IMPAC Mortgage Corp. WHOLESALE

Jumbo Platinum

This matrix is intended as an aid to help determine whether a property/loan qualifies for certain financing.

NOTE: This matrix is specific to Impac's investor requirements. A thorough reading of this matrix is recommended.

Program Qualifications

This jumbo mortgage loan program offers fixed and ARM products on jumbo loan balances starting at $417,001. Guidelines apply to both fixed and ARM programs unless specifically indicated.

Eligibility Matrix Loan Amount & LTV Limitations

Primary Residence 1-Unit

	Credit Score	LTV/CLTV/HCLTV[2]	Minimum Loan Amount	Maximum Loan Amount	Reserves (Months)	DTI
Purchase and Rate/Term Refinance	720	80%	$417,001	$1.0 Million	6	43%
	700	75%	$417,001	$1.0 Million	6	43%
	740	80%	$1,000,001	$1.5 Million	12	43%
	720	75%	$1,000,001	$1.5 Million	12	43%
	720	70%	$1,500,001	$2.0 Million	18	43%
	720	65%	$2,000,001	$2.5 Million	18	43%
Cash-Out	700	75%	$417,001	$1.0 Million	9	43%
	720	70%	$1,000,001	$1.5 Million	12	43%
	720	55%	$1,500,001	$2.0 Million	18	43%

Primary Residence 2-Unit

	Credit Score	LTV/CLTV/HCLTV[2]	Minimum Loan Amount	Maximum Loan Amount	Reserves (Months)	DTI
Purchase and Rate/Term Refinance	700	70%	$533,851	$1.0 Million	12	40%
	700	65%	$1,000,001	$1.5 Million	12	40%
	720	50%	$1,500,001	$2.0 Million	18	40%
Cash-Out	700	70%	$533,851	$1.0 Million	12	40%
	700	65%	$1,000,001	$1.5 Million	12	40%
	720	50%	$1,500,001	$2.0 Million	18	40%

Second Home

	Credit Score	LTV/CLTV/HCLTV[2]	Minimum Loan Amount	Maximum Loan Amount	Reserves (Months)	DTI
Purchase and Rate/Term Refinance	720	75%	$417,001	$1,000,000	9	43%
	720	70%	$1,000,001	$1.5 Million	12	43%
	720	65%	$1,500,001	$2.0 Million	18	43%
Cash-Out	700	70%	$417,001	$1,000,000	9	40%
	720	65%	$1,000,001	$1.5 Million	12	40%
	720	50%	$1,500,001	$2.0 Million	18	40%

Footnotes:

1 Max LTV/CLTV/HCLTV is reduced by 5% on properties in declining markets as indicated by the appraiser.
2 Subordinate financing is permitted.
3 Construction loans ineligible.
4 Texas refinance 50(a)(6) ineligible.
5 Maximum cash out is $300,000
6 Loan amounts over $1,000,000 require Impac management review (see *Underwriting*)
7 Borrowers with greater than two (2) financed properties are required to have at least 18 months reserves
8 NOTE: Exceptions are not allowed on the above grid items (i.e., credit score, LTV/CLTV/HCLTV, loan amount, reserves, or DTI)

Product Description

- Fixed Rate 15 and 30 years
- 5/1, 7/1, and 10/1 LIBOR ARMs
- All products are fully amortizing

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Product Codes

Product Code
JF15PL Jumbo Platinum Fixed 15 year
JF30PL Jumbo Platinum Fixed 30 year
JA51PL Jumbo Platinum ARM 5/1 LIBOR
JA71PL Jumbo Platinum ARM 7/1 LIBOR
JA101PL Jumbo Platinum ARM 10/1 LIBOR

Locking

- **Forward locks are allowed**
- **Locking is through the Impac Lock Desk ONLY**

Eligibility Requirements

<table>
<tr><td rowspan="14">Adjustable Rate Details</td><td rowspan="2">Interest Rate Adjustment Caps</td><td>5/1 ARM – 2/2/5
Initial: 2% up/down; Subsequent: 2% up/down; Lifetime: 5% over initial rate</td></tr>
<tr><td>7/1 & 10/1 ARMs – 5/2/5
Initial: 5% up/down; Subsequent; 2% up/down; Lifetime: 5% over initial rate</td></tr>
<tr><td>Margin</td><td>2.50%; Margin of 2.25% available with applicable pricing adjustment</td></tr>
<tr><td>Index</td><td>12-month LIBOR (London InterBank Offer Rate)</td></tr>
<tr><td>Interest Rate Floor</td><td>The interest rate floor is equal to the Margin</td></tr>
<tr><td>Index Establish Date</td><td>45 Days Prior to the Change Date</td></tr>
<tr><td rowspan="3">Change Dates</td><td>5/1 ARM
The first change date is the 60th payment due date. There is a new change date every 12 months thereafter.</td></tr>
<tr><td>7/1 ARM
The first change date is the 84th payment due date. There is a new change date every 12 months thereafter.</td></tr>
<tr><td>10/1 ARM
The first change date is the 120th payment due date. There is a new change date every 12 months thereafter</td></tr>
<tr><td>Conversion Option</td><td>None</td></tr>
<tr><td>Assumption</td><td>Not allowed, except as specified in Fannie Mae Adjustable Rate Note Form 3528 and Adjustable Rate Rider Form 3187 and utilized for Hybrid ARM products</td></tr>
<tr><td>Negative Amortization</td><td>None</td></tr>
<tr><td>Appraisal</td><td colspan="2"><u>IMPORTANT:</u> All appraisals for this Jumbo product must be ordered through the Impac Appraisal Desk.

