



PR | Mortgage Investment

PRMI PRIME DIRECT PRODUCT GUIDELINES

EFFECTIVE DATE 3-31-2026

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PRMI Prime Direct Guidelines	
1.0 General Guidelines	
1.01 Introduction	<p>PRMI, through this Prime Direct Verification Safe Harbor seller Guide (the “Guide”), is setting forth the underwriting guidelines applicable to each Seller (including any originator, lender or Seller qualified correspondent entity) (the “Seller”) that submits a residential mortgage loan (each, a “Mortgage Loan”) to PRMI for purchase (the “Program”).</p> <p>The purpose of these credit, compliance and property underwriting guidelines is to ensure each of the Mortgage Loans meets the PRMI’s quality standards. A Mortgage Loan meets PRMI’s quality standards if the borrower’s credit, regulatory compliance, and the quality of collateral are consistent with the Mortgage Loan program under the Guide.</p> <p>Mortgage Loans must be manually underwritten in accordance with this Guide. Sellers must originate and deliver Mortgage Loans in compliance with all applicable federal, state and local laws, without giving effect to any federal preemption (“Applicable Laws”), other than exemptions specifically provided for in the relevant Applicable Law.</p>
1.02 Compliance	<p>Under the Ability to Repay rules set forth in the federal Truth in Lending Act, as implemented by Regulation Z (collectively, the “ATR Rules”), all Sellers are required to make a reasonable, good faith determination at or before consummation of a borrower’s reasonable ability to repay the loan according to its terms. Mortgage Loans that satisfy the requirements of a qualified mortgage (“QM”) are presumed to meet the ability to repay standard.</p> <p>PRMI requires that all Mortgage Loans meet the requirements below to be considered a Safe Harbor or Rebuttable Presumption QM as more fully set forth in the ATR Rules at 12 C.F.R. 1026.43(e)(2) of Regulation Z, effective as of March 1, 2021.</p> <ol style="list-style-type: none"> 1. Product features: No interest-only, balloon or negative amortization; 2. Loan term: Does not exceed 30 years; 3. Points and fees: Do not exceed 3% of the total loan amount for a loan amount greater than or equal to \$114,847 (for 2022); 4. Qualifying payment: Use the maximum interest rate that may apply during the first 5 years after the date on which the first regular periodic payment is due and periodic payments of principal and interest that will repay either (i) the outstanding balance over the remaining term as of the date the interest rate adjusts to the maximum rate or (ii) the loan term;

5. Considerations: Considers, at or before consummation, the consumer's income or assets, debt obligations, alimony, child support and monthly debt-to-income ratio or residual income;
6. Verifies: Verifies, at or before consummation, the consumer's income or assets, debt obligations, alimony and child support using reasonably reliable third-party records; and
7. Pricing thresholds: The annual percentage rate ("APR") does not exceed the average prime offer rate ("APOR") for a comparable transaction as of the date the interest rate is set by 2.25% or more for first-lien Mortgage Loans with a loan amount greater than or equal to \$114,847 (indexed for 2022 inflation).

With respect to satisfying the QM verification requirements, all Mortgage Loans must have a Verification Safe Harbor by meeting the applicable standards set forth in Chapters B3-3 through B3-6 of the Fannie Mae Single Family Selling Guide, published June 3, 2020, and solely with respect to Restricted Stock Unit income (Section 8.14), the applicable standards set forth in Sections 5102 through 5500 of the Freddie Mac Single-Family Seller/Servicer Guide, published June 10, 2020.

Sellers must provide written documentation in the Mortgage Loan file to evidence compliance with the applicable sections of the Fannie Selling Guide and Freddie Mac Seller/Servicer Guide. Sellers may not rely solely upon the output from an automated underwriting system in determining if a Mortgage Loan has a Verification Safe Harbor; and

Safe Harbor QM: QM Mortgage Loans with APRs that do not exceed the APOR for a comparable transaction as of the date interest is set by 1.5% or more for first lien mortgages will be deemed to conclusively meet the ATR standard and have a "safe harbor" ("Safe Harbor QM")

Rebuttable Presumption QM: QM Mortgage Loans with APRs that exceed the APOR for a comparable transaction as of the date the interest is set by 1.5% or more, but less than 2.25% for first lien mortgages will have a "rebuttable presumption" of compliance with the ATR standard ("Rebuttable Presumption QM").

PRMI will not purchase mortgage loans which are:

- HOEPA: Subject to the Home Ownership and Equity Protection Act of 1994, as amended ("HOEPA").
- High Cost: Otherwise classified and/or defined, as a "high cost,"

"threshold," "predatory," "high risk home loan" or "covered" loan (or a similarly classified loan using different terminology under a law that imposes additional liability for mortgage loans having high interest rates, points and/or fees or prepayment penalties).

- **Net Tangible Benefit:** Refinances of a mortgage loan that are less than sixty (60) months old, unless such Mortgage Loan provides a net tangible benefit to the borrower and meets all Applicable Laws.

USA Patriot Act: The Seller and all Mortgage Loans must comply with all applicable anti-money laundering laws and regulations, including but not limited to the USA PATRIOT Act. The Seller is responsible for obtaining all of the necessary documentation to comply with the USA PATRIOT Act and must include such documentation in the Mortgage Loan file.

OFAC: PRMI will not purchase a Mortgage Loan if any company or individual who is a party to the Mortgage Loan transaction is listed on the Office of Foreign Assets Control (OFAC) Specially Designated Nationals and Blocked Persons List. The Seller must check this list for all parties to the Mortgage Loan transaction. If any party's name appears on this list, the Mortgage Loan is not eligible for purchase by PRMI, and the Seller may not submit such Mortgage Loan to PRMI for delivery.

Fair Housing Act: PRMI operates in accordance with the provisions of the Fair Housing Act. The Fair Housing Act prohibits discrimination in all aspects of residential real estate-related transactions against any person based on race, color, religion, national origin, sex, handicap, or familial status.

Equal Credit Opportunity Act: PRMI operates in accordance with the provisions of the Equal Credit Opportunity Act. The Equal Credit Opportunity Act prohibits discrimination with respect to any aspect of a credit transaction on the basis of sex, race, color, religion, national origin, marital status, age (provided the borrower has the capacity to enter into a binding contract), receipt of public assistance, or because the borrower has in good faith exercised any right under the Consumer Credit Protection Act.

PRMI Not a Creditor: PRMI fully supports the letter and spirit of both of these laws and will not condone discrimination in any mortgage transaction. However, PRMI does not participate in the credit decision with respect to any Mortgage Loan and is not a "creditor" as such term is defined under the Equal Credit Opportunity Act.

1.03 Underwriting Philosophy	<p>All Mortgage Loans must undergo prudent underwriting by the Seller. The requirements of this Guide should be met for all Mortgage Loans submitted to PRMI for purchase. PRMI will review documented exceptions to the Guide (“Exceptions”) on a case-by-case basis, provided sound and prudent underwriting practices were followed. Sellers must acknowledge PRMI has made an Exception to the Guides. Please note that PRMI is not involved in any aspect of the origination of any Mortgage Loan, including, without limitation, the credit decision, and acts solely as a purchaser of Mortgage Loans on a secondary market basis. This Guide does not constitute a commitment to purchase any Mortgage Loan, and is intended to provide general guidance to Sellers as to the loan products PRMI may purchase from time to time in its sole discretion. PRMI is not a "creditor" as such term is defined under the Equal Credit Opportunity Act, as implemented by Regulation B, the Truth in Lending Act, as implemented by Regulation Z, or any other Applicable Law. Except as otherwise permitted by PRMI in its sole discretion on a case-by-case basis, Sellers are not allowed to make Exceptions to this Guide for any Mortgage Loan.</p>
1.04 Fraud Detection and Prevention	<p>Seller shall take all reasonable, necessary and appropriate steps to detect and prevent fraud and provide appropriate documentation in each Mortgage File for each Mortgage Loan to ensure that no fraud or misrepresentation, material error or omission, or gross negligence has taken place on the part of any person in connection with the origination of the Mortgage Loan, the determination of the value of the Mortgaged Property, or the sale or servicing of the Mortgage Loan.</p>

1.05 Issues not addressed in the Guidelines	<p>ATR Rule: If this Guide does not address an issue related to the ATR Rule, please refer to the ATR Rule as set forth in Section 1026.43 of Regulation Z and the associated Interpretations and Appendices thereto.</p> <p>QM Verification Safe Harbor: If this Guide does not address issues related to QM Verification Safe Harbor, please refer to:</p> <ul style="list-style-type: none"> • Fannie VSH Rules: The verification requirements in the Fannie Mae Selling Guide Chapters B3-3 through B3-6 published June 3, 2020; and • Freddie VSH Rule: Solely with respect to Restricted Stock Unit income (Section 8.0), the verification requirements in the Freddie Mac Seller/Servicer Guide, published June 10, 2020. • Guideline Conflicts: With respect to any guideline conflicts: <ul style="list-style-type: none"> o if the Guide conflicts with the Fannie VSH Rules, the Fannie VSH Rules will control; o if the Guide conflicts with Freddie VSH Rule for RSU income, the Freddie VSH Rules will control and o if this Guide is more restrictive than the Fannie VSH Rules or the Freddie VSH Rules, as applicable, this Guide will govern. <p>All Other Issues: If this Guide does not address an issue related to credit underwriting or any other issues NOT relating to the ATR Rule or QM Verified Safe Harbor, please refer to the most recent version of the Fannie Mae Guide.</p>
1.06 Product	<p>15 Year Fixed Rate Fully Amortizing term. 5/6, 7/6 and 10/6 Adjustable Rate Mortgages – Fully Amortizing 30 year term- refer to the rate sheet</p> <ul style="list-style-type: none"> • Caps: 5/6 2%/1%/5%, 7/6 & 10/6 5%/1%/5% • Index: SOFR (30 Day Average) • Margin: Min 2.75%, Max 3.00% • Floor: Equal to margin used. Refer to the rate sheet. • No Conversion Option • Assumable
1.07 Manual / Automated Underwriting	<p>All Mortgage Loans must be manually underwritten. Automated Underwriting is not allowed.</p>
1.08 QM Status	<ul style="list-style-type: none"> • Safe Harbor QM with Verification Safe Harbor; • Rebuttable Presumption QM with Verification Safe Harbor;
1.09 Qualifying Rate	<p>Fixed Rate qualify the borrower based on the Note rate. 5/6 ARM qualify with the greater of the fully indexed rate or the Note rate +2%. 7/6, 10/6 ARM qualify with greater of the fully indexed rate or the Note rate.</p>

