Longbridge Financial, LLC

Platinum 4.0 Underwriting Guidelines

Version 4.14

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General Program Parameters

General Program Parameters	
Loan Terms	Fixed Rate with single lump sum disbursement and Adjustable-Rate Line of Credit
Eligible States	**Fixed Rate Products** **Retail –** AL, AZ, CA, CO, CT, DC, FL, GA, HI, ID, IL, LA, MA, MI, MO, MT, NV, NH, NJ, NM, NY, NC, OH, OK, OR, PA, RI, SC, TX, UT, VA & WA. **Broker –** AL, AZ, CA, CO, CT, DC, FL, GA, HI, ID, IL, LA, MA, MI, MO, MT, NV, NH, NJ, NM, NY, OH, OK, OR, PA, RI, SC, TX, UT, VA & WA. **Note:** Broker loans not permitted in NC. **PAA** – AL, AZ, CA, CO, CT, DC, FL, GA, HI, ID, IL, LA, MI, MO, MT, NV, NH, NJ, NM, NC, OH, OK, OR, PA, RI, SC, TX, UT & VA. **Note:** PAA loans **not** permitted in MA, NY & WA. A Principal may obtain the state's approval to offer Platinum product(s). **ARM/Line of Credit Product** **Retail** – AZ, CA, CO, CT, DC, FL, GA, HI, ID, IL, MA, MI, MT, NV, NH, NJ, NC, OH, OR, RI, SC, TX, UT, & VA. **Broker** – AZ, CA, CO, CT, DC, FL, GA, HI, ID, IL, MA, MI, MT, NV, NH, NJ, OH, OR, RI, SC, TX, UT, & VA. **Note:** Broker loans **not** permitted in NC. **PAA** – AZ, CA, CO, CT, DC, FL, GA, HI, ID, IL, MI, MT, NV, NH, NJ, NC, OH, OR, RI, SC, TX, UT, & VA. **Note:** PAA loans **not** permitted in MA. A Principal may obtain the state's approval to offer Platinum product(s).
Use of Proceeds	Purchase or Refinance
Borrower Counseling	All borrower(s) and Non-Borrowing Spouse, as applicable, must receive counseling from a Platinum approved counseling agency.
Servicing Fee	Fixed Rate - No monthly servicing fee. ARM/Line of Credit - $20.00 a month added to balance.
Borrower Eligibility	
Eligible Borrowers	• US Citizens, • Permanent Resident Aliens, • Inter Vivos Trust (Revocable and Irrevocable), • Non-Permanent Resident Aliens (with conditions) • Occupying/Eligible Non-Borrowing Spouse • Borrower(s) holding life estate interest.

Ineligible Borrowers	• Foreign nationals, • Limited partnerships, general partnerships, corporations, • Non-occupant Co-borrowers, • Other non-borrowing person(s) • Non-Occupying/Ineligible Non-Borrowing Spouse
Property Eligibility	
Existing Mortgages	All outstanding mortgages and liens on the subject property must be paid off through the settlement of the reverse mortgage. No subordinate financing permitted.
Seasoning Requirement	New applications must meet the following seasoning requirements when going from one program to another. All seasoning requirements are measured from the closing date of the prior loan to the new loan closing date. **HECM or Proprietary to Platinum and Platinum to Platinum** • Less than 12 months: No refinance permitted. • More than 12 months: The refinance is allowable when there is a clear Net Tangible Benefit to the Borrower(s). **Note:** Loans with a defined bona fide advantage to the borrower(s) will be reviewed on a case-by-case basis.
Minimum Property Value	Minimum Property value is $450,000 for Fixed rate products. For Line of Credit the minimum value is $1,209,750. If the property value is at or above $450,000 and is not eligible for the HECM program for one of the below reasons an exception is permitted without management approval remains in effect. • Borrower(s) less than 62 years of age, or • Non-FHA approved condominium project, or • Solar lease or power purchase agreement. An exception to go below $1,209,750 but not less than $450,000 can be requested.
Minimum Draw Amount	Fixed Rate - Borrower(s) must draw at least 80% of available proceeds. ARM/Line of Credit - Borrower(s) must draw at least 25% of available proceeds.
Eligible Property Types	• Single family residence. SFR may have up to 2 ADUs. SFR with Manufactured Home ADU • 2-4 units • Townhomes • PUD • Condominium (FHA approved or eligible for Single Unit Approval, or FNMA warrantable projects under a Limited Review process)

