



Lending Guide Announcement

IMPORTANT

ClearPoint Funding is providing a detailed outline of most recent updates to:

- Conventional Lending Guide
 - FHA financing
-

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Permanent Resident Alien – modified.

A permanent resident alien is an individual who is lawfully residing in the United States permanently. ClearPoint Funding will grant loans to permanent resident aliens under the same parameters extended to U.S. Citizens.

- A valid and current Permanent Resident card “green card” (Form I-551) is required.

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Non-Permanent Resident Alien – modified.

A non-permanent resident is a non-U.S. citizen who lawfully enters the United States for specific time periods under the terms of a Visa. A non-permanent resident status may or may not permit employment. Non-permanent residents, who are permitted employment and meet the guidelines listed below, are eligible for only a primary residence or second home.

Verification that the borrower has all of the following is required:

- A valid social security number. Tax Identification Numbers (TIN) are not sufficient or acceptable.
- Documentation to support that the borrower is eligible to work in the U.S. as evidenced by an unexpired work authorization document issued by the United States Citizenship and Immigration Services (USCIS).
- If the authorization for temporary residency status will expire within one year and a prior history of residency status renewals exist, continuation may be assumed. If there are no prior renewals, the likelihood of renewal must be determined, based on information from USCIS.
- Borrowers sponsored by a specific employer do not need an EAD. A valid passport, a letter from the employer/sponsor and an I-94 form proving they may work in the U.S. is acceptable.
- A social security card may NOT be used as evidence of eligibility of employment.
- Borrowers must demonstrate a 2-year residency, employment and credit history with credit scores.

ClearPoint Funding will grant loans to Non-Permanent Resident Aliens with acceptable Visas under the same parameters extended to a U.S. Citizen, unless otherwise restricted with a specific product summary.

- **IMPORTANT:** Individuals classified under Diplomatic Immunity, Temporary Protected Status, Deferred Enforced Departure or Humanitarian Parole is not eligible.

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<p>Page 100-15</p>	<p>Multiple Mortgages & Maximum Exposure – clarification.</p> <ul style="list-style-type: none"> ■ A borrower who holds a Limited Partnership interest in an organized Limited Partnership that has been formed for the purpose of real estate investment or development or is a General Partner who has personal liability and whose primary income is derived through the partnership's long-term investments, must take into consideration all properties owned and financed by that partnership.
<p>Page 100-30</p>	<p>Borrower Power of Attorney – modification.</p> <ul style="list-style-type: none"> ■ Subject property may not be the result of a short sale, foreclosure, REO, etc.
<p>Page 100-46</p>	<p>Alimony/Child Support/Separate Maintenance – clarification.</p> <p>In order for alimony or child support to be considered as stable income, the borrower must have received income for at least 6 to 12 months (unless DU/DO requires a longer verification term) and it must continue for at least three years after the date of the original mortgage loan application.</p> <p>ClearPoint Funding will accept as verification of the award of alimony and/or child support one of the following documents:</p> <ul style="list-style-type: none"> ■ Copy of the divorce decree ■ Formal separation agreement ■ Court records; Any other legal agreement or court decree that describes the payment terms, or a copy of any applicable state law that requires alimony, child support or maintenance payments and specifies the conditions under which the payments must be made. <p>The document must specify the amount of the award and the period of time over which it will be received, including the age of the child(ren) for whom the support is being paid). Acceptable evidence would be deposit slips, canceled checks, bank statements or Federal income tax returns.</p> <p>Evidence must be provided to document that the funds have been received for the most recent 12 months:</p> <ul style="list-style-type: none"> ■ When a borrower has been receiving full, regular and timely payments for the most recent 12 months, the income may be considered stable. ■ For 6 to 12 months, the income may be considered stable as long as it does not represent more than 30% of the total gross income. ■ Less than 6 months may only be considered as a compensating factor. ■ NOTE: Any partial, sporadic, inconsistent, proposed or voluntary payments may not be considered as stable income. <p>Alimony is taxable and therefore should not be grossed up; however, child support is eligible. Documentation for alimony, child support income is not required if the borrower does not use the income to qualify or as a compensating factor.</p>