1.10 Documentation	<p>PRMI will purchase Mortgage Loans that are fully documented for income, assets and employment, current debt obligations, alimony and child support (“Full Doc”).</p> <p>Full Doc Code Definition:</p> <ul style="list-style-type: none"> • Salaried Income: Verified • Self-Employed Income: Verified • Assets: Verified • Employment: Verified
1.11 Debt to Income Ratio (DTI)	<p>Maximum DTI - Please refer to the rate sheet and product matrix.</p> <ul style="list-style-type: none"> • The total debt-to-income ratio (DTI) may not exceed the maximum stated on the rate sheet and product matrix. • Debt-to-income ratio must include the payment on the subject Mortgage Loan, including the monthly escrow payment, as well as the other mortgage-related obligations, simultaneous loans, and current debt obligations, alimony and child support, as set forth in this Guide and the ATR Rule, to the extent applicable.
1.12 Minimum Loan Amount	Minimum loan amount \$600,000
1.13 Maximum LTV/CLTV/HCLTV	Maximum LTV/CLTVs - Please refer to the rate sheet and product matrix.
1.14 Age of Documentation	<ul style="list-style-type: none"> • Credit Documents: Credit documentation may not be over ninety (90) days old at time of closing. • Appraisals: Appraisals may not be over one hundred & twenty (120) days old at the time of closing.
1.15 Declining Market	Any property located in an area of declining property values as reported by the appraiser on the appraisal report is subject to a reduced maximum LTV/CLTV of 10%.
1.16 Minimum Square Footage Requirements	Properties with square footage less than seven hundred and fifty (750) square feet for 1-4 Units, except in New York City where the square footage cannot be less than four hundred (400) square feet.
1.17 Condominium Restrictions	PRMI will only purchase projects that are Fannie Mae or Freddie Mac Warrantable project. Non-Warrantable projects are not eligible for purchase.
1.18 State and Geographical Restrictions	PRMI does not purchase mortgage loans secured by properties in the following jurisdictions: Guam, Puerto Rico, U.S. Virgin Islands, and Hawaii in lava zones 1 and 2.

<p>1.19 Interested Party Contributions (IPCs)</p>	<p>Contributions by an interested third party are allowed subject to a maximum contribution of 6% for primary residence. PRMI does not permit IPCs to be used to make the borrower’s down payment, meet financial reserve requirements, or meet minimum borrower contribution requirements. The borrower must qualify for the Mortgage Loan without considering the contribution.</p> <p>Interested party contributions (IPCs) are costs that are normally the responsibility of the property purchaser that are paid directly or indirectly by someone else who has a financial interest in, or can influence the terms and the sale or transfer of, the subject property.</p> <p>Interested parties to a transaction include, but are not limited to, the property seller, the builder/developer, the real estate agent or broker, or an affiliate who may benefit from the sale of the property and/or the sale of the property at the highest price possible. A lender or employer is not considered an interested party to a sales transaction unless it is the property seller or is affiliated with the property seller or another interested party to the transaction. An affiliation exists when there is direct common ownership or control by the lender over the interested party or vice versa, or when there is direct common ownership or control by a third party over both the lender and the interested party. A typical ongoing business relationship — for example, the relationship between a builder and a lender that serves as its financial institution — does not constitute an affiliation.</p> <p>IPCs are either financing concessions or sales concessions. The following are to be considered IPCs:</p> <ul style="list-style-type: none"> • Funds that are paid directly from the interested party to the borrower; • Funds that flow from an interested party through a third-party organization, including nonprofit entities, to the borrower; • Funds that flow to the transaction on the borrower’s behalf from an interested party, including a third-party organization or nonprofit agency; and • Funds that are donated to a third party, which then provides the money to pay some or all of the closing costs for a specific transaction.
<p>1.20 Mortgage Insurance</p>	<p>Mortgage Insurance is not required.</p>

1.21 Ineligible Loan Features	<ul style="list-style-type: none"> Interest Only Negative Amortization Balloons Prepayment Penalties Amortization Recasts Temporary Buy-Downs Graduated Payments Assumable Loans for fixed rate program Convertible ARMs
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2.0 Eligible Borrowers

2.01 Borrower Eligibility & Residency Status	<p>PRMI will purchase Mortgage Loans made to borrowers who have a Social Security Number or Taxpayer ID number and who reside in the United States. Acceptable residency statuses are as follows:</p> <ul style="list-style-type: none"> U.S. Citizens. Permanent Resident. Non-Permanent Resident <p>Permanent resident documentation requirements: A copy of the Permanent Resident card (front and back) must be provided at a minimum. Sufficient and acceptable documentation must be provided to evidence the residency status of the borrower(s). PRMI does not specify the additional documentation that a Seller must utilize to verify that a permanent resident alien is a lawful resident of the United States. It is the Seller’s responsibility to determine the alien’s residency status. By delivering a Mortgage Loan to a permanent resident alien to PRMI, the Seller represents and warrants that the borrower is a legal resident of the United States.</p> <p>Non-permanent resident eligibility requirements:</p> <ul style="list-style-type: none"> Valid social security number; ITIN ineligible Maximum 70% LTV/CLTV Primary residence only Single family residence only; no multi-unit properties 2-year credit and employment history in the US required Funds to close must be deposited in a US financial institution No closing permitted outside the U.S. <p>Non-permanent resident documentation requirements: Borrowers with one of the following visa types are considered lawful non-permanent residents:</p> <ul style="list-style-type: none"> E Series (E-1, E-2, E-3) G Series (G-1, G-2, G-3, G-4, G-5)-must have no diplomatic immunity. H Series (H-1B, H-1C) L Series (L-1, L-1A, L-1B, Spouse L-2 with EAD)
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	<ul style="list-style-type: none"> • NATO Series (NATO 1-6) • O Series (O-1) • TN-1, Canadian NAFTA visa • TN-2, Mexican NAFTA visa <p>If a non-U.S. citizen is borrowing with a U.S. citizen, it does not eliminate visa or other residency requirements. Individuals in possession of spouse or family member visas are to qualify as co-borrowers only. A valid EAD must be provided to use income for qualification.</p>
<p>2.02 Non-Occupying Co-Borrower</p>	<p>Mortgage Loans with Borrowers that are Non-Occupying Co-Borrowers are not eligible.</p>
<p>2.03 Pending Law Suits</p>	<p>Mortgage Loans with Borrowers that have Pending Law Suits are Ineligible.</p>
<p>2.04 First Time Home Buyers</p>	<ul style="list-style-type: none"> • All borrowers, including first time homebuyer(s), will be underwritten to the same standards. • Careful risk analysis should be used when analyzing a borrower who is purchasing a home for the first time or does not have history of making housing payments. • All borrowers must meet the mortgage/rental history requirements set forth in Guide. • First time homebuyers are limited to owner-occupied / primary residences only. • Maximum loan amount is \$1,250,000
<p>2.05 Non-Borrowing Spouse</p>	<p>When a married applicant applies for a mortgage in their name alone, without involving the applicant’s spouse, the spouse is referred to as a non-borrower spouse.</p> <p>A non-borrower spouse may have rights in the property, either as a co-owner of the property or because state community property or marital rights laws.</p> <p>PRMI’s lien must always be superior to that of the non-borrower spouse.</p> <ul style="list-style-type: none"> • If the non-borrower spouse is to be listed on the title as a co-owner, PRMI requires the non-borrower spouse to sign the security instrument – in all states. • If the non-borrower spouse is not listed on the title, PRMI does not require the non-borrower spouse’s signature on the Security Instrument, unless it is necessary under applicable state law to obtain a valid security instrument.

3.0 Eligible Transactions	
3.01 Purchase Transaction	A purchase money transaction is one in which the proceeds are used to finance the acquisition of a property.
3.02 Rate and Term Refinance (Limited Cash Out)	<p>Mortgage Loans will be considered to be Rate & Term Refinance if the proceeds of the Mortgage Loan are used to:</p> <ul style="list-style-type: none"> • Existing 1st Lien Payoffs: Pay-off of the outstanding principal balance of an existing first mortgage loan including prepayment penalties. • Existing Seasoned Subordinate Lien Payoff: Pay-off of non-purchase money seconds, including HELOCs allowed with 12-month seasoning. For HELOCs, document no cumulative draws >\$2,000 in the last 12 months from application date; • Existing Subordinate Lien Payoffs used to Purchase Property: Pay-off of the outstanding principal balance of any existing subordinate mortgage loan, including HELOC, that was used to purchase the subject property. The Seller must document that the entire amount of the subordinate financing was used to acquire the property; • Closing Costs, Points & Fees and Prepaid Expenses: Pay closing costs, points & fees and prepaid expenses; • Limited Cash-Back: Cash back to the borrower in an amount no greater than the lesser of two percent (2%) of the balance of the new refinanced Mortgage Loan or \$5,000; • Six months seasoning required if the previous transaction was a cash-out refinance. • A Texas 50(f)(2) loan is the designation given to any refinance on a primary residence in Texas where: <ul style="list-style-type: none"> ○ the transaction pays off a previous Texas 50(a)(6) loan and ○ there is no new cash out to the borrower. <p>It is named for the section in the Texas State Constitution that governs said transactions. Texas 50(f)(2) loans cannot close before the closing anniversary date of an existing Texas 50(a)(6) or 50(f)(2) loan being refinanced. Refer to the Texas Constitution Article XVI 50 (f)(2) & 50 (a)(2) for restrictions.</p>