<u>Age of Appraisal:</u>
Appraisals must be dated within 120 days of the Note. After the 120 day period a new appraisal will be required. Re-certification of value is not acceptable.

<u>Appraisal Requirement by Loan Amount:</u>
≤ $1,500,000
• One Full URAR for loan amounts up to and including $1,500,000 (e.g., Form 1004, Form 1073). All appraisals will be subject to the investor appraisal review process.

> $1,500,000
• Two Full URARs for loan amounts ≥ $1,500,001. It is recommended (but not required) to send appraisals to investor for appraisal review prior to closing.
• LTV will be based on the lower of (i) the Two Full URARs, and (ii) for purchase money loans, the purchase price, subject to investor appraisal review process.

When 2 appraisals are required:
• Appraisals must be completed by two independent companies
• The LTV will be determined by the lower of the tow appraised values as long as the lower appraisal supports the value conclusion. The final inspection and/or recertification of value must be for the appraisal with the lower value.
• Any inconsistencies between the two reports must be addressed by the underwriter and all discrepancies must be reconciled.</td></tr>
</table>

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	Appraisal Standards:
	• All appraisers must hold at least the minimum required state license and a copy of the license must be submitted with the appraisal.
	• For loan amounts ≥ $1,000,000, the appraisal must be completed by a state certified appraiser
	• Appraisals must be completed in compliance with FIRREA/USPAP and all applicable regulatory requirements.
	• Appraisals must have interior photos to include: kitchen, bathrooms, bedroom and living room/family room.
	• 1004MC is required
	• On Purchase transactions, the appraiser must review the sales contract.
	• Appraisal 1st generation PDF is required
	• Appraisals should not include comparables greater than six (6) months old at the time of underwriting review
	• Appraisals must be completed in accordance with Uniform Appraisal Dataset (UAD) requirements
	• Investor will purchase loans secured by properties with "unpermitted" structural additions under the following circumstances:
	    ○ The quality of the work is described in the appraisal and deemed acceptable ("workmanlike quality") by the appraiser
	    ○ The addition does not result in a change in the number of units comprising the subject property (e.g., 1-unit property, converted into a 2-unit property)
	    ○ If the appraiser gives the unpermitted addition value, the appraiser must be able to demonstrate market acceptance by the use of comparable sales with similar addition and state the following in the appraisal:
	        ▪ Non-permitted additions are typical for the market area and a typical buyer would consider the "unpermitted" addition square footage to be part of the overall square footage of the property
	        ▪ The appraiser has no reason to believe the addition would not pass inspection for a permit
	
	Max LTV/CLTV/HCLTV reduced by 5% when in declining markets
	• When the appraisal indicates in the Neighborhood Section Housing Trends or 1004MC Median Comparable Sale Price that property values are declining, the maximum LTV/CLTV/HCLTV is reduced by 5%.
	
	Third Party Appraisal Verification
	Third party appraisal verification, independent of the appraisal, is required to support the appraised value. This requirement may be met by providing a value report from an Automated Valuation Model (AVM), second appraisal, desk review or field review from any vendor. The AVM or appraisal review's "estimated value or estimated market value" must support the appraised value. There is a 10% variance on appraisal review.

Assets	Minimum 5% required from borrower(s) own funds.
	
	All funds for reserves must come from the borrower's own demonstrated savings
	
	• All borrower funds must be documented with two most recent months' asset statements or VOD covering a minimum of 60 consecutive days.
	    ○ A written VOD may only be used as supporting documentation and cannot be used in lieu of asset statements.
	• All unusual large deposits must be explained and source must be documented.
	• Verify the borrower's actual receipt of the funds realized from sale or liquidation when non-liquid assets are used for any part of the down payment or required cash to close.
	
	Business Funds
	• Business funds may be used for down payment and/or closing costs, not for purposes of calculating reserves. Cash flow analysis is required using 3 months business bank statements to determine no negative impact to business based on withdrawal of funds.
	    ○ Borrower must have access to funds
	    ○ The borrower must be the sole proprietor or 100% owner of the business (or all borrowers combined own 100%)
	    ○ CPA letter must be included in the file confirming that the withdrawal will not harm the financial strength of the business
	
	If using gift funds:
	• The borrower is required to meet a 5% minimum down payment from his or her own personal funds for all purchase transactions.

