

PRIMARY RESIDENCE – PURCHASE AND RATE/TERM REFINANCE, FULLY AMORTIZING				
Property Type	Maximum LTV ¹	Maximum CLTV/HCLTV ¹	Maximum Loan Amount	Minimum Credit Score
1-2 Units PUD Condo	90%	90%	\$1,000,000	740
	85%	85%	\$2,000,000	740
	85%	85%	\$1,500,000	700
	80%	80%	\$2,500,000	720
	80%	80%	\$2,000,000	700
	80%	80%	\$1,500,000	680
	80%	80%	\$1,000,000	660
	75%	75%	\$3,000,000	720
	75%	75%	\$2,500,000	700
	75%	75%	\$2,000,000	660
	70%	70%	\$3,000,000	700
	70%	70%	\$2,500,000	660

PRIMARY RESIDENCE – CASH-OUT REFINANCE, FULLY AMORTIZING ²				
Property Type	Maximum LTV ¹	Maximum CLTV/HCLTV ¹	Maximum Loan Amount	Minimum Credit Score
1-2 Units PUD Condo	75%	75%	\$2,000,000	740
	75%	75%	\$1,500,000	700
	70%	70%	\$2,500,000	720
	70%	70%	\$2,000,000	700
	70%	70%	\$1,500,000	660
	65%	65%	\$3,000,000	720
	65%	65%	\$2,500,000	700
	65%	65%	\$2,000,000	680
	60%	60%	\$3,000,000	700
	60%	60%	\$2,500,000	680
	60%	60%	\$2,000,000	660

SECOND HOME – PURCHASE AND RATE/TERM REFINANCE, FULLY AMORTIZING

Property Type	Maximum LTV ¹	Maximum CLTV/HCLTV ¹	Maximum Loan Amount	Minimum Credit Score
1-Unit PUD Condo	85%	85%	\$1,500,000	700
	80%	80%	\$2,000,000	700
	80%	80%	\$1,500,000	680
	80%	80%	\$1,000,000	660
	75%	75%	\$2,500,000	700
	75%	75%	\$2,000,000	680
	75%	75%	\$1,500,000	660
	70%	70%	\$3,000,000	700
	70%	70%	\$2,500,000	680
	70%	70%	\$2,000,000	660
65%	65%	\$2,500,000	660	

SECOND HOME – CASH-OUT REFINANCE, FULLY AMORTIZING ²

Property Type	Maximum LTV ¹	Maximum CLTV/HCLTV ¹	Maximum Loan Amount	Minimum Credit Score
1-Unit PUD Condo	75%	75%	\$1,500,000	720
	75%	75%	\$1,000,000	700
	70%	70%	\$2,000,000	700
	70%	70%	\$1,500,000	660
	65%	65%	\$2,500,000	700
	65%	65%	\$2,000,000	680
	60%	60%	\$3,000,000	700
	60%	60%	\$2,000,000	660

INVESTMENT – PURCHASE AND RATE/TERM REFINANCE, FULLY AMORTIZING

Property Type	Maximum LTV ¹	Maximum CLTV/HCLTV ¹	Maximum Loan Amount	Minimum Credit Score
1-4 Units PUD Condo	85%	85%	\$1,500,000	700
	80%	80%	\$2,000,000	700
	80%	80%	\$1,500,000	680
	80%	80%	\$1,000,000	660
	75%	75%	\$2,500,000	700
	75%	75%	\$2,000,000	680
	75%	75%	\$1,500,000	660
	70%	70%	\$3,000,000	680
	70%	70%	\$2,500,000	680
	70%	70%	\$2,000,000	660
	65%	65%	\$2,500,000	660

INVESTMENT – CASH-OUT REFINANCE, FULLY AMORTIZING ²

Property Type	Maximum LTV ¹	Maximum CLTV/HCLTV ¹	Maximum Loan Amount	Minimum Credit Score
1-4 Units PUD Condo	75%	75%	\$1,500,000	720
	75%	75%	\$1,000,000	700
	70%	70%	\$2,000,000	700
	70%	70%	\$1,500,000	660
	65%	65%	\$2,500,000	700
	65%	65%	\$2,000,000	680
	60%	60%	\$3,000,000	700
	60%	60%	\$2,000,000	660