<p>3.03 Rate and Term Refinance (Ineligible Transactions)</p>	<p>When the following conditions exist, the transaction is ineligible as a limited cash-out refinance and must be treated as a cash-out refinance:</p> <ul style="list-style-type: none"> • Non-Purchase Subordinate Liens: Refinance Mortgage loans that involve the refinance of subordinate liens that were not used in whole to purchase the subject property or not seasoned 12 months are considered cash-out refinances. • Lien Free Properties: Mortgage Loans with no outstanding first lien on the subject property;
<p>3.04 Cash Out Refinance – Eligibility Requirements</p>	<ul style="list-style-type: none"> • A refinance that does not meet the definition of a rate and term transaction is considered cash-out. • Maximum cash-out limitations include the payoff of any unsecured debt, unseasoned liens and any cash in hand. • Maximum cash-out = \$500,000 • Six months seasoning required from the closing date of the previous transaction to the closing date of the subject transaction. • Investment properties are ineligible.
<p>3.05 Cash Out Refinance (Ineligible Transactions)</p>	<p>The following cash-out transaction types are not eligible for purchase:</p> <ul style="list-style-type: none"> • Less than six months seasoning from closing date of previous transaction to the closing date of the subject transaction; • If the property is owned free-and-clear, and the six month seasoning requirement has not been met, the loan may be eligible for a Delayed Financing Refinance – refer to 3.07. • Temporary Buy-Downs: Transactions subject to a temporary interest rate buy down.
<p>3.06 Texas Cash-Out Refinances</p>	<p>Texas cash-out refinances are eligible.</p> <ul style="list-style-type: none"> • A Texas Section 50(a)(6) mortgage is a home equity loan originated under the provisions of Article XVI, Section 50(a)(6), of the Texas Constitution, which allow a borrower to take equity out of a homestead property under certain conditions. • All loans must comply with the requirements listed in the Texas Constitution. • Sellers should not rely on PRMI categorization of refinance loans for purposes of determining whether compliance with the provisions of Texas Constitution Section 50(a)(6) is required. • Sellers should consult with their counsel to determine the applicability of Texas Constitution Section 50(a)(6) to a specific transaction.

<p>3.07 Delayed Financing Refinance</p>	<p>Delayed financing refinance transactions in which the borrower purchased the subject property for cash within 6 months from the date of the application are eligible for purchase. The following requirements must be met:</p> <ul style="list-style-type: none"> • HUD-1/CD from purchase reflecting no financing obtained for the purchase of the subject property. • Preliminary title reflects the borrower as the owner and no liens. • Funds used to purchase the property are fully documented and sourced and must be the borrower’s own funds (no gift funds or business funds). • Funds drawn from a HELOC on another property owned by the borrower, funds borrowed against a margin account or funds from a 401(k) loan are acceptable if the following requirements are met: <ul style="list-style-type: none"> o The borrowed funds are fully documented. o The borrowed funds are reflected on the Closing Disclosure (CD) as a payoff on the new refinance transaction. • LTV/CLTV/HCLTV for Rate and Term refinances must be met. The loan is treated as a Rate and Term refinance. • Property may not be located in the state of Texas. • Six months is measured from closing date of purchase transaction to the Note date of subject transaction.
<p>3.08 LTV/CLTV Calculations</p>	<p>The property value used to calculate the LTV/CLTV ratios depends on the loan purpose. In cases where two appraisals are obtained, the lesser of the two appraisals will be used as the current appraised value.</p> <p>Purchase Transactions:</p> <ul style="list-style-type: none"> • The property value is the lesser of the purchase price or the current appraised value. • If the appraisal is used to determine the property value, any seller or builder concessions will be subtracted from the appraised value prior to calculating the LTV/CLTV. <p>Refinance Transactions:</p> <ul style="list-style-type: none"> • If subject property is owned more than twelve (12) months, the LTV/CLTV/HCLTV is based on the current appraised value. The twelve (12) month time frame may be based on subject transaction Note date. • If subject property is owned less than twelve (12) months, the LTV/CLTV/HCLTV is based on the lesser of the original purchase price plus documented improvements made after the purchase of the property, or the appraised value. Documented improvements must be supported with receipts. The twelve (12) month time frame may be based on subject transaction Note date.

<p>3.09 Continuity of Obligation</p>	<p>Continuity of Obligation requirements do not apply when there is no existing mortgage on the subject property.</p> <p>When an existing mortgage on the subject property will be satisfied as a result of a refinance transaction (rate/term or cash out), one of the following requirements must be met:</p> <ul style="list-style-type: none"> • At least one Borrower on the new refinance transaction was a Borrower on the original mortgage being refinanced; or • At least one Borrower on the new refinance transaction held title to and resided in the mortgaged property as a primary residence for the most recent 12-month period and the mortgage file contains documentation evidencing that the borrower, either: <ul style="list-style-type: none"> ○ Has been making timely mortgage payment, including the payments for any secondary financing, for the most recent 12-month period; or ○ Is a related person to a borrower on the mortgage being refinanced or • At least one Borrower on the refinance mortgage inherited or was legally awarded the mortgaged premises (for example), in the case of divorce, separation, or dissolution of a domestic partnership; or <p>The borrower on the new refinance transaction has been added to title through a transfer from a trust, or a limited liability company (LLC), or partnership. (transfer of ownership from a corporation to an individual does not meet the continuity of obligation requirement).</p> <p>The following requirements apply:</p> <ul style="list-style-type: none"> ○ The borrower must have been a beneficiary/creator (trust) or a 25% or more owner of the LLC or partnership prior to the transfer, and ○ The transferring entity and/or the borrower has had a consecutive ownership (on title) for at least the most recent 6 months prior to disbursement of the new Mortgage Loan.
<p>3.10 New Construction Financing</p>	<p>The conversion of construction-to-permanent financing involves the granting of a long-term mortgage to a borrower to replace interim construction financing obtained by the borrower to fund the construction of a new residence. Only detached single-family residences are eligible for New Construction Financing.</p> <p>New Construction Financing Transactions are allowed as either a purchase transaction or a refinance transaction when permanent financing replaces the construction financing within one hundred and eighty (180) days after property completion. All construction</p>

	<p>work must be complete. Borrower must have held title to the lot for a minimum of six months prior to the closing of the permanent loan.</p>
	<p>Purchase Transactions:</p> <ul style="list-style-type: none"> • Purchase LTV/CLTV limits apply; • If the lot is owned for more than one year, the LTV/CLTV will be based on the current appraised value; • If the lot is owned for less than one year, the LTV/CLTV is based on the lesser of the current appraised value of the property or the total acquisition costs (sum of construction costs and purchase price of lot); • The borrower should not receive any cash back at settlement; <ul style="list-style-type: none"> • A copy of the Certificate of Occupancy is required; • The borrower must hold title to the lot, which may have been previously acquired or purchased as part of the transaction.
	<p>Refinance Transactions:</p> <ul style="list-style-type: none"> • Cash-out LTV/CLTV limits apply; • Construction financing must be paid-off; • The borrower must have held legal title to the lot before he/she applied for the construction financing and must be the primary obligor of the construction financing; <ul style="list-style-type: none"> ○ The LTV/CLTV is based on the current appraised value if the lot has been owned 12 months or more; ○ The LTV/CLTV is based on the lesser of the current appraised value of the property or the total acquisition costs (sum of construction costs and purchase price of lot) if the lot has been owned less than 12 months; ○ A copy of the Certificate of Occupancy is required.

<p>3.11 Contracts for Deed / Land Contracts</p>	<p>A mortgage in which the proceeds are used to pay the outstanding balance of a land contract or contract for deed may be Rate/Term Refinance Transaction only.</p> <ul style="list-style-type: none"> • The land contract / or contract for deed must be executed more than 12 months preceding the mortgage application date; • Proceeds from the refinance transaction may include the sum of the outstanding balance of the installment sales contract and the costs incurred for rehabilitation, renovation, or energy improvements; • The Mortgage Loan file must include third-party documentation evidencing payments were made in accordance with the terms of the land contract or contract for deed for the most recent 12 month period; • A new appraisal is required and the LTV/CLTV must be calculated using the appraised value of the new first mortgage transaction; • A copy of the Land Contract/Contract for Deed is required and payoff(s) to be obtained.
<p>3.12 Inherited Properties</p>	<p>Mortgaged Properties inherited less than 12 months prior to application date can be considered for a rate and term refinance with the following restrictions:</p> <ul style="list-style-type: none"> • Documentation evidencing the inheritance must be in the file; • The owner must have clear title; • Title cannot be held in probate; • Percentage of ownership by heirs must be evidenced. • Borrower retains sole ownership of the property after the pay out of the other beneficiaries.
<p>3.13 Properties Listed for Sale</p>	<p>Properties Currently Listed: Properties currently listed for sale at the time of the application are not eligible for purchase.</p> <p>Properties Listed within 6 Months:</p> <ul style="list-style-type: none"> • Rate and Term Refinances: Rate and Term refinances that have been listed for sale within six (6) months of the application date are acceptable if the following requirements are met: <ul style="list-style-type: none"> ○ Documentation provided to show cancellation of listing; ○ Acceptable letter of explanation from the borrower detailing the rationale for cancelling the listing. • Cash Out Refinances: Cash Out Refinances listed for sale within six (6) months are not eligible.