Occupancy	• Primary residence • Occupied by borrower(s) and Occupying/Eligible Non-Borrowing spouse, for most of the year (at least 183 days)
Appraisal Requirements	• The Appraiser must be state licensed, and geographically competent. Must be ordered with an LBF approved AMC. • Appraisals must be completed in compliance with AIR, FIRREA, USPAP and all State requirements. • One (1) appraisal with estimated value up to $2,000,000 plus independent Collateral Desktop Analysis. • Two (2) Appraisals with estimated value greater than $2,000,000. The lower of the two values will be used as the Maximum Claim Amount. • When the appraised value is greater than $2,000,000, the borrower may elect to close using $2,000,000 as the appraised value. In such cases, a second appraisal would not be required if the Collateral Desktop Analysis (CDA) supports at least the $2,000,000 value. • Appraisal is valid for 180 days. An Appraisal Update is permitted see Appraisal Update section of this Guide.
Repairs	• Repair set asides are permitted **except in New York**. • Any noted repairs that may impact the structural integrity of the subject property and/or the health and safety of the occupant(s) must be completed satisfactorily prior to closing.
Maximum Loan Amount	Maximum Loan Amount (Principal Limit) is $4,000,000. For Principal Limit (PL) between $3,000,000 - $4,000,000 the PL will be the greater of $3,000,000 or PLF minus 5%. Maximum Loan Amount (Principal Limit) is $2,000,000 for the state of Massachusetts, exceptions are not permitted.
Credit Requirements	
Credit Report	• Tri Merge credit report for all borrowers.
Minimum Mid Credit Score	• The minimum mid FICO is 550. All borrowers with a FICO must meet score requirement. The transaction must have at least one borrower with an acceptable credit score. • FICO 550-619 a TISA is required. • FICO at or above 620 up to 660 must close with either a TISA <u>or</u> 18 months reserves of taxes, insurance(s), and HOA dues, as applicable. Loan proceeds may not be used for the 18-month reserve requirement. Gift funds may not be used as reserves. • When the mid FICO is below 660 and HOA/PUD/Condo or similar dues are applicable, then a Tax & Insurance Set Aside (TISA) is required. Evidence of 18-month reserves is no longer permitted.

Credit History	**Mortgage History** • 0x30 in last 12 months • 2x30 in last 24 months • An exception may be approved for limited delinquencies. See Satisfactory Credit. **Bankruptcy**: • Chapter 7 – Must be discharged (2) years from loan application date. • Chapter 13 – Must be discharged (2) years from loan application date. **Foreclosure or Short Sale**: • None in past two (2) years from foreclosure or sale date to loan application date.

Prior to Application

New York

Longbridge requires a proposal package to be provided to prospective borrowers. The NY Receipt of Proposal Package will need to be signed and returned prior to closing as an acknowledgment of receipt of the disclosures.

Retail originations, the Loan Officer is to provide the borrowers with the complete proposal package.

Wholesale originations, Longbridge will pull the package and send it to the partner to be provided to the borrowers. Every applicant must sign a NY Receipt of Proposal Package prior to closing.

Longbridge's proposal & application packages includes a disclosure entitled NY Schedule of Estimated Payments Disclosure and based on the verbiage "Tenure" in the disclosure it could have the appearance to only be applicable when a borrower elects a Tenure, Term or Modified Tenure or Term payment plan, but based on New York defining all reverse mortgages as tenure loans the disclosure is required. For a reverse mortgage there is no fixed term to maturity, and it matures solely on contingent events, such as death of a last surviving borrower, it's a required disclosure for all New York loans including fixed rate loans.

