

STANDALONE HELOC YELLOW GUIDELINES

OVERVIEW

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

HIGHLIGHTS

- 12/13/23: New guidelines for the Yellow product

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INTERNAL USE ONLY

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 homes, and investment properties are permitted. Second home 2-4 units are **ineligible**.

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

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

- 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

- 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

The loan requires a **tri-merge credit report** for all borrowers or a **single bureau credit report** for all borrowers. There cannot be a mix of tri-merge reports and single bureau reports if there are multiple borrowers on the loan.

If a tri-merge credit report is already provided for the borrower, a single-bureau report cannot be obtained and provided for the loan.

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

TRI-MERGE CREDIT REPORT

If tri-merge credit reports are provided for all borrowers, at least **two** credit scores are required per borrower. The lower of the two scores will be the qualifying FICO for the borrower.

SINGLE BUREAU CREDIT REPORT

When single bureau credit reports are provided for all borrowers, the qualifying FICO for the loan will come from the primary wage earner (i.e., the applicant with the greatest income on the loan application). Rental income and/or income from an ADU will not be considered when determining primary wages.

If the income on the loan changes, the qualifying FICO will need to be re-evaluated and potentially updated.

It is **not** acceptable for a new single bureau report to be provided for any borrowers if the previous report is not expired. If new credit is required, it must be from the same credit bureau.

MORTGAGE PAYMENT HISTORY

There can be no more than **one** (1) x 30 day late in the last 24 months (**1x30x24**), but the one mortgage late cannot be within the past 6 months (**0x30x6**). 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**.

Loan modifications or forbearance with missed payments are subject to a **4 year waiting period**. The waiting period begins when the loan was removed from forbearance or when the loan modification began.

If the forbearance was due to COVID-19, the waiting period can be waived if the following are documented:

- The forbearance documentation shows that it was **directly related** to the CARES Act (i.e., COVID-19);
- The loan entered a loss mitigation solution (e.g., reinstatement, payment plan, payment deferral, or loan modification);
- The loan is no longer in forbearance; **AND**
- The borrower has not missed any payments since coming out of forbearance

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

Collections and charge-offs (excluding medical) more than \$250 per account or more than \$1,000 in total combined accounts must be paid prior to or at closing.

All judgments and tax liens must be paid in full prior to or at closing, regardless of the amount.

INCOME REQUIREMENTS

The following guidance applies:

- Income produced, or in relation to cannabis, hemp, or the adult entertainment industry is **not permitted**.
- 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 and most recent 2 years W-2s (written VOE can be used as a standalone or in lieu of W-2s as long as the borrower has been at current employer for 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)
 - VOBs 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

TOTAL LINE AMOUNT LESS THAN OR EQUAL TO (\leq) \$250K

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.

The subject property cannot be owned free and clear for rate and term and cash-out refinances. 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.

TOTAL LINE AMOUNT GREATER THAN ($>$) \$250K

A full title report is required. The subject property cannot be owned free and clear.

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 (\leq) \$250K

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

<p>Automated Valuation Model (AVM) obtained by UWM *</p>	<ul style="list-style-type: none"> • Obtained from HouseCanary, Clear Capital, or Collateral Analytics • FSD score must be between 0.00 - 0.20 (0.21+ not acceptable) • AVM must be completed within one month of the note date.
<p>Broker Price Opinion (BPO) *</p>	<p>Must be completed within one month of the note date</p>
<p>Desktop appraisal* (Form 1004 Desktop)</p>	<p>Must be completed within two months of the note date</p>
<p>Exterior-only appraisal* (Fannie Mae Form 2055 or 1075)</p>	<ul style="list-style-type: none"> • Only available for one unit SFRs/Condos/PUDs • Must be completed within two months of the note date
<p>Full Appraisal</p>	<ul style="list-style-type: none"> • Must be completed within 4 months of the note date • Recertification of Value is acceptable if completed within 12 months of note and meets or exceeds the original value • A new appraisal will be required if original appraisal was completed greater than 12 months from note

INTERNAL USE ONLY

**If the subject property already has a full appraisal provided, an alternative primary valuation cannot be used as the appraised value. The full un-expired appraisal will supersede the valuation.*

TOTAL LINE AMOUNT GREATER THAN ($>$) \$250K

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 and meets or exceeds the original value.

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

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 12 months as of the Note date; **AND**
4. If the appraisal is more than 4 months old but less than 12 months as of the Note date, a recertification of value is required. The 1004D must meet Fannie Mae guidelines.