<p>3.14 Non-Arm's Length Transactions</p>	<p>A non-arm’s length transaction exists whenever there is a personal or business relationship with any parties to the transaction which may include the seller, builder, real estate agent, appraiser, lender, title company or other interested party. The following non-arm’s length transactions are eligible:</p> <ul style="list-style-type: none"> • Family sales or transfers • Property seller acting as their own real estate agent • Relative of the property seller acting as the seller’s real estate agent • Borrower acting as their own real estate agent • Relative of the borrower acting as the borrower’s real estate agent • Borrower is the employee of the originating lender and the lender has an established employee loan program. Evidence of employee program to be included in loan file. • Originator is related to the borrower • Originator is a current subsidiary of the builder • Borrower purchasing from their landlord (cancelled checks or bank statements required to verify satisfactory pay history between borrower and landlord). <p>Gifts from relatives that are interested parties to the transaction are not allowed unless it is a gift of equity.</p> <p>A foreclosure bailout is a refinance or purchase transaction where the true purpose of the loan is to refinance an existing loan to the borrower secured by the property that is in foreclosure. These transactions are ineligible.</p> <p>When property seller is a corporation, partnership or any other business entity, it must be ensured that the borrower is not an owner of the business entity selling the property.</p>
<p>3.15 Escrows</p>	<p>Monthly escrow deposits are recommended and each monthly escrow deposit must equal one-twelfth (1/12th) of the annual real estate tax and homeowner’s insurance premiums and flood insurance premiums, if applicable.</p> <p>All applicable loans must adhere to HFIAA regarding flood insurance escrows. Escrows must conform to escrow accounting procedures under the Real Estate Settlement Procedures Act and its implementing regulation, Regulation X, and are to be calculated using the aggregate accounting method and must be reflected on the Closing Disclosure. An escrow account is required for all first lien higher-priced mortgage loans as set forth in Regulation Z.</p> <p>Escrow Waivers: Escrow accounts for property taxes and hazard insurance may be waived per state law</p>

	Any loans requiring flood insurance must include flood insurance in the Borrower's escrow account even if escrows have been waived.
3.16 Escrow Holdbacks	Eligible only if escrow funds have been disbursed and a completion certificate obtained prior to delivery of loan to PRMI.
3.17 Subordinate Financing	<p>Institutional subordinate financing is allowed. Seller subordinate financing is not permitted. Please refer to the Product Matrix for CLTV limitations.</p> <p>CLTV Calculations: To calculate the CLTV, the current balance (in the case of a closed end 2nd) or the fully drawn balance (in the case of a HELOC) should be used.</p> <p>DTI Calculations: All subordinate lien debt and mortgage-related obligations must be included in the total monthly debt obligation calculation used to calculate the total debt-to-income ratio. For HELOCs, the payments needed to support the fully drawn balance should be used.</p> <p>Further, the new concurrent financing or existing financing on the secured collateral must be legally subordinated to the new loan and include an executed subordination agreement acceptable to PRMI. Copy of the Note for any junior liens, on the subject property, is required.</p> <p>The subordinate lien financing must:</p> <ul style="list-style-type: none"> • Have scheduled payments sufficient to meet the interest due, i.e. no negative amortization; • Not have a balloon payment due less than five years after the note date of the new Mortgage Loan; and • Not have any prepayment penalties. <p>Borrower Contribution limits in this Guide apply for new concurrent financing.</p>

3.18 Multiple Owned Properties	<ul style="list-style-type: none"> The maximum number of residential properties owned by borrower(s) is five, which includes the subject property. For clarification purposes, the other residential properties owned by the borrower(s) includes those financed or unencumbered. Is cumulative for all borrowers (though jointly financed properties are only counted once). <p>In addition to the reserve requirements specified in section 8.04 for the subject property, the following also applies:</p> <ul style="list-style-type: none"> 6 months PITIA is required on each additional residential property with a lien.
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4.0 Occupancy	
4.01 Primary Residence	The property is occupied by the borrower as the primary residence. This is the borrower’s main residence where the borrower(s) live the majority of the year.
4.02 Second Home	Ineligible
4.03 Investment	Ineligible

5.0 Credit Requirements	
5.01 Credit Score Requirements	<p>A full residential mortgage credit report (“RMCR”) or tri-merged credit report is required to establish a valid representative credit score. PRMI uses the following methods of determining the representative score:</p> <p>Representative Credit Score for each borrower:</p> <ul style="list-style-type: none"> • Three Credit Scores: Use the middle of the three scores. If two of these credit scores are identical, the middle credit score; • Two Credit Scores: If two credit scores are obtained, use the lower credit score; <p>Qualifying Credit Score: When there is more than one borrower, the lowest of all borrowers’ Representative Credit Score is used.</p>
5.02 Credit Tradelines / Length of Credit History	<p>All borrowers whose income is used to qualify the loan must have an established credit history.</p> <p>An established credit history is defined as a minimum of three (3) traditional credit references or trade-lines.</p> <p>Minimum three (3) tradelines are required. The following requirements apply:</p> <ul style="list-style-type: none"> ○ One (1) tradeline must be open for twenty-four (24) months and active within the most recent six (6) months. ○ Two (2) remaining tradelines must be rated for twelve (12) months and may be opened or closed. <p>A mortgage that has been refinanced in the past 24 months will count as one eligible trade line provided the combination of the loan that was paid off and the current Mortgage Loan documents a 24 month payment history.</p>

5.03 Mortgage / Rental History

The following are the guideline requirements that must be met for Mortgage/Rental History:

- A verification of mortgage/rental history is required on all Mortgage Loans. Current balance, current status and payment amount must be verified. Exceptions are not allowed to the mortgage/rental history & verification requirements;
- Borrowers unable to provide a complete twenty-four (24) months mortgage/rental history are limited to owner occupied primary residences only and must provide Living Rent Free letter to confirm that they are not able to provide 24 months rental history;
- The mortgage/rental history must reflect 0 x 30 in the previous twenty-four (24) months up until the closing date;
- In case of a recent refinance or account transfer, a combination of payment performance from multiple lenders for the same collateral may be used to complete the twenty-four (24) months history requirement;
- For a recent purchase, a combination of payment performance from a prior property or rental payments may be used to complete the twenty-four (24) months history. A gap in mortgage/rental payment history of up to six (6) months is allowed by obtaining the most recent eighteen-month (18) history and providing written documentation explaining the reason for the gap;
- Mortgage/rental history must be verified by a third party or credit bureau;
- No rolling late payments allowed;
- Mortgage Loan must be current at the time of closing;
- For each mortgage liability where the borrower is currently an obligor on the note secured by real estate debt, a verification of mortgage directly from the lender must be obtained if the mortgage is not verified on the credit report;
- If there is a new debt being incurred from a pending purchase transaction, the TIL, GFE/ Closing Disclosure (CD) or other alternative documentation from the lender should be obtained to verify the new monthly payment amount.

5.04 Mortgage History Documentation	<p>One of the following documentations must be documented to verify mortgage history:</p> <ul style="list-style-type: none"> • A twenty-four (24) month rating stated on the residential mortgage credit report (“RMCR”) or merged in-file report; • Verification of mortgage completed by the holder of the mortgage; • Copies (front & back) of twenty-four (24) months consecutive (one payment per month) mortgage payment cancelled checks; • 24 months Bank statements or direct payment records showing one (1) payment per month; • For First time Home buyers, Borrowers that are unable to provide a complete twenty-four months (24) mortgage history are limited to owner occupied primary residences only. A living rent free letter is required.
5.05 Rental History Documentation	<p>One of the following must be used to verify and document rental history:</p> <ul style="list-style-type: none"> • If the landlord is a management company, the management company must be listed in the local telephone directory and the file must contain a copy of the listing. If the listing is not available, twelve months of cancelled checks must be provided; • If the landlord is a non-related individual, a direct verification is allowed provided proof of landlord ownership is established; • All direct verifications must include the rental amount, payment history and length of payment history; • If the landlord is related to the borrower, twenty-four months of cancelled checks must be provided; • If cancelled checks are used, copies (front & back) of twenty-four (24) months consecutive (one payment per month) rental payment cancelled checks are required; • No rolling late payments allowed.

<p>5.06 Public Records, Judgments, Liens and Collections and Charge offs</p>	<p>The following guidelines must be met for the Mortgage Loans to be eligible for purchase by PRMI:</p> <ul style="list-style-type: none"> • Explanation: Borrower must provide satisfactory explanation of any delinquent credit including, but not limited to, delinquent mortgage and consumer credit payments; • Delinquent Credit: Borrower not permitted to have delinquent credit - including delinquent taxes, judgments, charged-off accounts, tax liens and mechanics' or materialmen's liens - in the past seven years; • Judgments: Borrowers with previous judgments must provide evidence of payment in full or evidence the judgment no longer represents a claim against the borrower. None permitted in the past seven years; • Liens: Borrowers with liens must provide evidence that the lien has been paid in full. Title must insure PRMI's lien position without exception; • Collection or Charge Offs: No collection accounts or charged off accounts permitted in the past seven years; • Borrowers with extenuating, isolated, one-time circumstances may be considered on exception basis.
<p>5.07 Bankruptcies</p>	<ul style="list-style-type: none"> • A seven (7) year waiting period is required on discharged or dismissed bankruptcies. Seasoning requirement measured from event completion date to loan application date. Borrowers with a bankruptcy within the past seven (7) years are not eligible. • Borrowers with multiple bankruptcies are ineligible. • All bankruptcies require a letter of explanation.
<p>5.08 Charged off Mortgage Accounts</p>	<ul style="list-style-type: none"> • A seven (7) year waiting period is required on charged off Mortgage Accounts. Seasoning requirement measured from event completion date to loan application date; • All charged off mortgage accounts require a letter of explanation.
<p>5.09 Deed-in-Lieu</p>	<ul style="list-style-type: none"> • A seven (7) year waiting period is required on deed-in-lieu of foreclosure transactions. Seasoning requirement measured from event completion date to loan application date. These transactions are alternatives to foreclosure. A deed-in-lieu of foreclosure is a transaction in which the deed to the real property is transferred back to the servicer. • All Deed-in-Lieu transactions require a letter of explanation.

5.10 Pre-Foreclosure / Short Sales	<p>A pre-foreclosure sale or short sale is the sale of a property in lieu of foreclosure resulting in a payoff of less than the total amount owed which was pre-approved by the servicer. Pre-foreclosure sales also include mortgage modifications that resulted in any principal reduction/forgiveness.</p> <ul style="list-style-type: none"> • A seven (7) year waiting period is required on pre-foreclosure sales. Seasoning requirement measured from event completion date to loan application date; • All Pre-Foreclosure Short Sales require a letter of explanation.
5.11 Foreclosures	<ul style="list-style-type: none"> • A seven (7) year waiting period is required on foreclosures (measured from the completion date of the foreclosure action as reported on the credit report or other foreclosure documents provided by the borrower to loan application date). Borrowers with a foreclosure within the past seven (7) years are not eligible; • All foreclosures require a letter of explanation.
5.12 Forbearance	<ul style="list-style-type: none"> • Mortgage Loans currently in forbearance are ineligible; • Loans where borrower has had payments forborne or deferred prior to the loan sale are not eligible for purchase. • Mortgage Loans that have exited forbearance and have 24 months of consecutive payments, as documented by evidencing payments during such time period, may be eligible on exception basis with strong compensating factors. Non-payment during the 24-month period will be deemed ineligible.