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Gift funds are permitted subject to the following criteria:

- Primary residence purchase money transactions only
- Minimum down payment is 20% (max 80% LTV): First 5% of down payment must come from borrower's own personal funds
- Once the first 5% of the buyer's own funds are verified, a gift can be used for the remaining down payment and closing costs

Notes:

- Gift funds are not allowed to meet reserve requirements
- Gift funds can be applied towards closing costs and pre-paids above minimum required investment
- Gift letter, signed by the donor that includes the amount of the gift, date the funds were transferred, a statement that no repayment is expected, the donor's name/address/phone number and relationship to the borrower, and source of funds
- The loan file must verify that sufficient funds to cover the gift were in the donor's account and have been transferred to the borrower's account prior to closing. Gift funds may not be transferred at the settlement table.
- The donor must be an immediate family member or domestic partner (domestic partner donors must live with borrower)

Interested Party Contributions (IPC's)
The property seller or any interested party (e.g., builder, developer, lender, real estate agent or mortgage lender or any of their affiliates) can pay closing costs, prepaid items and escrows.

Interested party contributions may not exceed six percent (6%) of the loan amount.

Financing and Sales Concessions
Financing and sales concessions are defined as IPC's beyond the above limits or any amounts not being used for closing costs or prepaid items. If financing or sales concessions are present, both the appraised value and sales price must be reduced by the concession amount for purposes of calculating the LTV/CLTV/HCLTV.

Reserves required for the subject property are based on the loan amount and LTV

- See *Eligibility Matrix Loan Amount and LTV Limitations* for required reserves
- Reserve funds must be verified with two (2) consecutive months' bank statements or VOD
- All reserves are calculated on the Note Rate for all loan types using the full Principal, Interest, Taxes, Insurance, Assessments ("PITIA") payment
- Mandatory Data Requirement: The required number of months of PITIA reserves on the subject property must be manually calculated and input into the front end system on every loan prior to final loan approval
- In addition to the minimum reserves required for the subject property, 6 months PITIA reserves is required for each additional property owned by all borrowers (regardless of whether the property is financed or owned free and clear).
- No more than 50% of the total reserve requirement may come from retirement accounts, including 401K, IRA, SEP, and Keogh accounts.

Borrowers must disclose and Lenders must verify all assets.

Acceptable PITIA Documentation:
The minimum documentation to correctly verify the full PITIA payment should be from one of the following sources:

- Current monthly mortgage statement;
- Copy of Homeowners insurance policy;
- Copy of recent tax bill or web search to taxing authority;
- Copy of mortgage note, etc.

Defined Acceptable Reserve Accounts:
The types of assets that can be used for down payment, cash to close and reserves and the value of those funds are as follows:

Account/Asset Type	Eligibility
Checking/Savings/Money Market	100%
Publicly traded stocks, bonds and mutual funds	65%
IRAs, SEP or KEOUGH accounts	65% / 100% (1)
Annuities	65% / 100% (1)

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	Vested amount of 401(k) Plans — 65% [2] Trust Assets — Up to 100% [3] [1] 100% of the account value may be used for borrowers aged ≥ 59 ½ [2] 65% of the vested amount. The terms and conditions under which funds may be withdrawn or borrowed must be verified [3] Borrower/Co-Borrower must have full access to consider; Copy of complete trust or trustee letter is required
Assumptions	Not allowed, except as specified in Fannie Mae Adjustable Rate Note Form 3528 and Adjustable Rate Rider Form 3187 and utilized for Hybrid ARM products.
ATR/QM Requirements (Ability to Repay / Qualified Mortgage)	Effective for applications dated on or after January 10, 2014, only loans that meet the Ability to Repay and Qualified Mortgage requirements ("ATR/QM") as set forth in the Ability to repay/Qualified Mortgage Standards under the Truth-in-Lending Act (Regulation Z) ("ATR/QM Final Rule") issued by the Consumer Financial Protection Bureau (the "CFPB"). Loan file must provide evidence of compliance with ATR/QM. Impac will not accept cures on QM violations. (see table below) Income Analysis Worksheet required (see *Income*) <u>Points and Fees Worksheet</u> To evidence compliance with QM points and fees, the loan file must include a clear itemization of fees and application of all credits that indicate paid by/to. No specific form is required.

Category	Eligibility	General Requirements
Safe Harbor QM (non HPML)	Eligible	• Term of ≤ 30 years • Adherence to applicable points and fees thresholds; • APR < APOR + 1.5% (1st liens) • ≤ 43% DTI • Meets ATR requirements per Appendix Q • No loan features (IO, Negative Amortization, Balloon, et al) considered to be non-QM compliant
Rebuttable Presumption QM (HPML)	Not Eligible	N/A
Non-QM	Not Eligible	N/A

Borrower Eligibility

<u>Eligible</u>

- U.S. Citizens
- All Borrowers must have a valid social security number (Borrowers with only an ITIN are not eligible)
- Permanent Resident Aliens:
  - With proof of lawful permanent residence in the U.S., and
  - 24 months employment history in the United States
- Inter-Vivos Revocable Trusts (revocable at any time by the trustor) and if closed in accordance with applicable Fannie Mae requirements
- Illinois Land Trusts
- First Time Homebuyers defined as anyone who has not owned a home for three (3) years. For loans with more than one borrower where at least one borrower has owned a home in the past three (3) years, first-time homebuyer requirements do not apply.