The Proposal Package in Quantum Reverse and Reverse Vision include the following:

- Platinum Counseling Disclosure Longbridge Approved Counseling Agency List
- Reverse Mortgage Counseling Checklist
- Reverse Mortgage Counseling Acknowledgment
- Acknowledgement of Electronic Communication (required only if e-signatures are present)
- Additional Disclosures for NY HECM Reverse Mortgage Borrowers
- Counseling Statement
- Pre-application Disclosure and Fee Agreement. - either A or B or C is required. To be signed by Loan Officer and Borrower(s), as applicable.
  A. Pre-Application Disclosure Fee Agreement Lender. This form is required for Retail.
  B. Pre-Application Disclosure Fee Agreement Broker This form must be provided by a Broker with a NYS Mortgage Broker License.
  C. Pre-Application Disclosure Fee Agreement – Mortgage Lender/Exempt Entity Acting as a Broker. This form will be provided by any Exempt Entity <u>or</u> a Lender who is acting as a Mortgage Broker in NY.
  <u>Note:</u> All fees, application, appraisal, credit report, as applicable are to be completed before providing

to the borrower(s). If corrections need to be made after being sent to the borrower(s) then corrections must be initialed by the borrower(s).

- NY Schedule of Estimated Payments Disclosure.
- NY Consumer Credit Report Disclosure. **This disclosure must be signed by all borrowers or Eligible NBS, as applicable, prior to pulling a credit report in connection with the loan application, no exceptions.**
- NY Receipt of Proposal Package.

Loan Transfers

On loans originated under another Lender's product then transferred to Longbridge the loan must be re-disclosed with the NY Schedule of Estimated Payments being provided to the borrower upon submission to Longbridge. It's to be executed and returned prior to closing.

Except for the NY Consumer Credit Report Disclosure if any of the required NY disclosures were not provided as part of another lender's application package then they must be provided to the borrower with the redisclosures. The required NY disclosures must be signed, dated and returned prior to closing.

Application Disclosures

Alternate Contact Information

We are required to request borrower(s) to designate, at the borrower(s) discretion, an alternative individual for the purpose of communicating with the lender/servicer if the lender/servicer has not been able to reach the borrower(s) directly. LBF has included in the application package for retail and broker loans an Authorization to Communicate that is to be completed, signed & dated.

If the borrower(s) choose not to designate an Authorized Person for communication than at a minimum the borrower(s) must provide an Alternate Contact which can be designated on the 1009 or Alternate Contact Disclosure. The contact person's name, complete address, and telephone # are required. A relationship with the borrower should be requested so it's understood whom Servicing may be speaking with, however it's not mandatory. The borrower(s) must always provide an Alternate Contact. If LBF is unable to reach the borrower(s) the person whose name appears as the Alternate Contact will be contacted. Contact will be made to inquire about how to contact the borrower(s) and loan details will not be discussed with the alternate.

Application

Longbridge considers a transaction to be an application when the following nine (9) data elements are obtained, **and** the prospect has indicated their intent to apply:

- Borrower & Co-Borrower Name, as applicable.
- Social Security Number (each borrower).
- Date of Birth (each borrower).
- Gross Monthly Income (each borrower). Monthly income of $0.00 is acceptable.
- Subject Property Address (cannot be To Be Determined (TBD)).
- Estimated Value of Subject Property.
- Interest Rate.
- Product Type / Margin; and

- Principal Limit.

An application may only be taken by an appropriately state licensed Mortgage Loan Originator (MLO).

The Residential Loan Application for Reverse Mortgages (FNMA Form 1009 5/2010) is the standard application used for reverse Mortgages. The 1009 includes 2 addendums: Demographic Information Addendum (FM 1009-DIA) and Addendum to Residential Loan Application FNMA Form 1009 (FM 1009 Addendum).

The information on this form must be obtained directly from the borrower(s) or borrower(s) representative e.g., Power of Attorney or Guardian/Conservator. All declaration questions on page 3 (three) must be completed for each borrower. If the borrower's Date of Birth and/or Social Security Number are incorrect on the 1009, then a handwritten and initialed correction from the borrower(s) is required. The borrowers may initial any corrections at closing.

If the borrower(s) choose not to disclose their race, ethnicity, on the FNMA 1009-DIA and the application was taken face-to-face or by 2-way video, then the LO must fill in this information to the best of his/her ability based on the surname or visual observation. The borrower's sex must always be completed and can be completed based on his/her photo identification.