6.0 Liabilities

6.01 Installment Debt	<ul style="list-style-type: none"> Installment debts are included as monthly obligations if ten (10) or more payments remain on the credit report; Car lease payments are included as a monthly obligation regardless of the number of payments remaining on the lease; Debts secured by a financial asset are not included as a monthly payment (401(k), life insurance policies, etc.); Garnishments are not allowed; All installment debt accounts must be current at the time of closing; Installment debt paid in full prior to or at closing can be excluded from the debt-to-income ratio. Supporting documentation, such as a credit supplement or direct verification from the creditor, must be obtained as evidence the debt has been paid in full if paid prior to closing. Assets used to pay off installment debt must be sourced. Installment debt can be paid off from the proceeds of the Mortgage Loan. The settlement statement must segregate the funds needed to satisfy the installment debt and the closing agent must have the funds set up to be directly sent to the creditor as part of the disbursement. Paying down of installment debt to less than 10 payments will not result in the exclusion of the installment debt payment from the borrower’s DTI.
6.02 Revolving Debt	<ul style="list-style-type: none"> Included as monthly debt obligation regardless of the number of payments remaining; The monthly payment verified on the credit report may be used as the payment in calculating the total debt ratio; If the payment amount is not verified on the credit report and there is no supplemental documentation to support the amount of the monthly payment, a payment of five percent (5%) of the outstanding balance must be used as the borrower’s recurring monthly debt obligation; All revolving debt accounts must be current at the time of closing; Revolving debt paid in full prior to or at closing can be excluded from the debt-to-income ratio. The paying down of revolving debt will not result in the exclusion of the revolving debt payment from the borrower’s DTI. Documentation that the revolving debt has been paid off is required. All funds used to pay off revolving debt must be sourced. Supporting documentation, such as a credit supplement or direct verification from the creditor, must be obtained as evidence the debt has been paid in full. Revolving

	<p>debt can be paid off from the proceeds of the Mortgage Loan. The settlement statement must segregate the funds needed to satisfy the revolving debt and the closing agent must have the funds set up to be directly sent to the creditor as part of the disbursement.</p>
6.03 HELOC Loan Debt	<p>All HELOC and other subordinate lien debt and mortgage-related obligations must be included in the total monthly debt obligation calculation used to calculate DTI;</p> <p>The monthly payment on the fully drawn HELOC on the subject property should be used to calculate the DTI and qualify the borrower. The monthly payment on the drawn portion of all other HELOC loans should be used to calculate the DTI and qualify the borrower;</p> <p>Please reference Subordinate Financing requirements within these guidelines. Please refer to the rate sheet and product matrix for maximum CLTV requirements.</p>
6.04 Student Loans	<ul style="list-style-type: none"> • If a monthly student loan payment is provided on the credit report, the Seller may use that amount for qualifying purposes; • If the credit report does not reflect a monthly payment, the Seller may use the monthly payment that is on the student loan documentation to qualify the borrower; • If the credit report does not reflect the monthly payment or reflects zero payment, and if the student loan documentation is not available, Seller may use 1% of the outstanding student loan balance as payment to qualify the borrower. This payment must be included in the DTI.

6.05 Business Debt

When a self-employed borrower claims that a monthly obligation that appears on his or her personal credit report (such as a Small Business Administration loan) is being paid by the borrower's business, the Seller must confirm that it verified that the obligation was actually paid out of company funds and that this was considered in its cash flow analysis of the borrower's business.

The account payment does not need to be considered as part of the borrower's DTI ratio if:

- The account in question does not have a history of delinquency;
- The business provides acceptable evidence that the obligation was paid out of company funds (such as 12 months of canceled company checks); and
- The Seller's cash flow analysis of the business took payment of the obligation into consideration.

The account payment must be considered as part of the borrower's DTI ratio in any of the following situations:

- If the business does not provide sufficient evidence that the obligation was paid out of company funds;
- If the business provides acceptable evidence of its payment of the obligation, but the Seller's cash flow analysis of the business does not reflect any business expense related to the obligation (such as an interest expense—and taxes and insurance, if applicable—equal to or greater than the amount of interest that one would reasonably expect to see given the amount of financing shown on the credit report and the age of the loan). It is reasonable to assume that the obligation has not been accounted for in the cash flow analysis;
- If the account in question has a history of delinquency.

To ensure that the obligation is counted only once, the Seller should adjust the net income of the business by the amount of interest, taxes, or insurance expense, if any, that relates to the account in question.

<p>6.06 Alimony, Child Support and Maintenance Payments</p>	<ul style="list-style-type: none"> • When the borrower is required to pay alimony, child support, or maintenance payments under a divorce decree, separation agreement, or any other written legal agreement, and those payments must continue to be made for more than ten (10) months, the payments must be considered as part of the borrower’s recurring monthly debt obligations. • Voluntary payments do not need to be taken into consideration and an exception is allowed for alimony. A copy of the divorce decree, separation agreement, court order, or equivalent documentation confirming the amount of the obligation must be obtained and retained in the loan File. • For alimony obligations, the Seller has the option to reduce the qualifying income by the amount of the alimony obligation in lieu of including it as a monthly payment in the calculation of the DTI ratio.
<p>6.07 Other Liabilities</p>	<p>For all other acceptable Liabilities, Seller must follow Chapters B3-3 through B3-6 of the Fannie Mae Selling Guide published June 3, 2020, as applicable.</p>

<h2 style="text-align: center;">7.0 Income</h2>	
<p>7.01 Income Requirements – ATR & Verified Safe Harbor</p>	<p>In order to evidence and document the income of the borrower(s), Mortgage Loans must meet the income requirements as set forth in this Section of the Guide as well as the general guidelines for QM as set forth in Section 1026.43(e)(2) of the ATR Rule.</p> <p>All Mortgage Loans must meet the requirements for Verification Safe Harbor based upon the Fannie Mae Selling Guide published June 3, 2020, and solely with respect to Restricted Stock Unit income, the Freddie Mac Seller/Servicer Guide, published June 10, 2020.</p> <p>Borrower(s) source of income must come from sources compliant with United States federal laws.</p> <p>See Section 1.05 above for further guidance and for income requirements not addressed in this Guide.</p>
<p>7.02 Disposable Income</p>	<p>A minimum amount of disposable income is not required.</p>

**7.03 Salaried Borrower(s) /
Wage Earner(s)**

All of the following documentation must be obtained and documented in the Mortgage Loan file to evidence the income being used to qualify for the Mortgage Loan.

- a.** Application: A completed, signed and dated final Fannie Mae Form 1003/Freddie Mac Form 65 - Uniform Residential Loan Application.
- b.** Personal Tax Returns: Most recent signed and dated two (2) years tax returns, including all schedules. IRS Form 4506-T transcripts can be used to qualify the borrower in lieu of the two years tax returns. They need to be obtained from the IRS (or designee) prior to closing and used to validate the income documentation provided by the borrower and used during the underwriting process. The transcript information and any subsequent explanation or documentation of discrepancies must be retained in the mortgage loan file. Evidence the tax returns were filed electronically (e.g., signed Form 8879, IRS e-file Signature Authorization or equivalent) is an acceptable alternative for borrower's signature on tax return(s).
- c.** W-2's: W-2's are required from all employers for the past two (2) years. W-2 Transcripts may be used in Lieu of the W-2s.
- d.** Pay Stubs: Most recent pay stub dated no earlier than 30 days prior to the initial loan application date including year-to-date earnings and includes sufficient information to appropriately calculate or written verification of employment ("VOE")
- e.** Verbal Verification of Employment ("VVOE"): Verbal VOE of current employment must be documented in writing either no more than ten (10) business days prior to the note date, or no more than thirty five (35) days after the note date but prior to the purchase by PRMI. If the employer uses a third party employment verification vendor, the verification must be obtained within the same time frame as the verbal VOE requirements above and the verification must evidence the information in the vendor's database was no more than 35 days old as of the note date.
- f.** Taxpayer First Act: With respect to Section 2202 of the Taxpayer First Act, Seller represents and agrees that it has obtained express written permission from the related borrower in the consent form to disclose and use such Borrower's tax return information received from the Internal Revenue Service on or after December 28, 2019, and that such written permission consent form is contained in the related Mortgage Loan file.

<p>7.04 Borrowers Returning to Work after an Extended Absence</p>	<p>A Borrower that is returning to work after a 12 month period is considered to have an extended absence. An example of an acceptable extended absence employment situation includes a borrower who took several years off from employment to raise children, then returned to the workforce.</p> <p>A borrower’s income may be considered effective and stable when recently returning to work after an extended absence if he/she:</p> <ul style="list-style-type: none"> • Is employed in the current job for six months or longer; and • Can document a two year work history prior to an extended absence from employment using: <ul style="list-style-type: none"> ○ Traditional employment verifications; and/or ○ Copies of IRS Form W-2s or pay stubs. <p>Income from situations not meeting the criteria listed above may not be used in qualifying.</p>
<p>7.05 Primary Employment Less than 40 Hours Work Week</p>	<p>When a Borrower’s primary employment is less than a typical 40 hour work week, the Seller should evaluate if that income should be considered as regular on-going primary employment.</p> <p>Example: A registered nurse may have worked 24 hours per week for the last year. Although this job is less than the 40-hour work week, it is the borrower’s primary employment, and should be considered effective income.</p>
<p>7.06 Commission Income</p>	<p>A minimum history of 2 years of commission income is required. A commissioned borrower is one who receives more than 25 percent of his/her annual income from commissions.</p> <ul style="list-style-type: none"> • Commission income must be averaged over the previous two years. To qualify commission income, the borrower must provide: <ul style="list-style-type: none"> ○ Copies of signed tax returns for the last two years; and ○ The most recent pay stub dated no earlier than 30 days prior to the initial loan application date including year-to-date earnings and includes sufficient information to appropriately calculate income and IRS Form W-2s for past 2 years. • Borrowers whose commission income was received for more than one year, but less than two years may be considered favorably if the Seller can: <ul style="list-style-type: none"> ○ Document the likelihood that the commission income will continue, and ○ Soundly rationalize accepting the commission income. <p>Unreimbursed business expenses must be subtracted from gross income. Commission income earned for less than one year is not considered effective income.</p>