1. LTV/CLTV Restrictions:

- o Max 85% LTV/CLTV on 2-4 units
- o Max 85% LTV/CLTV on Condos
- o Max 75% LTV on Rural properties. Refer to Eligible properties section for all restrictions on Rural properties.
- o 5% LTV reduction for declining markets or rural second homes
- o Max 80% LTV/CLTV for non-permanent residents. Cash out refinances not allowed for non-permanent residents.
- o If using Asset Depletion as income:
 - Max 85% LTV
 - Minimum 700 score
 - Purchase or R/T refinance only
 - Primary residence only

2. Refer to Cash Out Refinance section for cash out limits.

PRIMARY RESIDENCE – PURCHASE AND RATE/TERM REFINANCE, INTEREST ONLY

Property Type	Maximum LTV ³	Maximum CLTV/HCLTV ³	Maximum Loan Amount	Minimum Credit Score
1-2 Units PUD Condo	85%	85%	\$2,000,000	740
	85%	85%	\$1,500,000	700
	80%	80%	\$2,500,000	720
	80%	80%	\$2,000,000	700
	75%	75%	\$3,000,000	720
	75%	75%	\$2,500,000	700
	70%	70%	\$3,000,000	700

PRIMARY RESIDENCE – CASH-OUT REFINANCE, INTEREST ONLY ⁴

Property Type	Maximum LTV ³	Maximum CLTV/HCLTV ³	Maximum Loan Amount	Minimum Credit Score
1-2 Units PUD Condo	75%	75%	\$2,000,000	740
	75%	75%	\$1,500,000	700
	70%	70%	\$2,500,000	720
	70%	70%	\$2,000,000	700
	65%	65%	\$3,000,000	720
	65%	65%	\$2,500,000	700
	60%	60%	\$3,000,000	700

SECOND HOME – PURCHASE AND RATE/TERM REFINANCE, INTEREST ONLY				
Property Type	Maximum LTV ³	Maximum CLTV/HCLTV ³	Maximum Loan Amount	Minimum Credit Score
1-Unit PUD Condo	85%	85%	\$1,500,000	700
	80%	80%	\$2,000,000	700
	75%	75%	\$2,500,000	700
	70%	70%	\$3,000,000	700

SECOND HOME – CASH-OUT REFINANCE, INTEREST ONLY ⁴				
Property Type	Maximum LTV ³	Maximum CLTV/HCLTV ³	Maximum Loan Amount	Minimum Credit Score
1-Unit PUD Condo	75%	75%	\$1,500,000	720
	75%	75%	\$1,000,000	700
	70%	70%	\$2,000,000	700
	65%	65%	\$2,500,000	700
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INVESTMENT – PURCHASE AND RATE/TERM REFINANCE, INTEREST ONLY				
Property Type	Maximum LTV ³	Maximum CLTV/HCLTV ³	Maximum Loan Amount	Minimum Credit Score
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	80%	80%	\$2,000,000	700
	75%	75%	\$2,500,000	700

INVESTMENT – CASH-OUT REFINANCE, INTEREST ONLY ⁴				
Property Type	Maximum LTV ³	Maximum CLTV/HCLTV ³	Maximum Loan Amount	Minimum Credit Score
1-4 Units PUD Condo	75%	75%	\$1,500,000	720
	75%	75%	\$1,000,000	700
	70%	70%	\$2,000,000	700
	65%	65%	\$2,500,000	700
	60%	60%	\$3,000,000	700

3. LTV/CLTV Restrictions:

- Max 75% LTV on Rural properties. Refer to Eligible properties section for all restrictions on Rural properties.
- 5% LTV reduction for declining markets or rural second homes
- Max 80% LTV/CLTV for non-permanent residents. Cash out refinances not allowed for non-permanent residents.
- If using Asset Depletion as income:
 - Purchase or R/T refinance only
 - Primary residence only

4. Refer to Cash Out Refinance section for cash out limits.

PROGRAM SUMMARY

The Advantage Plus program offers expanded eligibility guidelines including alternative income documentation for qualification and reduced seasoning on major derogatory events.

While the Advantage Plus product is considered a Non-QM product and not subject to QM testing, loans are still subject to Federal, State and Municipal predatory testing. As such, these products may not be eligible in some states.

