYMENT HISTORY

No late payments are allowed for any mortgage in the most recent twelve months (**0x30x12**) unless during a COVID-19 forbearance. Missed payments during the forbearance period would not be considered late. Any mortgage loan currently in forbearance must be removed prior to loan application date.

All mortgages must be current and no more than 45 days may have elapsed since the last paid installment date to the loan application date.

DEROGATORY CREDIT

Follow Fannie Mae for waiting period requirements. Extenuating circumstances are **not permitted**.

INTEREST-ONLY FIRST MORTGAGE

When the first mortgage is interest-only, the fully amortized payment must be used for qualification. Documentation such as the mortgage note must be provided evidencing the loan terms.

JUDGMENTS/COLLECTIONS/TAX LIENS

Follow Fannie Mae requirements for judgments, collections, and tax liens:

Collection Accounts

- For one-unit, principal residence properties, borrowers are not required to pay off outstanding collections or non-mortgage charge-offs—regardless of the amount.
- For 2-4 unit owner-occupied and second home properties, collections and non-mortgage charge-offs totaling more than \$5,000 must be paid in full prior to or at closing.
- For investment properties, individual collection and non-mortgage charge-off accounts equal to or greater than \$250 and accounts that total more than \$1,000 must be paid in full prior to or at closing.

Judgments/Tax Liens

- Open judgments/tax liens and all outstanding liens that are in the Public Records section of the credit report must be paid off at or prior to closing.

INCOME REQUIREMENTS

Income produced, or in relation to, cannabis, hemp, or the adult entertainment industry is **not permitted**.

The following guidance also applies:

- The loan file must follow standard Fannie Mae guidelines in regards to documentation standards.
- Tax transcripts are not required. Transcripts are only needed if being used as standalone income documentation.
- Salary, variable, and secondary employment: Unexpired paystub or Written VOE and most recent 2 years W-2s or Written VOE covering most recent 2 years.
 - A year-end paystub can be used in lieu of a W-2 **only** if the W-2 is not yet available. The loan must close by 1/31 in order to utilize this option.
- Self-employment: 2 years' signed tax returns and business returns (when applicable)
 - VOEs must be dated within 10 business days of closing

ASSET REQUIREMENTS

The borrower must utilize the HELOC Draw Amount towards closing costs/funds to close. The transaction **cannot** require the borrower to bring funds to closing.

TITLE REQUIREMENTS

For the title requirement, the following documents are permitted:

- Full title report documents (wire instructions, title commitment, and closing protection letter required),
- Limited Title policy (Master Home Equity or HELOC Policy with wire instructions and closing protection letter required), **OR**
- Ownership & Encumbrance report (wire instructions required) from approved title company
 - This report expires after 60 days

For all title options, the loan must close and fund with an approved Title/Escrow company. Additionally, all borrowers **must** be vested on title at the time of the loan application.

The subject property cannot be owned free and clear. There must be a mortgage payment for the subject property and the subject HELOC **must** be in second lien position. Subordinate financing (i.e. a mortgage subordinated to the subject loan) is not permitted. Additional subordinate mortgage liens must be paid off and/or closed.

HOI REPLACEMENT COST

A Replacement Cost Estimator (or equivalent) is required. The dwelling coverage must cover the replacement cost if the replacement cost is less than the loan amount. If the replacement cost is more than the loan amount, the dwelling coverage must cover the **greater of** 1) 80% of the replacement cost **OR** 2) the loan amount (loan amount refers to the outstanding balance of the first lien combined with the total line amount from the HELOC).

Guaranteed replacement cost is acceptable. 100% replacement cost is **not** acceptable.

PROPERTY VALUATION REQUIREMENTS

TOTAL LINE AMOUNT LESS THAN OR EQUAL TO (≤) \$400K

One of the following valuations below may be accepted to document the subject property value:

- Full appraisal dated within four months of the note date
- An exterior-only appraisal (Fannie Mae Form 2055 or 1075)
 - Only available for one unit SFRs/Condos/PUDs
 - If the subject property already has a full appraisal provided, an exterior-only appraisal value cannot be used (the value from a full un-expired appraisal would supersede the valuation).
- An Automated Valuation Model (AVM) obtained by UWM
 - AVM must be completed within one month of the note date.
 - If the subject property already has a full appraisal provided, an AVM value cannot be used (the value from a full un-expired appraisal would supersede the AVM's valuation).

HouseCanary AVM	<ul style="list-style-type: none"> • Total Line Amount ≤ \$250K: FSD score must be ≤ 0.20 • Total Line Amount > \$250K: FSD score must be ≤ 0.10
Clear Capital AVM	<ul style="list-style-type: none"> • Total Line Amount ≤ \$250K: FSD score must be ≤ 0.20 • Total Line Amount > \$250K: FSD score must be ≤ 0.13
Collateral Analytics AVM	<ul style="list-style-type: none"> • Total Line Amount ≤ \$250K: FSD score must be ≤ 0.18 • Total Line Amount > \$250K: FSD score must be ≤ 0.10

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TOTAL LINE AMOUNT GREATER THAN (>) \$400K

A full appraisal completed within 4 months of the note date is required. A Recertification of Value is acceptable if completed within 12 months of note date and meets or exceeds the original value.

A new appraisal will be required if original appraisal was completed greater than 12 months from note date.

APPRAISAL RE-USE

The Standalone HELOC can re-use an appraisal from a previous transaction as long as the following is met:

1. The primary/first lien is a UWM mortgage;
2. Appraisal is a UWM appraisal;
3. The appraisal is no older than 6 months as of the Note date; **AND**
4. If the appraisal is more than 4 months old but less than 6 months as of the Note date, a recertification of value is required. The 1004D must meet Fannie Mae guidelines.