<p>7.07 Self-Employed Borrower(s)</p>	<p>Self-Employed Borrowers: A borrower is considered self-employed if there is a 25 percent or greater ownership interest in a business.</p> <p>Borrower(s) that are both Salaried and Self-Employed:</p> <ul style="list-style-type: none"> • If the Seller is NOT using the self-employed income to qualify the borrower; and • The Fannie Mae Form 1003/Freddie Mac Form 65 - Uniform Residential Loan Application (“Application”) reflects the borrower is salaried; and <ul style="list-style-type: none"> ○ Positive Net Income: The Tax Returns reflect a positive self-employed net income, PRMI will not use the self-employed income to qualify the borrower and the borrower will not be considered self-employed; or ○ Negative Net Income: The Tax Returns reflect a negative self-employed net income, PRMI will use the self-employed income and as long as the borrower still qualifies, the borrower will not be considered self-employed.
<p>7.08 Length of Self-Employment</p>	<p>Income from self-employment is considered stable, and effective, if the borrower has been self-employed for two or more years.</p> <p>If the length of self-employment is between one and two years, the borrower must have at least two years of documented previous successful employment in the line of work in which the borrower is self-employed, or in a related occupation.</p> <p>If the length of self-employment is less than one year, that income is not considered effective income.</p>

7.09 Self-Employed Borrower(s) Documentation Requirements

The following documentation is required to evidence self-employment income being used to qualify the Mortgage Loan:

- a.** Application: Completed, signed and dated final Fannie Mae Form 1003/Freddie Mac Form 65 - Uniform Residential Loan Application;
- b.** Income Analysis: Income Analysis Form or Calculation Worksheet (i.e. Fannie Mae 1084);
- c.** Personal Tax Returns: The most recent two (2) years signed and dated individual tax returns, including all schedules. Evidence the tax returns were filed electronically (e.g., signed Form 8879, IRS e-file Signature Authorization or equivalent) is an acceptable alternative for borrower's signature on tax return(s);
- d.** Business Tax Returns: The most recent two (2) years signed and dated business tax returns, including all schedules are required if the business is a C corporation, an S corporation, a limited liability company or partnership. Evidence the tax returns were filed electronically (e.g., signed Form 8879, IRS e-file Signature Authorization or equivalent) is an acceptable alternative for borrower's signature on tax return(s).
- e.** P & L Statement:
 - Audited P&L Statement: An audited year-to-date profit and loss statement reporting business revenue, expenses, and net income up to and including the most recent month preceding the loan application date; or
 - Unaudited P&L Statement: An unaudited year-to-date profit and loss statement signed by the borrower reporting business revenue, expenses, and net income up to and including the most recent month preceding the loan application date, and
 - Depository Statements: Two business depository account(s) statements no older than the latest two months represented on the year-to-date profit and loss statement.
- f.** Verbal Verification of Employment (VVOE): A Verbal VVOE of current employment must be documented in writing either no more than ten (10) business days prior to the note date, or no more than 35 days after the note date but prior to the purchase by PRMI. If the employer uses a third-party employment verification vendor, the verification must be obtained within the same time frame as the verbal VVOE requirements above and the verification must evidence the information in the vendor's database was no more than 35-days old as of the note date.

	<p>g. Third Party Business Verification: Verification of the existence of the borrower’s business must be in writing either no more than ten (10) business days prior to the Note Date, or after the Note Date but prior to purchase by PRMI. Methods of verifying the business include verification from a third party such as a CPA, regulatory agency or by an applicable licensing bureau. Internet listings are not an acceptable source of verification;</p> <p>h. IRS Form 4506-T Tax Transcripts: The IRS Form 4506-T transcripts need to be obtained from the IRS (or designee) prior to closing and used to validate the income documentation provided by the borrower and used during the underwriting process. The transcript information and any subsequent explanation or documentation of discrepancies must be retained in the Mortgage Loan file. Signed and dated CPA letter can be used in lieu of 4506-T transcripts;</p> <p>i. Taxpayer First Act: With respect to Section 2202 of the Taxpayer First Act, Seller represents and agrees that it has obtained express written permission from the related borrower in the consent form to disclose and use such borrower’s tax return information received from the Internal Revenue Service on or after December 28, 2019, and that such written permission consent form is contained in the related Mortgage Loan file.</p>
<p>7.10 Self-Employed Borrower(s) Income Earning Trends</p>	<p>When qualifying self-employed income, the Seller must establish the borrower’s earnings trend from the previous two years using the borrower’s tax returns.</p> <ul style="list-style-type: none"> ● If a borrower: <ul style="list-style-type: none"> ○ Provides quarterly tax returns, the income analysis may include income through the period covered by the tax filings; or ○ Is not subject to quarterly tax returns, or does not file them, then the income shown on the P&L statement may be included in the analysis, provided the income stream based on the P&L is consistent with the previous years’ earnings. ● If the P&L statements submitted for the current year show an income stream considerably greater than what is supported by the previous year’s tax returns, the Seller must base the income analysis solely on the income verified through the tax returns; ● If the borrower’s earnings trend for the previous two years is downward and the most recent tax return or P&L is less than

	<p>the prior year's tax return, the borrower's most recent year's tax-return or P&L must be used to calculate his/her income;</p> <ul style="list-style-type: none"> • In addition, the Seller must consider the business's financial strength by examining annual earnings. Annual earnings that are stable or increasing are acceptable, while businesses that show a significant decline in income over the analysis period are not acceptable; • Businesses that are LLC's, S-Corps and partnerships filing forms 1065 or 1120S must deduct debts payable in less than 1 year from income; • C-Corps filing form 1120 must deduct debts payable in less than 1 year from income unless 3rd party evidence is provided showing the debts rolls over regularly from year to year.
<p>7.11 Gaps of Employment</p>	<p>A borrower's employment must be verified for the most recent two full years and any gaps in employment that span one or more months must be explained.</p>
<p>7.12 Rental Income</p>	<p>Borrowers with Rental Experience: If a borrower has a history of renting generally the rental income will be reported on the following ("Tax Forms"):</p> <ul style="list-style-type: none"> • IRS Form 1040 Schedule E of the borrower's personal tax returns; or • Rental Real Estate Income and Expenses of a Partnership or an S Corporation form (IRS Form 8825) of a business tax return. <p>Borrowers without Rental Experience: If the borrower does not have a history of renting, Seller may be justified in using a fully executed current lease agreement and Form 1007 or Form 1025 as applicable.</p> <p>Using Rental Income to Qualify: If rental income IS being used by the Seller to qualify the borrower and:</p> <ul style="list-style-type: none"> • Fannie Mae Form 1003/Freddie Mac Form 65 - Uniform Residential Loan Application ("Application") and Tax Forms both reflect the related properties, all documentation with respect to the rental properties is required; or • The Application has more properties listed than the Tax Forms, all documentation with respect to the additional properties on the application is required; or • The Application has less properties listed than the Tax Forms, the Seller can

	<ul style="list-style-type: none"> o Use just the properties on the application to qualify the borrower; or o The Seller can get an updated application. <p>Rental Income Not being used to Qualify: If rental income is NOT being used by the Seller to qualify the borrower and:</p> <ul style="list-style-type: none"> • The Tax Forms reflect a positive net income for properties not being used, no additional documentation for the related properties is needed; or • The Tax Forms reflect a negative net income for the properties not being used, all documentation with respect to the related property is required and the net loss must be used to qualify the borrower. <p>Departing Residence: If the borrower’s qualifying DTI is dependent upon leasing their departing residence, the loan is not eligible.</p> <p>For additional information about using rental income as effective income to qualify, Seller to follow Chapters B3-3 through B3-6 of the Fannie Mae Selling Guide published June 3, 2020, as applicable.</p>
<p>7.13 Alimony, Child Support and Separate Maintenance Income</p>	<p>Alimony, child support, or maintenance income may be considered effective, if:</p> <ul style="list-style-type: none"> • Payments are likely to be received consistently for the first three years of the mortgage; • The borrower provides the required documentation, which includes a copy of the: <ul style="list-style-type: none"> o Final divorce decree; o Legal separation agreement; o Court order; or o Voluntary payment agreement; and • The borrower can provide acceptable evidence that payments have been received during the last 12 months, such as: <ul style="list-style-type: none"> o Cancelled checks; o Deposit slips; o Tax returns; or o Court records. <p>Periods less than 12 months may be acceptable, provided the Seller can adequately document the payer's ability and willingness to make timely payments. A minimum of 6 months of payment is required.</p> <p>Child support may be “grossed up” under the same provisions as non-taxable income sources.</p>

7.14 Restricted Stock Units (RSUs)

Restricted stock units (RSUs) are issued to the borrower through a vesting plan and distribution schedule after achieving required performance milestones or upon remaining with their employer for a particular length of time. RSUs give a borrower interest in company stock but have no tangible value until vesting is complete. The restricted stock units are assigned a fair market value when they vest. Upon vesting, they are considered income, and a portion of the shares are withheld to pay income taxes. The borrower receives the remaining shares and can sell them at their discretion.

The following restrictions apply:

- May only be used as qualifying income if the income has been consistently received for the prior two years, is continuing, and is identified on the borrower's tax returns as income.
- Restricted stock income will be treated and calculated like bonus income using a prior two-year average as reported on W-2s and tax returns.
- If the restricted stock income is declining, proof of stability must be provided, and the most conservative average will be used for qualifying.
- Borrower must be employed at the same company that issued the RSU.
- Income verification obtained through a third-party verification service provider is not allowed when using RSUs as income.
- Non-vested restricted stock is not an acceptable source of income or reserves.
- The borrower's Employer must be a publicly traded entity (e.g., a Fortune 500 company). It cannot be a privately held company.