State Specific Requirements

Hawaii

Prior to accepting an application for a reverse mortgage loan, a lender or TPO must refer every borrower and NBS, as applicable to counseling from an organization that is a housing counseling agency approved by HUD **and** must receive certification from the counselor that the borrowers and NBS, as applicable, have received counseling.

The certificate must be signed by the borrowers, any applicable NBS, and the counselor and include the date of counseling, the name, address, and telephone number of both the borrower and the organization providing counseling.

The following state specific disclosures are included in the application package:

- Public Information Notice
- Right to Choose Insurance Providers

Disclosures are to be signed and dated by borrower(s) at the time of initial loan application.

New York

A loan application **may not** be taken over the telephone. All other means of taking a loan application may be used e.g., internet, mail, fax, email, skype, or other similar means. An application taken via video conferencing with 2 way visual and audio functions, (such as Zoom, Face Time, Skype) are considered a face-to-face application under ECOA and HMDA and are permitted in New York, and this should be reflected on the 1009 Demographic Information Addendum.

The Demographic Information was provided through:

☒ Face-to-Face Interview *(includes Electronic Media w/ Video Component)* ☐ Telephone Interview ☐ Fax or Mail ☐ Email or Internet

A Good Faith Estimate may not be generated and provided to the borrower(s) prior to the MLO having the required data elements for an application and the borrower's intent to proceed. See Good Faith Estimate (GFE) for complete guidelines on issuing a GFE.

Note: An application taken over the telephone will not be accepted under any circumstances.

Upon accepting an application or charging any fee authorized each loan applicant must be provided with a Counseling Packet, including the following:

- Additional Disclosures for NY HECM Reverse Mortgage Borrowers
- Pre-application Disclosure and Fee Agreement. Either A or B or C is required. To be signed by MLO and Borrower(s), as applicable.
  A. Pre-Application Disclosure Fee Agreement Lender. This form is required for Retail.
  B. Pre-Application Disclosure Fee Agreement Broker This form must be provided by a Broker with a NYS Mortgage Broker License.
  C. Pre-Application Disclosure Fee Agreement – Mortgage Lender/Exempt Entity Acting as a Broker. This form will be provided by any Exempt Entity or a Lender who is acting as a Mortgage Broker in NY.
  Note: All fees, application, appraisal, credit report, as applicable are to be completed before providing to the borrower(s). If corrections need to be made after being sent to the borrower(s) then corrections must be initialed by the borrower(s).
- NY Consumer Credit Report disclosure. It must be signed & dated by borrower(s) and Eligible NBS, as applicable, BEFORE credit is ordered for the Platinum loan application, no exceptions.
  - A credit report for an ENBS is only required when we are using his/her income as a compensating factor or to reduce family size.

  Note: If the credit report disclosure was signed & dated by the Borrower(s) and NBS, as applicable, PRIOR to pulling the credit report for the Platinum loan application, it does not need to be executed again at time of application. It will continue to populate in the application package due to not knowing at what point in the process credit will be pulled.
- Reverse Mortgage Counseling Acknowledgement. **This disclosure is required for Platinum only.** How the borrower/NBS elected to receive counseling (in person or via telephone/video conferencing) must be completed on the form. **This acknowledgement is to be signed by the borrower, and NBS as applicable, and completed, signed & dated by the Counselor.**
- Reverse Mortgage Counseling Checklist
- Counseling Statement (Notice of the initial 3 day cooling off period)
- List of Platinum Counseling Agencies
- NY Schedule of Estimate Payments Disclosure.
- NY Receipt of Duplicate Application Package, Request for Signatures and Return of One Copy.
  - **Two copies of the Application Package must be provided to the borrower(s),** along with a stamped, self-addressed return envelope and written request that the applicant sign and return one copy of the disclosures. If the package is E-Signed or hand delivered and signed in person, the envelope does not need to be provided.
  - **For applications taken by mail or fax the MLO must sign the 1009 and all applicable disclosures upon receipt of the borrower signed application package. Upon the MLO signing 1009 and other disclosures a copy of the fully executed application package must be sent to the borrower(s).**
  - **For mail or fax applications a Good Faith Estimate is not to be provided with the initial application package as the MLO does not have the required data elements for an application, therefore a GFE cannot be generated. See Application section of this guide for list of data elements.**
  - **Once the MLO signs the 1009 this starts the 3-day period for the GFE and Notice of Intent to Proceed with Loan Application to be generated and sent to the borrower along with a copy of the fully executed**

application package. Borrower(s) must complete, as applicable, sign, and date the GFE Acknowledgement and the Notice of intent to Proceed and return them prior to closing.