PRODUCTS OFFERED

Product Name	Loan Term	Interest Only Term	ARM Disclosure
Advantage Plus 15-Year Fixed	15 years	n/a	n/a
Advantage Plus 30-Year Fixed	30 years	n/a	
Advantage Plus 30-Year Fixed (10yr IO)	30 years	10 years	
Advantage Plus 40-Year Fixed (10yr IO)	40 years	10 years	
Advantage Plus 7/6 SOFR ARM	30 years	n/a	Doc. #3384
Advantage Plus 7/6 SOFR ARM (10yr IO)	30 years	10 years	Doc. #3395
Advantage Plus 7/6 SOFR ARM 40-Year (10yr IO)	40 years	10 years	Doc. #3396
Advantage Plus 10/6 SOFR ARM	30 years	n/a	Doc. #3384
Advantage Plus 10/6 SOFR ARM (10yr IO)	30 years	10 years	Doc. #3397
Advantage Plus 10/6 SOFR ARM 40-Year (10yr IO)	40 years	10 years	Doc. #3398

PREPAYMENT PENALTY

Not allowed.

HIGHER PRICED MORTGAGE LOAN (HPML)

Higher Priced Mortgage Loans are allowed. High Cost loans are not eligible. Refer to *Compliance* procedures, [Doc #4801](#) for HPML requirements.

LOAN AMOUNTS

Minimum: \$150,000

Maximum: Refer to [Eligibility Grids](#) above

CASH OUT REFINANCE

The maximum cash back to borrower includes non-mortgage debt to be paid off. Maximum cash out is determined by LTV:

LTV	Max Cash Out
> 60%	\$750,000
<= 60%	Unlimited

MORTGAGE INSURANCE

Not required.

MINIMUM CREDIT SCORE

- Representative Credit Score (middle score) of the Primary Wage Earner is used to qualify.
 - **If more than one borrower has an equal qualifying income, the lower representative credit score must be used to qualify.**
- Primary Wage Earner must have a valid score from at least two (2) of the credit reporting agencies.
- Refer to Eligibility Grids above for minimum requirements.

QUALIFYING RATE AND PAYMENT15 YEAR FIXED

Note rate amortized over 15 years

30 YEAR FIXED

Note rate amortized over 30 years

30 YEAR FIXED INTEREST ONLY

Note rate amortized over 20 years

40 YEAR FIXED INTEREST ONLY

Note rate amortized over 30 years

7/6 & 10/6 ARM FULLY AMORTIZING

Greater of Note Rate or fully-indexed rate amortized over 30 years

7/6 & 10/6 ARM INTEREST ONLY

Greater of Note Rate or fully-indexed rate amortized over 20 years

7/6 & 10/6 ARM 40 YEAR INTEREST ONLY

Greater of Note Rate or fully-indexed rate amortized over 30 years

QUALIFYING RATIOS

- Max DTI: 50%
- DTI > 50% up to 55% allowed with all of the following met:
 - Minimum 700 FICO
 - Max LTV/CLTV of 80%
 - Primary residence only
 - No first time home buyers allowed
 - 1.5 X residual income

For qualifying debt to income ratios > 45%, borrower must meet residual income requirements per Residual Income Worksheet, [Doc #3279](#).

PAYMENT SHOCK

First time home buyers are limited to a maximum 300% payment shock.

Note: Does not apply if rent free.

Payment shock is calculated by dividing new housing payment (PITIA) by the current housing payment.

Example:

Proposed Housing Payment (PITIA): \$ 2,100

Current Rent Payment: \$ 1,200

\$2,100 divided by \$1,200 = 175% payment shock

An alternative calculation, the new payment may not exceed the existing payment multiplied by three.

Example:

Current rent payment of \$1,200 x 3 = \$3,600

New PITIA may not exceed \$3,600

RESERVES

Occupancy	Loan Amount	Required Verified PITIA Reserves ^{5,6,7,8}
All Occupancy Types	≤ \$1,000,000	6 months
	\$1,000,001 - \$2,000,000	9 months
	\$2,000,001 - \$3,000,000	12 months

5. When borrowers have financed properties in addition to the subject property, an additional two (2) months PITIA reserves are required for each property. The two (2) months additional reserves are based on the PITIA of the other financed properties and subject to a maximum of twelve (12) months combined reserves for all financed properties. (Example: loan amount of \$1.5M and borrower owns five other investment properties. Nine months required on subject plus additional three months on any of the financed properties to meet the combined 12 month requirement.)
6. Proceeds from cash out refinances may be used for reserves.
7. Reserves not required for loans using Asset Depletion as income.
8. For Interest Only loans, reserves are based on the initial Interest Only payment.