	<ul style="list-style-type: none"> • RSU income must be likely to continue for three years. The following documentation is required for RSU income: <ul style="list-style-type: none"> • Evidence that stock is publicly traded • Most recent vesting schedule or issuance agreement showing continuance of RSU income for a minimum of three years <ul style="list-style-type: none"> ○ To prove three-year continuance, take the available RSUs from the Note Date multiplied by the 52-week low stock price divided by 36 months. The monthly amount must be greater than or equal to the monthly qualifying amount. • Evidence of the previous two-year’s payouts of RSUs. Acceptable verification includes: <ul style="list-style-type: none"> ○ Two years tax returns reflecting RSU income ○ Year-end paystubs that include RSU payout, or ○ Employer-provided statement paired with a brokerage or bank statement showing transfer of shares or funds that must, at a minimum, include <ul style="list-style-type: none"> • Date of the payout(s) • The number of vested shares and their cash equivalent distributed to the borrower. <p>Vested RSUs cannot be used for down payment, cash to close, or reserves, if they are being used for income. The seller should reference Sections 5102 through 5500 of the Freddie Mac Single-Family Seller/Servicer Guide, published June 10, 2020 for any items not referenced above.</p>
7.15 Homeownership Subsidies Income	Monthly Homeownership Subsidies received by the borrower(s) is not considered eligible income to qualify.
7.16 Capital Gains	Capital Gains received by the borrower(s) is not considered eligible income to qualify.

7.17 Other Income

The Seller must follow Chapters B3-3 through B3-6 of the Fannie Mae Selling Guide published June 3, 2020, as applicable with respect to all other forms of income. Examples of other income include, but are not limited to:

- Social security benefits
- VA benefits
- Pensions
- Annuity income
- Non-Employment Related Consumer Income
- Investment and trust income

8.0 Assets

8.01 Sources and Seasoning of Funds

The Seller should verify the seasoning and source of all funds required for the down payment, closing costs and reserves. Eligible assets must be held in a U.S. financial institution. Seasoned Large Deposits identified should also be sourced as needed.

The following guidelines must be used to verify the sourcing and seasoning of funds:

- All verification of funds must be seasoned for two months using the related statements of the asset type
- Ending statement balances should contain sufficient funds to support the down payment (if applicable), closing costs and reserves
- Down payments made prior to the two months seasoning statements will need to be separately sourced unless there are sufficient ending statement balances to also cover the down payment
- All source of funds must be owned by the borrower(s)
- All gift funds need to follow the requirements found in section 8.06.
- All liabilities resulting from borrowed funds must be considered when qualifying the borrower
- Business Assets cannot be used if the borrower is self-employed unless the borrower has majority ownership of 51% or greater of the business. Refer to section 8.08.
- Business Assets used must be accompanied by a CPA letter confirming that the withdrawal of the funds from the business will not harm the financial strength of the business
- Large Deposits identified that are seasoned more than two must be sourced as discussed further in section 8.02
- Evidence of liquidation of marketable securities and retirement accounts (if using for down payment and closing costs).
- Sale of Real Property requires copy of Closing Disclosure showing net proceeds to the borrower and evidence of receipt of settlement proceeds into borrower's account or escrow.

<p>8.02 Large Deposits</p>	<p>Large Deposits in excess of \$25,000 identified that are seasoned over two months should be sourced as needed.</p> <p>The purpose of sourcing seasoned large deposits is to determine if they represent the existence of debt that may not have been captured on the borrower’s credit report or application or if the funds may have been acquired from an unacceptable source. If a seasoned large deposit is from another account belonging to the borrower, the account must be sourced to ensure that the funds are owned by the borrower. That account must also be verified after the withdrawal to assure that the funds are not counted twice. Sourcing of seasoned Large Deposits is not required if cumulative monthly deposits (other than regular pay deposits) are less than or equal to one month of the borrower’s qualifying income.</p>
<p>8.03 Acceptable Sources of Funds</p>	<p>Acceptable sources of funds include but are not limited to:</p> <ul style="list-style-type: none"> • Marketable securities • Bank deposits • Proceeds from the Sale of real property • Cash value of life insurance • Loan Proceeds against IRA/401(k) • Disbursements from an IRA/401(k) • Trust funds • United States savings bonds
<p>8.04 Reserves</p>	<p>Reserve Requirements: Please refer to the minimum reserve requirement outlined below.</p> <p>Primary Residence: Purchase & Rate and Term Refinance Loan Amount <=\$1,000,000 = 6 Months of PITIA >\$1,000,000 -<=\$1,500,000 = 9 Months of PITIA >\$1,500,000 -<=\$2,000,000 = 12 Months of PITIA >\$2,000,000 -<=\$2,500,000 = 15 Months of PITIA >\$2,500,000 -<=\$3,000,000 = 24 Months of PITIA</p> <p>Primary Residence: Cash-Out Refinance: Loan Amount <=\$1,000,000 = 12 Months of PITIA >\$1,000,000 -<=\$1,500,000 = 12 Months of PITIA >\$1,500,000 -<=\$2,000,000 = 12 Months of PITIA >\$2,000,000 -<=\$2,500,000 = 24 Months of PITIA</p> <p>Additional Reserve Requirements: In addition to the reserve requirements outlined above, the following additional reserves are required:</p> <ul style="list-style-type: none"> • 6 months PITIA are required for each additional financed residential property based on the PITIA for each property;

	<p>Reserves Restrictions: The following limitations apply:</p> <ul style="list-style-type: none"> • Marketable Securities: (70%); • Vested Retirement Savings Accounts: (60%) if borrower is $\leq 59 \frac{1}{2}$, (70%) if borrower is $> 59 \frac{1}{2}$; • Business Asset: Only eligible if the business is 100% owned by borrower; <p>Ineligible Reserves: Examples of financial assets that can NOT be used for reserves include:</p> <ul style="list-style-type: none"> • Funds that have not been vested; • Funds that cannot be withdrawn under circumstances other than the account owner’s retirement, employment termination, or death; • Stock held in an unlisted corporation; • Non-vested stock options and non-vested restricted stock; • Personal unsecured loans; • Interested party contributions; • Seller contributions; and • Cash proceeds from a cash-out refinance transaction on the subject property. • Gift funds.
<p>8.05 Borrower's Contribution</p>	<p>Borrowers must contribute 5% of their own funds on purchase transactions.</p>

<p>8.06 Gift Funds</p>	<p>The following guidelines must be met for documenting gift funds:</p> <ul style="list-style-type: none"> • Only allowed on primary residence owner occupied transactions. • For purchase transactions, gift funds may be used once the borrower contributes at least 5% of their own funds. Not permitted for investment properties. • Gift funds may not be used to meet reserve requirements. • Donor must be an immediate family member, future spouse or domestic partner living with the borrower. • Donor may not be or have any affiliation with the builder, the developer, the borrower’s real estate agent, the seller’s real estate agent or any other interested party to the transaction. • An executed gift letter from the donor with the gift amount, the date given, donor’s name, address, and telephone number and relationship is required. The letter must expressly state that no repayment is expected or required. • Gift Funds do not need to be sourced or seasoned but proof of donor’s ability to give and transfer of funds or evidence of receipt must be documented and could include: <ul style="list-style-type: none"> o Copy of the donor’s withdrawal slip and the borrower’s deposit slip in the amount of the gift; o Copy of the donor’s canceled check and the borrower’s deposit slip in the amount of the gift; o Copy of a cashier’s, certified or official check in the amount of the gift that clearly identifies the donor’s name. <p>If the funds are not transferred prior to settlement, written evidence must be provided to verify that there are sufficient funds to cover the gift in the donor’s account.</p> <p>A certified cashiers or official check in the amount of the gift with the donor’s name identified on the check must be provided.</p>
<p>8.07 Gift of Equity</p>	<p>Gift of equity is not allowed as a source of funds.</p>

8.08 Business Assets

- Business assets for down payment and closing costs can only be used if the borrower is self-employed and has majority ownership of 51% or greater. The other owners of the business must provide an access letter to the business funds. Borrower percentage of ownership must be applied to the balance of business funds for use by borrower. Business bank statements must not reflect any NSF (non-sufficient funds) or overdrafts.
- Business assets for reserves can only be used if the borrower is self-employed and is 100% owner of the business.
- A CPA letter must be included confirming that the withdrawal will not harm the financial strength and day to day operations of the business.
- Most recent signed and dated two years personal, partnership and/or corporate tax returns must be obtained, and the Seller must perform a cash flow analysis using most recent 3 months business bank statements to determine that the withdrawal of funds will not have a detrimental effect on the business. The Mortgage Loan file must contain the Seller's written analysis and conclusions. Note: Forms 1084/91, which are used to calculate income, not assets, do not satisfy this requirement.
- Verification of funds in the account is required.
- Large deposits that are not in line with business revenue/income stream should be explained and verified. All letters of explanation must be signed by the borrower prior to close.

9.0 Property and Appraisal Requirements

9.01 Qualified Appraiser Requirements

The Seller must perform quality control reviews of the appraisers on its approved list, removing appraisers from the list as necessary.

The appraiser must:

- Be approved by Seller in connection with Mortgage Loans originated for its own account.
- Be a state licensed or state certified appraiser in accordance with the provisions of Title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (regardless of whether the Seller is subject to those regulations).
- Be experienced in the appraisal of properties similar to the type being appraised.
- Be currently engaged in appraisal work.
- Subscribe to a code of ethics that is at least as strict as the code of the American Institute of the Real Estate Appraisers or the Society of Real Estate Appraisers.
- Meet the appraiser independence requirements for staff appraisers or, as appropriate, fee appraisers specified by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System and the Federal Deposit Insurance Corporation in their respective real estate appraisal regulations adopted in accordance with Title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (regardless of whether the Seller is subject to those regulations).
- Have successfully completed courses in real estate appraisal.
- Have knowledge of current real estate market conditions and financing trends in the area.
- Have a working knowledge of construction costs, materials, methods and standards in the area.
- Maintain a file on real estate sale transactions, including financing.