<u>Ineligible</u>

- Non-Permanent Resident Aliens (including Foreign nationals)
- Irrevocable Trust, Limited / General Partnership, Corporations, and LLC's are not permitted
- Inter Vivos Revocable Trust (revocable at any time by the Trustor)
- Land trusts, except for Illinois Land Trusts
- Non-arm's length transaction defined as a pre-existing relationship between the buyer and seller which includes:
  - Relationship or business affiliation between the buyer, seller, loan agent, or originator
  - Applicants related by blood or marriage to the seller of the property
  - Owners, employees or family members of originating broker
  - Builder/developer of the property
  - Purchasing a property from a builder/developer who, in turn, is purchasing the borrower's

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	existing property o Renters buying from landlord o Persons trading properties with the prior owner (seller) of the property • The following non-arm's length transactions may be considered with appropriate documentation o Family sales or transfers o Borrower is an employee of the originating lender and the lender has an established employee loan program o Renter buying from landlord, with at least 24 months cancelled checks evidencing satisfactory pay history o Sellers or Buyers representing themselves as agent in the real estate transaction
Co-borrowers	Non-occupant co-borrowers are ineligible
Credit	Credit Package (Credit Report, Income, Assets, Title Commitment) – Maximum Age • Purchase or Refinance: 90 days to the Note date Credit Report Requirements A full residential mortgage credit report (RMCR) or Tri-Merged in-file conforming to FNMA/FHLMC requirements should be used Credit Score Requirements The RMCR or tri-merged in-file should reflect credit scores from all 3 repositories and meet the minimum program standards as follows: • Minimum FICO for all qualifying borrowers see product Eligibility Matrix Housing Payment History If not contained within the credit report, the following documentation must be provided by a third party: • Mortgage – A 24 month minimum mortgage payment history is required to reflect no late payments in the last 24 months. Verification can come directly from the lender/servicer, canceled checks and/or bank statements. • Rent – A 12 month minimum rental payment history is required to reflect no late payments in the last 12 months. Rental history may be verified by a direct written verification (VOR), canceled checks and /or bank statements. Minimum Credit Standards • A minimum of 3 trade lines open for at least 24 months is required. o At least 2 of the trade lines must show activity within the past 12 months; o At least 1 trade line must be a mortgage for non-first time homebuyers, and for first time homebuyers, 1 trade line must be an installment line; o First time homebuyers must have satisfactory housing payment history for at least 24 months; o Credit history must be established for at least 5 years, and be consistent with the borrower(s) occupation and financial activity. • Fewer than 3 trade lines open for at least 24 months may be considered if o Credit history is established for at least 10 years, and no fewer than 10 trade lines are reported, one of which is a mortgage; o At least 1 trade line is open and shows activity within the past 12 months. Authorized user accounts and non-traditional credit are not considered as acceptable trade lines. Adverse Credit Policy: In addition to the minimum credit standards and score requirements, the following adverse credit standards apply: • No public records within the last 24 months • No bankruptcies or foreclosures, short sales, or deed in lieu within the last seven (7) years • Modifications due to adverse circumstances are not permitted within the last 7 years. Modifications that are not the result of adverse circumstances are permitted, including: o Modification due to a principal pay down with recast may be considered on a case by case basis, o Modification as part of a previous single-close construction-to-permanent financing transaction. • No significant derogatory ratings on any trade line activity within the last 36 months (including installment or revolving accounts)
Documentation	Notes and Riders (All products are fully amortizing)

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	• Fixed Rate: Multistate Fixed Rate Note 3200 (or state specific as required) • Hybrid ARM (5/1, 7/1, & 10/1 ARM): Note 3528 & Rider 3187 Maximum interest credit is five (5) days. Interest Calculations Per diem interest is based on a 360-day calculation. E-signed Documents Initial disclosures may be electronically signed by the borrower, subject to compliance with the consumer consent and other applicable provisions of the Electronic Signatures in Global and National Commerce Act (E-Sign Act).
Employment	Any gaps in employment spanning ≥ 1 month must be explained and documented by the Borrower in writing. A written Verification of Employment (VOE) will be required when income detail relied upon to determine a borrower's repayment ability is not clearly documented and/or itemized on W-2 forms or paystubs. This may be applicable for income sourced from commissions, bonus, overtime, or other income. However, a written VOE may only be used as supporting documentation and cannot be used in lieu of pay stubs, W-2s or Tax Returns. Verification of employment or self-employment confirmation which confirms the borrower's employment status is required for all borrowers whose income is used for qualifying purposes. • For wage income, a verbal verification of employment (VVOE) must be completed within 10 business days before the Note date (or funding date for escrow states); • For self-employed income, verification of self-employed businesses by third-party sources must be obtained within 30 calendar days from the Note or funding date. Self-Employment: • Self-employed borrowers are defined as individuals who have 25% or greater ownership interest or receive a 1099 statement to document income • Income from self-employment is considered stable and effective if the Borrower has been self-employed for two or more years and the income trend has been level or increasing. • Declining income trends are generally not acceptable A borrower employed by a family owned business is required to provide evidence that borrower is not an owner of the business, which may include: • Copies of signed personal tax returns, or • A signed copy of the corporate tax return showing ownership percentage
Escrow Holdbacks	Ineligible