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Page 100-49	<p>Dividends and Interest – modified.</p> <p>An average of interest and dividend income may be used to qualify if supported by the Borrower's assets after settlement. The asset providing the interest and dividend income may not be liquidated for cash to close unless that portion used is deducted and the interest and/or dividend amount is recalculated based on the unused portion of the asset. Interest and dividend income is eligible only after deducting that portion, listed on Schedule B of IRS Form 1040, derived from a partnership or S Corporation.</p> <ul style="list-style-type: none"> ■ Most recent two (2) years personal tax returns with all schedules or most recent 24 months personal bank statements, or most recent two years' IRS Form 1099; AND ■ Proof of assets to support the interest or dividend income will continue for at least three years.
Page 100-49	<p>Foreign Income – new section.</p> <p>Foreign income (income generated from non-U.S. sources) may be used only if its stability and continuance can be verified, and is supported by U.S. Federal Tax Returns. If the income is paid in a foreign currency the file must contain a printout evidencing the source used for the conversion of the foreign currency into U.S. dollars. The income must also be verified in the same manner as U.S. income sources.</p> <p>NOTE: If the foreign income is non-taxable for any reason, documented proof of the non-taxable status is required.</p>
Page 100-50	<p>Leave of Absence – added definition.</p> <p>The borrower's regular pay may only be considered if the borrower has actually returned to work by the time the loan closes. Employment status and income must be verified prior to the loan closing. If the borrower is not currently receiving income, their regular full time pay may not be used to qualify, even if they plan on returning to work at some future specified time.</p> <p>If the borrower is receiving disability pay in an amount less than their regular, full time pay, only income that is likely to continue may be used to qualify. Income from accumulated vacation and sick time may not be used to qualify because its continuance cannot be verified.</p>
Page 100-74	<p>Payment Abatements – clarified.</p> <p>Not Permitted.</p> <ul style="list-style-type: none"> ■ Defined as an incentive provided to the borrower by an interested party, in which the interested party provides funds to pay (or reimburse) a certain number of monthly payments on the borrower's behalf. The monthly payments may cover, in whole or in part, principal, interest, taxes and insurance (PITI) as well as the payment of condominium or PUD fees. Payment abatements are ineligible, regardless of whether they are disclosed on the HUD-1. ■ The payment of up to 12 months of HOA fees are not considered an abatement, but HOA fees in excess of 12 months are considered an abatement.

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<p>Page 100-81</p>	<p>Business Funds – modified.</p> <p>Evidence and statements of the effect on the business may no longer be generated from the owner of the business. Such documentation must come from an accountant or CPA.</p>
<p>Page 100-86</p>	<p>Appraisal Validation – modified.</p> <p>ClearPoint Funding will assess all properties and appraisals to confirm values are well supported. It will be at the Underwriter’s discretion to utilize any additional validation tools at their disposal to escalate value concerns.</p>
<p>Page 100-89</p>	<p>Rural Properties – new section.</p> <p>The appraiser must address site values and land to value ratios. In areas that are built up 25% or more, the property’s land to value ratio must be consistent with other properties in the area.</p> <p>In areas that are built up less than 25%, the property’s land to value ratio must also be consistent with other properties in the area, but should not exceed 40%.</p> <p>NOTE: The appraisal must include the actual size of the site and not a hypothetical portion of the site; the appraised value must reflect the entire parcel/site. The appraiser must consider all acres of the subject property and comparables must be of similar size to establish marketability.</p>
<p>Page 100-89</p>	<p>Multiple Parcels – new section.</p> <p>When the subject property consists of more than one parcel of real estate, the parcels must be adjoining and zoned as “residential”. Only one parcel may have a dwelling unit and the mortgage must be a valid first lien on each parcel. For example, the mortgage may be secured by two parcels – one parcel on which the Borrower’s residence is located and another adjoining parcel that can have either no improvements or limited non-residential improvements (such as a small garage). Separate tax parcels within one deed are acceptable; two separate deeds are not acceptable.</p>
<p>Page 100-94</p>	<p>Cost to Cure – clarification.</p> <p>Appraisals stating “cost to cure”, where there is not an acceptable escrow holdback approved by the underwriter, are not permitted.</p> <p>NOTE:</p> <ul style="list-style-type: none"> ▪ Deferred maintenance that does not exceed 2.5% of the property value may be permitted at the underwriter’s discretion ONLY if all items are rated “average” or above. ▪ Properties or items appraised in “Fair Condition” are unacceptable. ▪ As always, any items that affect habitability and safety must be cured in order to receive loan approval.