<p>9.02 Appraisal Forms</p>	<p>Full appraisals on the applicable Fannie Mae/Freddie Mac URAR (Uniform Residential Appraisal Report) are required to be ordered by the originator on all Mortgage Loans. Schedules and addenda are mandatory if applicable.</p> <p>Other documentation formats providing information comparable in form and scope to the Fannie Mae/Freddie Mac forms listed below are acceptable:</p> <ul style="list-style-type: none"> • Fannie Mae Form 1004/Freddie Mac Form 70 - Uniform Residential Appraisal Report; • Fannie Mae Form 1073/Freddie Mac Form 465 - Individual Condominium Units Appraisal Report; • Fannie Mae Form 1004D/Freddie Mac Form 442 - Appraisal Update and/or Completion Report (with photographs) required if the estimate of value is “Subject to repairs, alterations or conditions” or “Subject to completion per plans and specifications”. The original appraiser should prepare this certificate; • Fannie Mae Form 1007 - Single Family Comparable Rent Schedule if rental income is being used to qualify borrower;
<p>9.03 General Appraisal Requirements</p>	<p>The following conditions must be met on an appraisal:</p> <ul style="list-style-type: none"> • Value is on an “as-is” basis and not subject to future improvements. • Condition rating is C1 through C4. • C5 and C6 condition ratings are ineligible. • Appraisals assigned from another lender are not permitted. • Appraisal must be completed for subject transaction; prior appraisals are not permitted.
<p>9.04 Age of Appraisal(s)</p>	<p>Appraisals may not be over one hundred & twenty (120) days old at the time of closing. For appraisals over 120 days old at closing, a new appraisal is required.</p>
<p>9.05 Appraisal Requirements</p>	<ul style="list-style-type: none"> • Mortgage Loans <= \$3,000,000 require: <ul style="list-style-type: none"> o One (1) full appraisal from the list above by a state licensed appraiser with interior photos along with a Fannie Mae Form 1004MC/Freddie Mac Form 71 - Market Conditions Addendum to the Appraisal Report and o An appraisal desk review prepared by an approved vendor unaffiliated with the seller, originator or the original appraisal firm is required for the original appraisal used for the LTV calculation. Clear Capital is the preferred vendor. If an appraisal desk review is not included in the file, one will be order and the cost passed on to the seller. If an appraisal field review is required, and one is not in the file, the seller needs to order and provide to PRMI. Clear Capital is the preferred vendor. • All appraisals shall conform to the current Uniform Standards of Professional Appraisal Practice adopted by the Appraisal Standards Board of the Appraisal Foundation.

The Seller is required to review each appraisal in detail for completeness, accuracy and appraising logic in accordance with Fannie Mae/Freddie Mac Guidelines. The Seller assumes sole responsibility for the quality of the appraisal report and for ensuring that each appraisal is performed in strict accordance with all Applicable Laws.

9.06 Variance Between Multiple Appraisal Valuations

Appraisal Desk Reviews: If the desk review value is equal to or greater than the value in the qualifying original appraisal, the appraisal is accepted. In this instance, use the qualifying original appraised value for LTV / CLTV calculations. If the desk review is lower than the qualifying original appraised value, refer to the table below to determine if the appraisal is accepted or if a field review is required:

		LTV Based on Original Qualifying Appraisal		
Desk Review Recommends Field Review or is Indeterminate	Variance of Appraised Value to Desk Review Value	LTV ≤ 65%	LTV > 65% and ≤ 75%	LTV > 75% and ≤ 80%
No	No Variance to ≤ 5%	Accept	Accept	Accept
	>5% to ≤ 10%	Accept	Accept	Field Review
	>10% to ≤ 15%	Accept	Field Review	Field Review
	>15%	Field Review	Field Review	Field Review
Yes	N/A	Field Review	Field Review	Field Review

Appraisal Field Reviews: If the desk review recommends a field review, the field review must be completed by a different appraisal firm than the original appraisal. If the field review value is equal to or greater than the value in the qualifying original appraisal, the appraisal is accepted. In this instance, use the qualifying original appraised value for LTV / CLTV calculations. If the field review is lower than the qualifying original appraised value, refer to the table below to determine if the appraisal is acceptable:

	LTV Based on Original Qualifying Appraisal		
Variance of Appraised Value to Field Review Value	LTV ≤ 65%	LTV > 65% and ≤ 75%	LTV > 75% and ≤ 80%
No Variance to ≤ 5%	Accept	Accept	Accept
> 5% to ≤ 10%	Accept	Accept	Decline if Loan to Field Review Value ≥ 80%
>10%	Accept. Decline if Loan to Field Value ≥ 80%.	Decline if Loan to Field Review Value ≥ 80%	Decline

9.07 Eligible Property Types	<p>PRMI allows the following property types:</p> <ul style="list-style-type: none"> • Single Family attached and detached • Single Family Fannie Mae or Freddie Mac warrantable condominiums • Single Family Townhouses • Single Family PUDs
9.08 Ineligible Property Types	<p>PRMI does not purchase the following property types:</p> <ul style="list-style-type: none"> • Properties with square footage less than 750 square feet, except in New York City where the square footage cannot be less than 400 square feet. • Second Home • Investment Properties • 2-4 Unit Properties • Manufactured Homes • Modular Home • Leaseback • Log homes • Unimproved land • Mobile homes • Kiddy condos • Unique properties • Co-ops • Condo hotel • Condominium conversion • Tax-sheltered syndications • Timeshare units • Non-warrantable condominiums • Rural property • Mixed-use property • Multi-Family dwellings containing more than four (4) units • Working farms • Ranches and orchards • Industrial zoned properties • Commercial zoned properties • Agricultural zoned properties • Rehab properties owned less than twelve (12) months • Properties greater than 10 acres

9.09 In-Law Units / Accessory Units	<p>Examples of In-Law or Accessory Unit properties include a house with a unit above a detached garage or a house with a guest apartment or basement unit.</p> <ul style="list-style-type: none"> • A single-family property that includes an additional unit is acceptable provided it conforms to the subject neighborhood and to the market. • Comparables must include second units. • Second unit must be incidental to the overall value and to appearance of the property. • No rental income may be used to qualify the borrower.
9.10 Acreage	<p>PRMI will purchase Mortgage Loans with up to ten (10) acres of land. Properties exceeding ten (10) acres and are custom and common for the area will be considered on a case-by-case basis.</p> <p>Properties with agricultural use will not be allowed.</p>
9.11 Zoning	<p>Industrial, commercial and agricultural zoning are not eligible for purchase.</p>
9.12 Water Supply & Sewage Systems	<p>Properties using alternative water supplies are acceptable provided the appraiser demonstrates that such water supply is typical and acceptable for the immediate area.</p> <p>Cesspools and septic tanks are acceptable provided the appraiser demonstrates that such systems are common and customary for the area.</p>
9.13 Private Roads	<p>Private roads require a permanent easement for ingress and egress with provisions for road maintenance.</p>
9.14 Unpermitted Additions	<p>Properties with unpermitted additions/alterations to the subject property are not eligible.</p>
9.15 Comments	<p>Appraisal comments regarding the improvements should be carefully analyzed. The appraiser must describe repairs required on the property or the impact of any sales concession. Seller concessions, whether cash or assets, may have a negative effect on the subject property value. Personal property cannot be appraised as if it was real property and PRMI will reduce the value of the property by the amount of any excessive concessions.</p>
9.16 Rural Properties	<p>Rural properties are properties that often have large lot sizes, and rural locations can be relatively undeveloped. There may be a shortage (or absence) of recent truly comparable sales in the immediate vicinity of a subject property that is in a rural location.</p> <p>PRMI does not purchase loans on Rural Properties as identified on the appraisal.</p>

9.17 Properties in Disaster Areas – Disaster Area Policy

For Mortgage Loans located in a disaster impacted area the Seller must take appropriate steps to determine whether the property was damaged by the disaster as of the date of PRMI’s purchase.

- If the property is in a zone where a Disaster End Date has been declared by FEMA, the Seller will order a post disaster inspection prior to loan purchase to confirm the property value has not been impacted by the disaster.
- If the property is in a zone where a Disaster End Date has not been declared by FEMA, in addition to the above inspection requirement, a date and time stamped area map from a state or county agency or similar, showing the subject property in relation to the disaster area is required to evidence that the property is outside of current known fire boundaries.

If the Seller determines that the property has been damaged such that the damage impacts the safety, soundness, or structural integrity, the property is not acceptable as security for the Mortgage PRMI will not purchase the Mortgage Loan. If a property is located in a condo project, both the conditions of the unit and the condition of the building in which the unit is located must be assessed.

A supplemental property inspection such as a Form 2075, 1004D, or similar report is required prior to PRMI purchasing the Mortgage Loan if the subject is located in an area affected by a natural disaster. An additional exterior inspection is only required if the most recent appraisal was completed prior to the disaster event. If the exterior inspection reveals potential damage and interior inspection would be required.

All repairs must be completed before the note date in order for the property to be eligible for purchase.

10.0 Title Vesting	
10.01 Eligible Title Vesting	<p>PRMI will purchase Mortgage Loans made to natural persons only. Title is required to be in the name of an individual borrower. Inter vivos revocable trusts are also acceptable provided the Note and Security Instrument are executed as both borrower and trustee.</p> <p>Eligible Title Vesting:</p> <ul style="list-style-type: none"> • Individuals • Joint Tenants • Tenants in Common • Revocable Trusts, where individual borrower(s) execute both the Note and Security Instrument.
10.02 Ownership / Vesting	Ownership must be fee simple and must be in the name of the individual borrower(s) or Trust.
10.03 Leasehold Estates	Leaseholds are ineligible.
10.04 Chain of Title	All purchases and refinance transactions on existing properties will require a twelve (12) month “chain of title” from the title insurer that does not evidence any previous flipping activity for the property (i.e. multiple property transfers).

11.0 Closing Documentation	
11.01 Form of Documentation	<p>Mortgage Loans are to be closed using the most recent Fannie Mae or Freddie Mac approved legal documents, including the following but not limited to:</p> <ul style="list-style-type: none"> • The note or other evidence of the Mortgage Loan indebtedness of a borrower (the “Note”); • The mortgage, deed of trust or other instrument which creates a first lien on; <ul style="list-style-type: none"> ○ with respect to a Mortgage Loan, the fee simple in such real property or • and Any rider thereto (the “Rider”). <p>State-specific forms must be used when required. The validity and enforceability of documents remains the responsibility of the Seller. Any Mortgage Loans closed with existing subordinate financing must include a valid and binding executed subordination agreement.</p>