INTERESTED PARTY CONTRIBUTIONS

Occupancy	CLTV/HCLTV	IPC Allowance
All Occupancy Types	≤ 80%	6%
	> 80%	3%

MINIMUM BORROWER CONTRIBUTION

Borrower must contribute at least 5% from their own funds if LTV/CLTV is > 80%. No minimum contribution if LTV CLTV is ≤ 80%.

ELIGIBLE BORROWERS

- U.S. Citizens
- Permanent Resident Aliens
- Non-permanent Resident Aliens
 - Max LTV/CLTV is 80%
 - Cash out refinances not allowed
 - DACA not eligible
- First-Time Homebuyers

- Interest Only not allowed
- Max 300% payment shock
- Max 50% DTI
- Non-Occupant Co-Borrowers
 - Primary residence and 1 unit only
 - Purchase & Rate/Term only
 - Non-Occupant Co-borrower is a relative of the occupant borrower. A relative is defined as the borrower's parent, spouse, child or other dependent or by any other individual who is related to the borrower by blood, marriage, adoption or legal guardianship; or a fiancé, fiancée or domestic partner.
 - A minimum of 5% of the down payment must come from the Primary (occupant) borrower's own funds.
 - Max 80% LTV/CLTV
 - Minimum 700 credit score
 - Must be an arm's length transaction (no relationship to seller or builder)

ELIGIBLE PROPERTY TYPES

- 1 to 4-unit properties
- Warrantable condominiums
- Planned unit development (PUD)
- Modular homes
- Properties with up to 20 acres (total property acreage must be included on appraisal)
 - For properties >10 to 20 acres:
 - Maximum 35% land to value
 - No income producing attributes
- Rural properties:
 - Not allowed on investment properties
 - Second homes must apply a 5% LTV reduction to the respective max LTV per the matrix
 - LTV may not exceed 75%
 - Cash out refinances not allowed
- Any property classified as a "Declining Market" requires a 5% reduction to the maximum LTV.

INELIGIBLE PROPERTY TYPES

In addition to the ineligible property types listed in the Non-Agency Underwriting Guidelines, the following property types are ineligible:

- Non-warrantable condos
- Manufactured housing
- Live/work condos

NUMBER OF FINANCED PROPERTIES

A borrower may not have more than ten (10) residential properties financed including their primary residence. Joint ownership in residential real estate is considered the same as total ownership and is subject to the same restriction. Refer to the reserves section for minimum required reserves for borrower's who own more than the subject property.

APPRAISAL REQUIREMENTS

All appraisals must be reviewed by the appraisal department.

Loan Amount	Appraisal Requirement
Up to \$1,500,000	One Full Appraisal + Secondary Valuation
> \$1,500,000	Two Full Appraisals

All loan amounts up to \$1,500,000 require a secondary valuation product. The secondary valuation must be within -10% tolerance of appraised value, within -5% for LTVs > 85%. Acceptable products are:

- CDA, CCA or Enhanced Desk Review
- Field Review
- Second full appraisal

Please note: For all transactions, the borrower **may not waive the three business day timing requirement for the receipt of a copy of the appraisal.**

UNDERWRITING

All guidelines not addressed in this product description must meet the parameters documented in the Flagstar [Non-Agency Underwriting Guidelines](#).

- Manually underwritten. Not eligible for AUS submission.
- Fourth Party Originations are not eligible.

ASSETS

All asset guidelines not addressed in this section must meet the parameters documented in the Flagstar [Non-Agency Underwriting Guidelines](#)

GIFT FUNDS

- Gift funds can be used for down payment or to pay closing costs. Gift funds are not allowed for reserves.
- Gift funds must be from a family member as defined by FNMA.
- Gift funds allowed on all occupancy types but may not be used for second homes or investment properties with LTV/CLTVs > 80%.
- Not allowed for borrowers utilizing Asset Depletion as qualifying income.
- Gift of equity not allowed.
- Refer to [Minimum Borrower Contribution](#) for borrower requirements.