Escrow Waivers	California (CA):
	• Escrows may be waived at the borrower's request without conditions
	
	District of Columbia (DC):
	• Escrows may be waived at the borrower's request without conditions
	
	Other states:
	• May be waived at the borrower's request, subject to
	  o A review of title work for evidence of tax liens or other evidence of failure to pay tax obligations;
	  o File cannot reflect evidence of lapsed hazard insurance coverage;
	  o To the extent the borrower has previously obtained mortgage loans without escrow requirements, the loan documentation should support a history of timely independent payment of escrow items. Borrowers with a prior history of delinquent taxes or lapses in homeowner's coverage are not eligible to waive escrows.
	
	Loans without escrows are subject to a loan-level price adjustment. Partial waivers of "taxes only" or "insurance only" are not allowed.

Financing Types **PLEASE NOTE:** **Non-FNMA Standard**	Purchases Loan to value ratios are calculated based on the lesser of the purchase price or the appraised value of the subject property. All refinance transactions require the completion of a net tangible benefit analysis and worksheet. Such worksheet must be completed, signed by the borrower and included in the loan file with supporting

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	documentation.
	
	<u>Limited Cash-Out Refinance:</u>
	• Pay off of 1st lien
	• Pay off in whole, the outstanding principal balance of the existing subordinate mortgage that was used to acquire the subject property (purchase money 2nd lien only) OR
	• Pay off in whole the outstanding principal balance of a 12 month seasoned closed-end mortgage as of the Note Date OR
	• Pay off of any subordinate HELOC with cumulative draws ≤ $2,000 in the past 12 months as of the Note Date (withdrawal activity must be documented with transaction history)
	• Pay related closing costs and prepaid items
	• The inclusion of any delinquent property taxes, HOA dues, tax liens, garnishments, or judgments is not eligible and should not be included in the new loan amount.
	• Disbursed cash-out to borrower not to exceed 2% or $2,000, whichever is less. If a prior Cash-Out transaction (as determined by the HUD-1) is now being refinanced as a Limited Cash-Out refinance within 6 months of the prior transaction (as determined by the Note date), it will be considered a Cash-Out Refinance.
	• Borrower must have 12 months minimum ownership to base LTV on appraised value, otherwise the lesser of purchase price or current appraised value will be used. The ownership date is measured from the date of acquisition (HUD-1 closing date) to date of application.
	• Property may not be listed for sale on the date of the loan application
	
	<u>Cash-Out Refinance:</u>
	• Pay off of liens secured by the subject property only, to include unseasoned (i.e. open less than 12 months) junior liens exceeding the 2% or $2,000 draw limit.
	• Cash proceeds (outside of payment of liens secured by the subject property) are permitted and should not exceed $300,000.
	• Proceeds may be disbursed directly to the borrower(s) or any other payee. Pay related closing costs, financing costs, and prepaid items;
	• Cash out refinances on properties located in Texas are ineligible.
	• Properties that have been listed for sale within twelve (12) months of the loan application are not eligible
	• Inherited properties may not be refinanced prior to 12 months ownership
	• Borrower must have 12 months minimum ownership to base LTV on appraised value, otherwise the lesser of purchase price or current appraised value will be used. The ownership date is measured from the date of acquisition (HUD-1 closing date) to date of application.
	
	<u>Seasoning for Cash Out Refinance:</u>
	• Borrower must have 12 month minimum ownership to base LTV on appraised value; otherwise the lesser of purchase price or current appraised value will be used.
	• The ownership date is measured from the date of acquisition (HUD-1 closing date) to date of application
	
	<u>Delayed Purchase Refinance:</u>
	• Defined as the refinance of a property purchased by the borrower for cash within 6 months of loan application;
	• Underwritten as a rate & term refinance;
	• Available for primary residence only;
	• The HUD-1 from the original purchase must be included in the loan file. Documentation must show the down payment and closing costs were from the borrower's own funds (borrowed, gift or shared funds are not allowed).
	• Loan to value ratios are calculated based on the lesser of the purchase price or the appraised value of the subject property
	
	<u>Construction to Permanent Financing:</u>
	• Borrower(s) must have legal title to the land prior to the application and must be named as the borrower on the construction financing.
	• LTV/CLTV/HCLTV ratios
	    o For lots owned ≥ 12 months from subject transaction's application date, ratios are based on current appraised value;
	    o For lots owned < 12 months, ratios are based on the lesser of the current appraised value of the property or the total acquisition costs (sum of construction costs and the purchase price of the lot)
	    o Single Close construction to Permanent financing is not eligible
	    o Transactions will be underwritten as a refinance