- NY Third-Party Designation. It's optional for the borrower to identify a third-party designee. When the borrower has identified Designee(s), that information needs to be inputted into QR Borrower screen under Designated Legal Contacts. This information will then be populated to the Servicing loan boarding file. **Borrower(s) must check the box if they do or do not wish to provide a 3rd party designation.** If they do wish to provide, they must also complete name of Designee, Address & Phone # for up to 6 Designees.
- Acknowledgment for Electronic Communication.
  - The borrowers and NBS, as applicable, must agree to receive electronic communications as evidenced by a borrower(s) and/or NBS electronic or wet/ink signature.
  - It is not mandatory for the borrower and/or NBS to allow Electronic Communications and if they don't wish to receive Electronic Communications then this form should be executed.
    Note: If the borrower(s) and/or NBS, as applicable, do not have computer capacity and ability to download and print all disclosures, then this form should not be signed.

New York 1st Cooling Off Period

Once the Application package is signed by the borrower(s) there is a mandatory 3 business day cooling off period. This is the first 3-day cooling off period in NY.

In this 3-day period the borrower(s) cannot be required to sign a commitment or in any way proceed with the transaction. In this 3-day period if the borrower(s) have signed and returned the NY Consumer Credit Report Disclosure a credit report can be obtained.

If any services (appraisal, credit report, flood certificate, preliminary title report, etc.) are ordered in that 3-day period and the borrower(s) decide not to proceed with the reverse mortgage then borrower(s) cannot be charged for any services.

For application taken by mail, fax, internet, email, or video conferencing we must provide a stamped, self-addressed return envelope and written request that the borrower(s) sign and return one copy of the application package. If the doc package is E-Signed or hand-delivered and signed in person, the envelope does not have to be provided. Upon receipt of the borrower signed application package the MLO must sign 1009 and any other disclosures, and a copy of the fully executed application package must be sent to the borrower(s).

North Carolina

The North Carolina Disclosure of Loan Terms must be provided to the Borrower(s) within 10 business days of loan application but not less than 20 business days prior to closing. It's a disclosure included in our LOSs application package.

Rhode Island

Longbridge's application package in either LOS will include the standard Platinum application documents, and the following state specific disclosures for the state of Rhode Island.

- Right to Choose Title Attorney or Title Insurance. Borrower(s) to complete a selection. If choosing to have attorney representation provide contact information for same.
- Election of Owner's Policy of Title Insurance. Borrower(s) to complete a selection.
- Advisability of Reverse Mortgage Counseling

- Notice Regarding Non Refundability of Loan Fees
- Appraisal Fee Disclosure
- Right to Choose Insurance Provider, and
- Three-Day Notice of Right

Texas

The State of Texas Constitution makes specific requirements that must be followed. If the following requirements are not met the loan cannot close:

- Important Notice to Borrowers Related to Your Reverse Mortgage – mandatory 12 calendar day waiting period between date the disclosure is signed by all borrower(s) and the date of closing.

Utah

A Lender or TPO must give a prospective borrower and NBS, as applicable, the following written disclosures at the time the Lender or TPO provide an application for a reverse mortgage:

(1) A disclosure that explains any adjustable-interest rate feature of the reverse mortgage including:
  (a) The circumstances under which the interest rate may increase.
  (b) Any limitation on the amount that the interest rate may increase; and
  (c) The effect of an increase in the interest rate; and
(2) A list of at least 5 independent housing counseling agencies and that includes each independent housing counseling agency's name and telephone number.