RETIREMENT ACCOUNTS

When used as reserves, vested retirement accounts are allowed using 100% of the value.

CREDIT REQUIREMENTS

All credit guidelines not addressed in this product description must meet the parameters documented in the Flagstar [Non-Agency Underwriting Guidelines](#)

MINIMUM TRADELINE REQUIREMENT

Each individual borrower contributing income for qualifying purposes must meet the following:

- Minimum of two (2) tradelines within the last twenty-four (24) months that show a twelve (12) month history, or a combined credit provide between borrower and co-borrower with a minimum of three (3) tradelines.
- Tradeline activity is not required. Eligible tradelines cannot have any derogatory history in previous twenty-four (24) months. Examples of unacceptable tradelines include loans in a deferment period, collection or charged-off accounts, accounts discharged through bankruptcy and authorized user accounts.
- Current housing not reporting on credit can be considered an open tradeline if supported by bank records (i.e. cancelled checks/debits)

ALTERNATIVE CREDIT HISTORY

Not eligible.

MORTGAGE/RENT HISTORY REQUIREMENTS

- 0x30x12 on all mortgages.
- Twelve (12) months housing history is required. Twelve (12) month mortgage/housing history includes all occupancy types – Primary, Second Home and Investment Properties.
- All mortgages and rental payments should be current at time of closing. If the credit report or VOR/VOM reflects a past-due status, updated documentation is required to verify the account is current. Private party VOR or VOMs are not allowed.
- Housing history evidenced by twelve (12) months proof of payment via cancelled checks, bank debits or institutional VOR.
- LOE or rent-free letter is required when a twelve (12) month housing history is not applicable.
- Past due balloon will be considered a delinquency (1x30) and not a housing event, but only within one hundred eighty (180) days of maturity.
- Refer to Flagstar [Non-Agency Underwriting Guidelines](#) for all requirements including temporary COVID overlays.

DEROGATORY CREDIT

A Bankruptcy, Foreclosure, Short Sale, Deed-in-Lieu, Default Modification, Notice of Default and 120+ Days Delinquent must be seasoned for four (4) years from the date of the loan application.

- Multiple derogatory events, regardless of age, are not eligible.
- Seasoning lookback is from the date of discharge/dismissal or property resolution (completion date) as of the note date. Modification look back commences at inception (when loan was permanently modified).

COLLECTIONS, CHARGE-OFFS, JUDGMENTS & LIENS

All delinquent credit that will impact title – including delinquent taxes, judgments, charge-off accounts, tax liens and mechanics liens must be paid off prior to or at closing. Title must insure the lien position without exception. Any item secured against the subject must be paid in full.

However, collection accounts, charged-off accounts and judgments that do not impact title are not required to be paid off if the sum total of all derogatory accounts is \$5,000 or less. When total exceeds \$5,000, all must be paid in their entirety and all past due accounts brought current. Medical collections are allowed to remain outstanding as long as the balance is less than \$10,000 in aggregate.

INCOME DOCUMENTATION

Income documentation is broken down into two sections, [Full Documentation](#) (Two (2) year traditional documentation) and [Alternative Documentation](#) (One (1) year of income documentation and Asset Depletion). Refer to each section for requirements.

All income guidelines not addressed in this section must meet the parameters documented in the [Flagstar Non-Agency Underwriting Guidelines](#).

FULL INCOME DOCUMENTATION

Follow standard Flagstar Non-Agency guides for two years traditional income documentation on wage earners and self-employed borrowers.

1099 INCOME AS A WAGE EARNER

- Borrower(s) qualifying with 1099s must provide two (2) years 1099s.
- Limited to single employer and requires employer confirmation of no Borrower job related expenses
- Most recent check stub (or three (3) months bank statements for 1099) including year-to-date earnings (YTD must cover minimum of thirty (30) days)
- IRS 1040s are recommended when using other sources of income to qualify i.e., interest dividends, capital gains, note receivable, trust income etc.
- 4506-C 1099 transcripts (If 1040 transcripts are provided, 1099 transcripts are not required)
 - In the case where taxes have been filed and the wage transcripts are not available from the IRS, the IRS response to the request must reflect “No Record Found” and be present in the loan file
 - Must document that taxes have been filed via evidence of e-filing, tax refund, or proof of payment
 - Evidence of any IRS filing extensions must also be present in the loan file.
- Verbal Verification of Employment

RECENTLY TRANSITIONED W-2 TO 1099

Borrowers recently transitioned from W2 to 1099 and contracted by the same employer in the same position do not require two (2) years 1099s if the lender provides documentation the borrower will not be responsible for additional expenses, i.e., contract. Borrowers who remained in the same industry, but transitioned from W2 to 1099 with a different company must be in current position for at least one (1) year. Requires prior W-2 for full documentation.