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<p>Page 100-94</p>	<p>Utilities – new section.</p> <p>Utilities must meet community standards, be publicly supplied, and be accepted in the market area. All utilities must be turned on and in good working order. If public sewer and/or water are not supplied and regulated by the local government, then community, shared or private well and septic facilities must be available and used by the subject property. These facilities must be turned on, be in good working order and must be reviewed to assess whether any valuation adjustments must be made due to deferred maintenance, age, or economic viability of the provider.</p> <p>If community/shared facilities are used, the owners of the subject property must have rights to access those facilities at all times, such facilities must be common and customary, and a legally binding recorded agreement must be in place.</p> <p>Generally, private well or septic facilities must be located on the subject site. However, off-site private facilities are acceptable if the inhabitants of the subject property have the right to access them and if there is an adequate, legally binding agreement for its access and maintenance.</p> <p>NOTE: Properties that experience market resistance due to environmental hazards or any other conditions that affect well, septic, or public water facilities are not acceptable.</p>
<p>Page 100-133</p>	<p>Natural Disasters – modified.</p> <p>Non-standard appraisals (such as PIW, 2055, etc.) will NOT be permitted once a location has been declared by FEMA within a disaster area. A full appraisal will be required up to 60 calendar days after the Expiration/Safe Date. Between 60 to 90 calendar days after the Expiration/Safe Date, the PIW will be permitted along with a re-inspection and borrower certification.</p>
<p>Page 100-137</p>	<p>Cash Out Refinance – modified.</p> <p>ALL Borrowers must have owned (held title to) the subject property for a minimum of 6 months prior to the application date.</p>

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Page 100-140	Continuity of Ownership and Obligation – modified If there is an existing lien that will be satisfied via a refinance transaction (either a limited cash out or cash out refinance), there must be continuity of obligation as described below: <ul style="list-style-type: none">■ There is at least one borrower obligated on the new loan who was also a borrower obligated on the existing loan being refinanced; or■ The borrower has been on title and residing in the property for at least 12 months and has either paid the mortgage for the last 12 months or can demonstrate a relationship (relative, domestic partner, etc.) with the current obligor; or■ The borrower has recently inherited or was legally awarded the property (i.e. divorce, separation). NOTE: The existing loan being refinanced and the title must have been held in the name of a natural person or a LLC as long as the Borrower was a member of the LCC prior to transfer. Transfer of ownership from a corporation to an individual does not meet the continuity of obligation requirement.
Page 100-141	Continuity of Ownership/Obligation – clarification. NOTE: Even if continuity of ownership/obligation exist and regardless of outstanding lien or not, ALL individual borrowers must be in title/ownership for a minimum of 6 months to qualify for a cash out refinance. Transfers from a LLC/trust to an individual will require 6 months seasoning in order to cash out refinance in the individuals name.
Page 100-153	Revolving Debt – modified. IMPORTANT: For 30-day charge accounts such as American Express, are required to be paid off unless one of the following is satisfied: <ul style="list-style-type: none">■ Borrower has sufficient liquid assets to cover the unpaid balance, or■ Borrower will receive reimbursement of the charges from employer; documentation will be required.

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Page 100-155**Authorized User Accounts – modified.**

If there is written documentation of the Borrower's monthly payments on the authorized user account, or if the Borrower is an authorized user of any account belonging to the Borrower's spouse and the spouse is not a Borrower on the mortgage transaction, then the payment history (particularly any late payments that are indicated) must be considered in the credit analysis and the monthly payment obligation must be included in the DTI Ratio.

NOTE:

- If the owner of the account has been making payments and/or does not belong to the borrower's spouse, then written documentation (12 months canceled checks) will be required to prove that the owner is making payments and therefore not required to be counted against the borrower's DTI ratios.
- Authorized user accounts may not be counted as an acceptable tradeline for meeting the above requirements.