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Geographic Locations/Restrictions, as applicable	Impac is licensed as a lender in the following states: • **Wholesale:** AK, AL, AR, AZ, CA, CO, CT, DC, FL, GA, IA, ID, IL, IN, KS, KY, LA, MD, MI, MN, MS, MT, NC, ND, NE, NV, OK, OR, SC, SD, TN, TX, UT, VA, WA, WI, WV **Ineligible states for this program: NY** Additional restrictions as follows: Texas Cash-out 50(a)(6) is ineligible State specific regulatory requirements supersede all underwriting guidelines set forth by Impac.
High-Cost Mortgage Loans	Impac does not originate or purchase high-cost mortgage loans (12 CFR 1026.32)
Higher-Priced Mortgage Loans	Higher-priced mortgage loans (12 CFR 1026.35) are prohibited on this program. (APR < APOR + 1.5%)

Income	All income documentation must be dated within 90 days of the closing date.
	
	Income Analysis Worksheet
	The income for each borrower who will be obligated on the mortgage, and whose income is relied upon in determining the ability to repay, must be analyzed to determine whether the income level reasonably may be expected to continue.
	
	The loan file must include a worksheet demonstrating income calculation methodology and debt considered to qualify each loan in accordance with the ATR/QM Final Rule and the standards in appendix Q. No specific form is required, however, the worksheet must clearly and fully document the underwriter's determination of qualifying income along with applicable payment and debt obligations that result in the debt to income ratio of less than or equal to 43%.
	
	4506-T
	Required for all loans. Most recently filed:
	• Salaried: 2 years of IRS tax return transcripts
	• Self-Employed: 2 years of IRS tax return transcripts
	• Tax transcripts must match documentation in the file
	• In the case where taxes have been filed and the tax transcripts are not available from the IRS, the IRS response to the request must reflect "No Record Found"
	
	Unfiled Tax Returns for the prior year's tax return
	• Between January 1 and the tax filing date (typically April 15), borrowers must provide, as applicable:
	  o IRS Form 1099 and W-2 forms for the prior year
	  o Current year profit and loss (signed by borrower)
	  o Year-end profit and loss for prior year (signed by borrower)
	  o Balance sheet for prior calendar year if business is a sole proprietorship
	  o For loans closing in January and prior to the receipt of W-2s, may use the prior year's year-end pay stub. For borrowers using 1099s, evidence of receipt of 1099 income must be provided.
	• Between the tax filing date and the extension expiration date (typically October 15), borrowers ust provide, as applicable:
	  o Copy of filed extension
	  o IRS Form 1099 and W-2 forms for the prior year
	  o Current year profit and loss (signed by borrower)
	  o Year-end profit and loss for prior year (signed by borrower)
	  o Balance sheet for prior calendar year if business is a sole proprietorship
	  o After the extension expiration date, loan is not eligible without prior year tax returns.
	
	Salaried Income Requirements
	Full Documentation Program – Required Standards
	• 4506-T signed at application and closing, is required for all transactions
	• W-2 forms or personal tax returns, including all schedules, for prior two years
	• Most recent YTD computer generated paystub up through and including the most recent pay period (at time of application). Pay stub must cover at least 30 days.
	• Two (2) years personal tax returns when the borrower has twenty-five percent or more (≥25%) ownership interest in a business. If income from ownership interest constitutes more than 25% of income used for qualifying purposes, the borrower is considered self-employed and must provide income documentation per self-employed income requirements.
	• All income documentation must be dated within 90 days of the date the Note is signed

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- Most recent two (2) years tax transcripts are required for each borrower whose income is utilized as a source of repayment
- Generally, when the documentation used to verify income is from the same calendar period as the tax transcripts, the information must match exactly
- See *Employment* for VOE requirements

Self-Employed Income Requirements

The following documentation must be provided for each borrower whose income is used to qualify:

- Sole Proprietorship
    - Personal tax returns, including all schedules for the most recent two tax years;
    - IRS Tax Transcripts for the corresponding returns provided
    - Year-to-date P&L statement signed and dated by the borrower.
- Corporations, "S" Corporations, Partnerships (General, Limited), Limited Liability Companies
    - Personal tax returns, including all schedules, for the most recent two tax years;
    - K-1s from most recent two tax years, showing ownership percentage. K-1s are not required if the source is reporting positive income and the income is not used for qualification. If K-1s show a loss, they are required, regardless if they are used for qualifying purposes.
    - Business tax returns, including all schedules, for the most recent two tax years are required if the borrower has an ownership percentage ≥ 25%; they are not required if reporting positive income via a K-1, and the income is not used for qualification purposes.
    - Year-to-date P&L statement
    - IRS Tax Transcripts for the corresponding returns provided.