ALTERNATIVE INCOME DOCUMENTATION - ONE (1) YEAR INCOME DOCUMENTATION PROGRAM AND ASSET DEPLETION

Loans that are part of the One (1) Year Documentation require only One (1) year of income docs versus the Full Documentation Program which requires 2 years. Originators should refer to full documentation guidelines for specifics on other income type requirements (i.e. rental income, interest & dividend income, capital gains, etc.) except as stated below.

NOTE: Any loan using Alternative Income Documentation programs below are required to identify the documentation type. Loan must be registered as Alt Doc.

WAGE EARNERS (INCLUDING 1099):

- One (1) year IRS 1040 or W2 or one (1) year 1099
 - 1099 limited to single employer and requires employer confirmation of no Borrower job related expenses

- Most recent paystub (or three (3) months bank statements for 1099) including year-to-date earnings (YTD must cover minimum of thirty (30) days)
- 4506-C W2 or 1099 transcripts (If 1040 transcripts are provided, W2/1099 transcripts are not required)
 - In the case where taxes have been filed and the wage transcripts are not available from the IRS, the IRS response to the request must reflect “No Record Found” and be present in the loan file
 - Must document that taxes have been filed via evidence of e-filing, tax refund, or proof of payment
 - Evidence of any IRS filing extensions must also be present in the loan file
- Verbal Verification of Employment (VVOE)

SELF-EMPLOYED BORROWERS:

- Borrowers must **have** at least 25% **ownership in the business** to qualify
- One-year personal and business tax returns (along with all schedules and K-1's) plus a borrower prepared P&L covering time period since last tax filing
- If the P&L covers more than nine (9) months, three (3) months bank statements are required to validate continued positive cash flow of the borrower's business. Additional bank statements may be required if deemed necessary
- Borrower will be qualified on the lower of:
 - Monthly average of the net income from the tax return and P&L; or
 - Monthly net income from tax return multiplied by 115%
- All Borrowers must also provide evidence that business has been in existence for at 2 least years via CPA/Tax preparer letter, confirmation from regulatory or state agency, or applicable licensing bureau
- Self-employed borrower income in a licensed profession (i.e. Medical, Legal, Accounting) will be considered from a business that's been in existence for less than 2 years, but greater than 1 year if the borrower has at least 2 years of documented previous experience in the same profession, or evidence of formal education in a related field
- IRS FORM 1040 personal and business 4506-C tax transcripts required for the tax return year used for qualifying
- Verification of business existence and that the business is fully operational/active required within ten (10) calendar days of closing.

ASSET DEPLETION

The utilization of financial assets will be considered as Borrower income to qualify for their monthly payments. The unrestricted liquid assets can be comprised of stocks / bonds / mutual funds, vested amount of retirement accounts and bank accounts. A Borrower using Asset Depletion cannot use other sources of employment income.

NOTE: Any loan using Asset Depletion for income to qualify is required to identify the documentation type. Loan must be registered as Alt Doc

Program Requirements

- Maximum 85% LTV
- Minimum 700 score
- Purchase or Rate/Term Refinances only
- Primary residence only

- Reserves are not required for Borrower(s) qualifying with Asset Depletion income
- Requirements:
 - Borrowers must have a minimum of the lesser of \$1mm in Qualifying Assets OR must have Qualifying Assets \geq to 125% of the original loan amount
 - The minimum amount of qualified assets a borrower is allowed to have is \$450,000
- Not permitted:
 - Cash-Out proceeds
 - Gift funds
 - Foreign Assets
 - Non-Occupant Co-Borrower