200 – Conforming Product

Page 200-27**State Restrictions – additions.**

- **Illinois:**
 - All refinances require a net tangible benefit form to be calculated by the underwriter.
 - Interest Only Option loans are not permitted within Cook County.
 - Cook, Kane, Peoria or Will Counties Only:
 - Mortgage must be recorded with either a Certificate of Compliance or a Certificate of Exemption as applicable.
 - High level steps: originator uses loan application to enter required information into the database; database will determine if the property is exempt; if not exempt, the database will then determine if it will be necessary for the borrower to obtain counseling; proof of exemption, if application, must be printed and provided within the loan file.
 - Refer to <https://www.ilapld.com> for instructions from the state.
 - Borrower Certification stating that counseling is not required as ClearPoint Funding does not offer loan products or allow closing scenarios that would trigger state required counseling.

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200 – Conforming Product

Page 200-29 & 33		FRM / ARM Matrix with Mortgage Insurance – additions.									
Agency FRM² 10 - 40 Year with Mortgage Insurance (>80% LTV)											
# of Units	Primary Residence Maximum			Second Home Maximum			Investment Property Maximum			Minimum Credit Score	
	LTV	CLTV	HCLTV ¹	LTV	CLTV	HCLTV	LTV	CLTV	HCLTV		
IMPORTANT: Refer to High Balance Loan Amount matrix for specific requirements.											
Cash-Out Refinance Transactions											
1	85.00 ³	NA	NA	NA	NA	NA	NA	NA	NA	NA	720
NOTES:											
1	Home Equity Combined Loan-to-Value (HCLTV). See Lending Guideline for full details.										
2	Interest Only Option not permitted.										
3	Maximum Cash Out \$200,000 ; Genworth only; SFR Detached properties only; may not be located in a declining market.										
4	Second Home: 720 minimum credit score required; may not be located in a declining market; attached properties not permitted.										

Page 200-30 & 34		FRM / ARM Matrix without Mortgage Insurance – additions.									
Agency FRM³ 10 - 40 Year without Mortgage Insurance (<=80% LTV)											
# of Units	Primary Residence Maximum			Second Home Maximum			Investment Property ¹ Maximum			Minimum Credit Score	
	LTV	CLTV	HCLTV ²	LTV	CLTV	HCLTV ²	LTV	CLTV	HCLTV ²		
IMPORTANT: Refer to High Balance Loan Amount matrix for specific requirements.											
Purchase and Limited Cash Out Refinance Transactions											
Condo	80.00	95.00	95.00	80.00	90.00	90.00	80.00 ¹	80.00 ¹	80.00 ¹	620	
										Investment Condos permitted for Detached Projects Only	

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300 – FHA Guidelines

<p>Page 300-27</p>	<p>Borrower Paid Seller Closing Cost – new section.</p> <p>If the borrowers are paying any portion of the lien or typical seller closing costs, the following applies:</p> <ul style="list-style-type: none"> ■ Transaction must be the result of a short sale, deed-in-lieu type transaction. ■ Borrower's funds must be verified to cover the additional costs, which must also be included in DU/DO calculations. ■ Current servicer must acknowledge and accept that additional payments are being covered by the purchaser (our borrower). ■ Sales contract must clearly specify and identify this agreement. ■ HUD-1 must include all fees and payments as outlined and agreed. ■ Transaction may not be a non-arms length transaction.
<p>Page 300-34</p>	<p>Foreign Income – new section.</p> <p>Not permitted for FHA loans.</p>
<p>Page 300-55</p>	<p>Paying Down Debt – new section.</p> <ul style="list-style-type: none"> ■ Paying down of revolving debt for qualification purposes is not permitted.
<p>Page 300-55</p>	<p>Monthly Payments for HELOCs – new section.</p> <ul style="list-style-type: none"> ■ Payments on any Home Equity Line of Credit (HELOC) are calculated into the ratio based on the amount reflected on the credit report. If a payment is not reflected, then the Interest Only payment should be used based on prime rate plus 4% of the total available line regardless of the balance.
<p>Page 300-69</p>	<p>Acreage & Multiple Parcels – same additions as for conventional loans.</p>
<p>Page 300-94</p>	<p>Natural Disasters – modified.</p> <p>Non-standard appraisals (such as PIW, 2055, etc.) will NOT be permitted once a location has been declared by FEMA within a disaster area. A full appraisal will be required up to 60 calendar days after the Expiration/Safe Date. Between 60 to 90 calendar days after the Expiration/Safe Date, the PIW will be permitted along with a re-inspection and borrower certification.</p>

Thank you for your business and please do not hesitate to contact your ClearPoint Funding Account Executive with any questions.