Passive Income:

- A minimum two (2) year history of receiving passive income from the same source is required
- Verification of existence of current portfolio generating passive income to support continuance for three or more (≥ 3) years
- Most recent two (2) years IRS Form 1040 with all schedules
- Most recent two (2) years IRS Tax Return Transcripts

Rental Income:

Rental income may be used to qualify, provided the income is stable over the prior 24 months and free of unexplained gaps greater than three months. Required documentation includes:

- IRS Form 1040 Schedule E: Depreciation shown on Schedule E may be added back to the net income or loss. Positive rental income is considered gross income for qualifying purposes, while negative income must be treated as a recurring liability.
- Current leases/rental agreements: The Borrower can provide a current signed lease or other rental agreement for a property that was acquired since the last income tax filing, and is not shown on Schedule E.
- Verification of all rental income must be in accordance with QM/ATR Final Rule, without exception.

The following is required in order to use rental income for qualifying:

- Borrower must qualify using the sum of the full PITI on all properties. If rental income is used for qualifying purposes, evidence of positive equity must be provided (verified by Zillow/Trulia web searches or an investor approved AVM); **OR**
- Borrower must demonstrate
    - prior year rental history with IRS Schedule E (Form 1040) for at least two (2) years, and
    - have at least 10% market equity (tools defined above) on all ORE (Other Real Estate) in order to use and calculate rental income
- Verified equity position on real estate owned should be dated within 60 days of the Note date.

Refer to Assets/Reserves section for additional reserve requirements.

Asset Based Income (Asset Amortization) Requirements

Asset amortization is a calculation used to generate a monthly income stream from a borrower's personal assets. It can be combined with other income such as Social Security, Pension or other investment income. There is no age restriction.

Eligibility Requirements (Asset Amortization)

- Maximum 70% LTV for Primary Residence and Second Homes Only
- Borrower and Co-Borrower must be individual or co-owners of all asset accounts with no other account holders listed on the documentation
- 100% of eligible assets must be verified following ATR/QM Final Rule and appendix Q standards
- Income must support projected earnings and must be expected to continue for a minimum of 3 years
- All assets must be in a U.S. financial institution—No Foreign Assets

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	• Borrower and Co-Borrower must have full unrestricted access to the funds and joint accounts to be used must have all account holders on the loan. • The sum of eligible assets as defined are net of any discounts and minus any funds used for closing and/or minimum reserves required for the program. • Other reported earnings from Capital Gains or Interest/Dividend already considered and averaged as qualifying income cannot be included or double counted. Eligible Asset Types (Asset Amortization) Considered assets must be comprised of the following readily marketable assets which must be available to the borrower with no penalty and are limited as follows: • Bank Deposits – Checking, Saving, Money Market accounts - 100% • Publicly traded stocks and bonds - 65% (stock options not allowed) • Mutual Funds - 65% • Retirement Accounts o 401(K) plans or IRA, SEP or KEOUGH accounts - 65% (These can only be used if distribution is not already set up) Asset Amortization Calculation Policy: • Eligible asset amount to be amortized over the life of the loan (a 360 month period for a 30 year mortgage) • Rate of return is the 1 Year LIBOR index as published within the Wall Street Journal Unacceptable Income Income from trailing co-borrowers, stock options and restricted stock grants, any unverified source, income that is temporary or a one-time occurrence, rental income received from the borrower's single family primary residence or second home, retained earnings, education benefits.
Limitations on Other Real Estate Owned	• Borrower(s) may own a total of four (4) financed 1-4 unit residential properties, including the subject property • All financed properties, other than the subject property, require an additional six (6) months PITI reserves for each property
Loan Amount	Minimum: $417,001 – 1 Unit $533,851 – 2 Unit Maximum: See *Eligibility Matrix*
Mortgage Insurance	Not required
Occupancy	Primary Residence – 1-unit and 2-unit only Second Homes – 1 unit only
Prepayment Penalty	None

Property Types	Eligible
	• 1 – 2 Unit owner occupied properties
	• 1 Unit second homes
	• Low/Mid/High-Rise Condominiums and detached (site) condos, Fannie Mae Warrantable
	    o Warrantable Types S, T or U
	    o New condominium projects (Type R) with Condo Project Manager ("CPM") or PERS approval, not eligible in Florida
	    o Limited Review is not eligible
	• Planned Unit Developments (PUDs), Fannie Mae warrantable
	• Modular Homes
	• Properties with ≤ 20 acres
	• Properties with > 10 and ≤ 20
	    o Must be typical for area as evidenced by recent comparables
	    o Maximum 35% land to value
	    o No income producing attributes
	• Leaseholds: In areas where leasehold estates are commonly accepted, loans secured by leasehold estates are eligible for purchase. The mortgage must be secured by the property improvements and the borrower's leasehold interest in the land. The leasehold estate and the improvements must constitute real property, must be subject to the mortgage lien, and must be insured by the lender's title policy.

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Condominium and PUD Projects

Properties secured by Condominium or Planned Unit Development (PUD) projects must meet Fannie Mae's warrantability requirements described in its Single Family Seller guide. Condominium projects require a Lender Full Review. Limited Reviews are not permitted on condominiums.