Eligibility

- Borrowers must have a minimum of \$450K in Qualifying Assets
- Assets used for qualifying must be seasoned for one hundred twenty (120) days
- Bitcoin or other forms of cryptocurrency can be utilized as “Qualifying Assets” to the extent the cryptocurrency was converted or liquidated to cash and the cash holding meets seasoning requirements of one hundred twenty (120) days. Cryptocurrency that has not been converted or liquidated to cash (still in cryptocurrency form) cannot be utilized as a Qualifying Asset
- Net Assets:
 - If the assets or a portion of the assets are being used for down payment or costs to close, those assets should be excluded from the balance before analyzing a portfolio for income qualification
- Qualifying Assets:
 - Net assets multiplied by the following percentages:
 - 100% checking / savings / money accounts
 - 80% of the remaining value of stocks / bonds / mutual funds
 - 70% for all vested retirement assets
- Qualifying Income:
 - Qualified assets with utilization draw schedule of seven (7) years (Qualified Assets divided by 84)

RENTAL INCOME

Refer to the Flagstar Non-Agency Underwriting guidelines for all rental income requirements with the exception of the Departing Residence guidance below.

DEPARTING RESIDENCE WITH NO LEASE REQUIREMENT

- Departure residence must be the current owner occupied property and the subject property must be owner occupied.
- No listing agreement or contract required for the departing residence.
- Signed letter of intent from borrower indicating they intend to list the departure residence for sale or rent within ninety (90) days of closing on subject transaction.
- Current appraisal or 2055 exterior appraisal required, seasoned less than 6 months is required to establish minimum 20% equity in departure residence.
- Current rental survey (FNMA 1007/1025) required to establish market rents for departure property. Net rental income should be calculated as the gross monthly rent multiplied by 75% minus the current PITIA.
- Rental income may only be used to offset the PITIA of the current departing primary property and no positive income may be used to qualify. However, if the result is negative rental income (loss), the borrower's DTI analysis should take the loss into consideration

- Additional required reserves for the departure residence are based on the marketing time indicated by the departure residence appraisal:
 - If appraisal indicates marketing time of six (6) months or less = twelve (12) months PITIA/ITIA
 - If appraisal indicates marketing time over six (6) months = twenty-four (24) months PITIA/ITIA

LIABILITIES

All liability guidelines not addressed in this section must meet the parameters documented in the Flagstar [Non-Agency Underwriting Guidelines](#).

BRIDGE LOANS

Bridge loans - a payment is not required to be included in the DTI when the term of the loan balloons in 6 months or less.

TRANSACTION TYPES

All transaction type guidelines not addressed in this section must meet the parameters documented in the Flagstar [Non-Agency Underwriting Guidelines](#).

PURCHASE TRANSACTIONS

- The seller must be on title for a minimum of 181 days (from the date seller takes title to date sales contract executed) ; and
- Twelve (12) month chain of title to ensure not a flip transaction. Property flipping schemes and other similar type transactions are not permitted.

DELAYED FINANCING

Borrowers who purchased the subject property within the past six months (measured from the date on which the property was purchased to the disbursement date of the new mortgage loan) are eligible for a cash-out refinance if all of the following requirements are met:

- The original purchase transaction was an arms-length transaction.
- The borrower(s) may have initially purchased the property as one of the following:
 - A natural person; an eligible inter vivos revocable trust, when the borrower is both the individual establishing the trust and the beneficiary of the trust; or
 - An eligible land trust when the borrower is the beneficiary of the land trust; or an LLC or partnership in which the borrower(s) have an individual or joint ownership of 100%.

The new loan amount can be no more than the actual documented amount of the borrower's initial investment in purchasing the property plus the financing of closing costs, prepaid fees, and points on the new mortgage loan (subject to the maximum LTV, CLTV, and HCLTV ratios for the cash-out transaction based on the current appraised value).

All other cash-out refinance eligibility requirements are met. Cash-out pricing is applicable. Refer to the Non-Agency guides for all documentation requirements.

CONTINUITY OF OBLIGATION

For a refinance transaction (either rate and term/limited cash-out or cash-out), there must be a continuity of obligation if there is currently an outstanding lien that will be satisfied through the refinance transaction.