At least 10 days before the day of loan closing, a lender must provide the borrower a disclosure that describes:

(1) That the prospective borrower's liability under the reverse mortgage is limited.
(2) The prospective borrower's rights, obligations, and remediates that relate to:
  (a) Temporary absences, late payments, and payment default by the lender; and
  (b) Each condition that requires satisfaction of the reverse mortgage; and
(3) The projected total costs of the reverse mortgage to the prospective borrower, based on the projected total future loan balance.

Washington

In the state of Washington an application means the submission of a borrower's financial information in anticipation of a credit decision relating to a residential mortgage loan, which includes the borrower's name, monthly income, Social Security number to obtain a credit report, the property address, an estimate of the value of the property, and the mortgage loan amount sought. An application may be submitted in writing or electronically and includes a written record of an oral application. If the submission does not state or identify a specific property, the submission is an application for a prequalification and not an application for a residential mortgage loan under this part. The subsequent addition of an identified property to the submission converts the submission to an application for a residential mortgage loan.

Note: Longbridge does not accept completed loan applications with a property address of "To Be Determined".

We must provide borrowers with an Important Notice to Reverse Mortgage Loan Applicant within 3 business days of a completed application. This disclosure is included in our application package in both LOSs.

Other Application Requirements

- The Residential Loan Application for Reverse Mortgages (FNMA Form 1009 5/2010) Pages 1 - 8, Addendum to Residential Loan Application FNMA Form 1009(FM 1009 Addendum) Pages 1 – 5 but may be more than 5 pages, Demographic Information Addendum (FM 1009-DIA) 1 for each Borrower, is the standard application used with the HECM product.
- The information used on this form must be obtained directly from the borrower(s) or borrower(s) representative i.e., Power of Attorney or Guardian/Conservator.
- All mandatory fields required by RESPA on the initial 1009 are to be completed, noting N/A, as applicable, is acceptable.
- The Mortgage Loan Originator (MLO) is to complete all sections of the application, sign and date all applicable pages, and identify how the application was taken i.e., face to face, telephone, fax, internet, or mail.
- The borrower(s) must sign and date all applicable pages including the top of page one (1) if applying jointly.
- The 1009 must list the monthly income for each borrower, and all declaration questions on page three (3) must be completed. Monthly income may be $0.00.

If the borrower(s) choose not to disclose their race, ethnicity, or sex on the FNMA 1009-DIA and the application was taken face-to-face or by 2-way video, then the MLO must fill in this information to the best of his/her ability based on the surname or visual observation. The borrower's sex must always be completed and can be completed based on his/her photo identification.

If the Date of Birth and/or Social Security Number are incorrect on the 1009, a handwritten and initialed correction from the borrower(s) is required. Corrections can be initialed at the time of loan closing.

Application Completed Definition

For Reg. B purposes, a "completed application" date is the date on which a decision on the loan request can be made. LBF defines this as the date the following items have been received:

- The written application, and
- The counseling certificate, and
- The appraisal, and
- Title report, and
- Credit report, and
- Income documentation.

The latest date of receipt of any of these items if they are not submitted together.

The loan request must be approved, cancelled or denied within 30 days of a "completed application" date.

State Requirements

Arizona

An originator cannot accept a **final and complete application** for a reverse mortgage, **or** accept any fees or deposits from the borrower, unless the following has occurred:

- Provide the borrower with a list of at least 5 housing counseling agencies, including at least 2 agencies that provide counseling by telephone; and
- Receive a completed and fully executed Platinum Counseling Certificate. We must have a fully executed certificate prior to ordering services (appraisal and flood certificate).

Counseling must have occurred within the 6 months preceding the borrower's execution of the closing documents.

At least 10 days prior to loan closing, the borrowers must have executed the AZ Pre-Closing Reverse Mortgage Statement. It's a disclosure included in our LOSs application package.

The fully executed counseling certificate may be an electronic copy. Electronic signatures of the borrower(s), NBS, POA, or Guardian, as applicable must meet ESign Act and UETA requirements.

California

Prior to accepting a final and complete application the MLO must provide the borrowers with a list of 10 or more counseling agencies that are approved by HUD. However, an MLO may receive an initial application prior to providing the list.