At a minimum, the following documentation must be provided verifying full compliance with Fannie Mae warrantability requirements, including insurance, for the particular project type:

<table>
<tr><th>Project</th><th>Minimum Documentation Requirements</th></tr>
<tr><td>Detached
PUDs</td><td>• Form 1004, and
• Documentation verifying insurance coverage in accordance with FNMA guidelines</td></tr>
<tr><td>Attached PUDs</td><td>• Form 1004, and
• HOA/Project questionnaire, and
• Documentation verifying insurance coverage in accordance with Fannie Mae guidelines for the:
o Subject unit, and
o Project (if applicable)</td></tr>
<tr><td>Condominium</td><td>• Form 1073 or Form 1004 (detached condos only), and
• HOA Questionnaire, and Project's Budget (if applicable), and
• Project's Legal documents (if applicable), and
• Documentation verifying insurance coverage in accordance with Fannie Mae guidelines for the:
o Subject unit, and
o Project</td></tr>
</table>

Refer to the FNMA Selling Guide for complete requirements on condominiums and PUDs.

Ineligible

- 3-4 unit properties
- Investment properties
- Mixed use properties
- Manufactured Homes or Mobile Homes
- Condos or PUDs that do not meet Fannie Mae eligibility criteria
- Cooperatives
- Condo-hotel units (Condotels)
- Unimproved Land and property currently in litigation
- Unique properties (including log homes, geodesic domes)
- Timeshares
- Properties subject to oil and/or gas leases
- Working farm and ranches
- Properties with < 750 square feet of living area
- Properties with > 20 acres
- Properties with values significantly in excess of the predominant value of the subject's market area may be ineligible
- Properties held in a business name
- Commercial Enterprise (e.g., Hotel, Bed and Breakfast, Boarding House)
- Zoning violations including residential properties zoned commercial
- Properties located in Hawaii Lava Zones 1 & 2

</td></tr>
<tr><td>**Qualifying Rate and Ratios**</td><td>

Refer to Eligibility Matrix for DTI requirements

Qualifying Rate

15, 30-year fixed – Note Rate

5/1 ARM – greater of fully indexed rate (use Note Rate + Margin) or Note Rate plus 2%[1]

7/1, 10/1 ARM – Note Rate

[1]At all times, the qualifying rate must equal the maximum interest rate that may apply during the first five years (subject to any rate adjustment caps) after the date on which the first regular periodic payment will be due.

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</table>

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	Maximum back-end debt-to-income (DTI) ratio limit is 43% Debt-to-Income (DTI) The debt-to-income ratios must be determined in accordance with the ATR/QM Final Rule and its Appendix Q. Per those requirements, debt includes: • the monthly payment on the subject loan • the monthly payment for Mortgage-Related obligations • the monthly payment for any simultaneous loan that the lender knows or has reason to know will be made • the current debt obligations including alimony and child support • any existing monthly liabilities • any future liabilities based on credit inquiries or otherwise disclosed by the borrower Income includes verified gross monthly income, meaning the sum of the Borrower's current or reasonably expected income, including any income from verified assets.
Secondary Financing	Institutional financing only, not to exceed program LTV/CLTV/HCLTV guidelines Seller subordinate financing is not allowed Negative amortization is not allowed
Temporary Buydown	Not allowed
Underwriting	**Loan amounts > $1,000,000 require second signature** **Impac Underwriting Manager review and signature is required for loan amounts greater than $1,000,000 up to and including $2,500,000.** **Full documentation only** • This product is manually underwritten (DU/LP not required) • All loans must be underwritten in compliance with Ability-to-Repay standards set forth in Appendix Q. • Refer to investor Residential Credit Policy Guidelines for current underwriting guidelines • If a topic is not specifically addressed within this product description, within Appendix Q, or the investor Residential Credit Policy Guidelines, the FNMA Selling Guide policies will apply • All loans must satisfy stable monthly income, ratios, assets, reserves and acceptable credit reputation guidelines **Investor will not purchase** • High Cost Loans (Section 32/HOEPA) • Higher Priced Loans (HPML) • Higher Priced Covered Transactions or QM with Rebuttable Presumption • Mortgages classified as "threshold," "predatory high risk home loan", or "covered" loan (or similarly classified loans using different terminology) under any applicable federal, state or local law. **Power of Attorney must be approved in advance by investor.** **Maximum Age 120 days prior to date of Note.** **Additional Loan File Documentation** • Evidence of compliance with both ATR and QM rules (no specific form is required) • Income Analysis Worksheet – The loan file must include a worksheet demonstrating the income calculation methodology and debt considered to qualify each loan in accordance with the ATR/QM Final Rule and the standards in appendix Q. No specific form is required, however, the worksheet must clearly and fully document the underwriter's determination of qualifying income along with applicable payment and debt obligations that result in the debt to income ratio of less than or equal to 43%. • Points and Fees Worksheet – To evidence compliance with QM points and fees, the loan file must include a clear itemization of fees and application of all credits that indicate paid by/to which is then supported by a HUD-1 settlement statement. No specific form is required. **Fraud** Electronic fraud detection/QC report is required for each loan package purchased by investor. Report must cover standard areas of quality control including borrower validation, Social Security verification, property information and MERS.

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