An acceptable Continuity of Obligation exists when any of the following exist:

- There is at least one (1) Borrower obligated on the new loan who was also a Borrower obligated on the existing loan that is being refinanced;
- The Borrower has been on title and residing in the property for at least six (6) months and has either paid the mortgage for the last six (6) months or can demonstrate a relationship (parent, spouse, domestic partner, sibling, etc.) with the current obligor;
- The Borrower has recently inherited or was legally awarded the property (divorce, separation); or
- The existing loan being refinanced and the title have been held in the name of a natural person or a limited liability company as long as the Borrower was a member of the limited liability company prior to transfer. The loan must have been transferred out of Limited Liability Company prior to application. Transfer of ownership from a corporation to individual does not meet Continuity of Obligation.

SUBORDINATE FINANCING

- Subordinate financing must be provided by a financial institution.
- Subordinate financing not allowed on Interest Only loans.
- Refer to the [Non-Agency Underwriting Guidelines](#) for all requirements.

TEXAS REFINANCE LOANS

All refinance loans in Texas will be evaluated against the criteria outlined in the Flagstar [Non-Agency Underwriting Guidelines](#), Texas Home Equity/50(a)(6) Right of Rescission section to determine whether or not they must be originated under the requirements of Section 50(a)(6) of the Texas Constitution. Loans that fall under Section 50(a)(6) are not eligible.

STATE ELIGIBILITY

Available with the following geographic restrictions:

State	Restriction
Puerto Rico	Not Eligible
Virgin Islands	Not Eligible

ADJUSTABLE RATE DETAILS

Interest Rate Adjustment Caps	7/6: Initial: 5% up/down; Subsequent: 1% up/down; Lifetime: 5% up 10/6: Initial 5% up/down, Subsequent: 1% up/down; Lifetime: 5% up
Margin	See Price Indication Sheet
Index	30 Day SOFR (Secured Overnight Financing Rate)
Interest Rate Floor	The interest rate floor is equal to the Margin
Change Dates	7/6 ARM: The first change date is the 84th payment due date. There is a new change date every 6 months thereafter.
	10/6 ARM: The first change date is the 120th payment due date. There is a new change date every 6 months thereafter.
Conversion Option	None
Assumption	Not allowed
Negative Amortization	None

CLOSING DOCUMENTATION

Closing docs may be ordered through Flagstar’s Web-Based Closing Docs (WBCD) service available on Loantrac.

FIXED RATE LOANS – FULLY AMORTIZING

- Fannie Mae/Freddie Mac Uniform Security Instrument, 3000-series
- Fannie Mae/Freddie Mac multi-state Fixed Rate Note, 3200-series
- Standard title commitment with all applicable endorsements

FIXED RATE LOANS – INTEREST ONLY

- Fannie Mae/Freddie Mac Uniform Security Instrument, 3000-series
- Interest-Only Period Fixed Rate Note, 3200-series IO or equivalent
- Standard title commitment with all applicable endorsements

ADJUSTABLE RATE LOANS – 7/6 & 10/6 SFOR FULLY AMORTIZING

- Fannie Mae/Freddie Mac Uniform Security Instrument, 3000-series
- Fannie Mae/ Freddie Mac multi-state Adjustable Rate Note, Form #3442
- Fannie Mae/Freddie Mac multi-state Adjustable Rate Rider, Form #3142
- Standard title commitment with all applicable endorsements

ADJUSTABLE RATE LOANS – 7/6 SOFR INTEREST ONLY

- Fannie Mae/Freddie Mac Uniform Security Instrument, 3000-series
- Multistate Interest-Only Period Fixed/Adjustable Rate Note, Form #3442 IO or equivalent
- Multistate Interest-Only Fixed/Adjustable Rate Rider, Form #3142 IO or equivalent
- Standard title commitment with all applicable endorsements

ADJUSTABLE RATE LOANS – 10/6 SOFR INTEREST ONLY

- Fannie Mae/Freddie Mac Uniform Security Instrument, 3000-series
- Multistate Interest-Only Period Fixed/Adjustable Rate Note, Form #3442 IO or equivalent
- Multistate Interest-Only Fixed/Adjustable Rate Rider, Form #3142 IO or equivalent
- Standard title commitment with all applicable endorsements

IF APPLICABLE

- Fannie Mae/Freddie Mac multi-state Condo Rider, Form #3140
- Fannie Mae/Freddie Mac Multi-state PUD Rider, Form #3150
- Fannie Mae/Freddie Mac multi-state 1-4 Family Rider, Form #3170
- Fannie Mae-Freddie Mac multi-state Second Home Rider, Form #3890