CA Cooling Off Period

Upon the borrower(s) receiving reverse mortgage counseling we must apply a seven (7) calendar day cooling off period from the date that counseling is completed as evidenced by the counseling completed date on the counseling certificate. The first day of the cooling off period is the day **after** counseling was completed.

During the cooling off period ONLY the following activities may be conducted:

- Taking an initial loan application.
- Ordering a credit report; and
- Ordering a preliminary title search.

Upon the cooling-off period expiring on the 8th day additional services may be ordered, i.e., appraisal report, flood certificate, trust review, etc.

Connecticut

No entity (Lender or TPO) may accept a **final and complete application** for a reverse mortgage loan **or** assess any fees for the mortgage unless they have:

(1) Informed the prospective applicant of the counseling requirement as described below, and provided the prospective applicant with a list of independent housing counseling agencies and intermediaries approved by the US Dept of Housing and Urban Development to engage in reverse mortgage loan counseling; and
(2) Received a signed counseling certificate from the prospective applicants, NBS, or the applicant's authorized representative has receiving counseling in person or by telephone from an independent housing counseling agency.

No counseling agency may receive any compensation, either directly or indirectly from a lender or from any other person or entity involved in originating or servicing the loan.

Louisiana

We cannot accept a final and complete application **or** assess any fees prior to receiving a fully executed counseling certificate.

Washington

Prior to accepting a final and complete application for a proprietary reverse mortgage loan **or** assessing any fees, we must refer the prospective borrowers to an independent housing counseling agency approved by the federal Department of Housing and Urban Development for counseling. In addition, we must receive a counseling certificate that's complete and executed by the counselor and borrower(s).

Re-Application Requirements

The following guidelines apply to situations when a new loan application is required, and when the initial application can continue.

Borrower removes him/herself from loan

When a borrower chooses to remove him/herself from the loan after the initial application, a new application and loan number are required, and a new credit report must be obtained referencing only the remaining borrower. Any existing services that have not expired may be used for the new loan including the appraisal, and counseling certificate.

Under certain circumstances the **initial application** can continue to be processed when one of the following situations occur:

Death of a borrower

A borrower or co-borrower dies during the processing of the loan prior to closing.

A death certificate must be provided and added to the file.

Co-Borrower added after Initial Application

The new co-borrower must sign all existing application documents and disclosures required for initial application. The application must be dated with the date that the co- borrower signs the application and not the date the original borrower executed their application.

A letter of explanation (LOE) from the borrower must be added to the file explaining why there is an addition of the co-borrower.

Co-borrowers must receive counseling and provide a fully executed certificate.

Good Faith Estimate (GFE)

The timing of when a GFE can be generated is based upon how the application is taken. Applications may be taken telephone, face to face, mail, fax, or Internet.

Note: Telephone applications are not permitted in New York, no exceptions.

- When all data elements and intent is received over the **telephone, internet, or email** the LO's application date is that day. Application disclosures including a GFE can then be mailed, electronically delivered if borrower's have signed the Acknowledgment of Electronic Communications, or hand delivered to the borrower(s). The

borrower(s) should date the documents the day that he/she/they sign them. For applications taken in this manner the signature dates for MLO and borrower(s) can be different.

- When an application is taken **face-to-face** then the GFE should not be included with the application documents. The application date for MLO and borrower(s) is the date of the face-to-face interview. If the MLO can print documents during the face-to-face interview, then a GFE can be issued the same day. If the MLO does not have the ability to print documents during the face-to-face interview, then the GFE cannot be generated. The GFE must be issued within 3 business days of the application date.
- Applications taken via video conferencing with two way visual and audio functions such as Zoom Face Time, Skype, are considered a face-to-face application under ECOA and HMDA and are permitted in New York, and this should be reflected on the 1009 Demographic Information Addendum. For applications taken in this manner the GFE can be generated with the application package and then be mailed, electronically delivered if borrower's have electronically signed the Acknowledgement of Electronic Communications, or hand delivered to the borrower(s). The MLO will sign & date on the day he/she received the data elements, and the borrower(s) signature date can be after the MLO date.
- A GFE **cannot** be generated with a **mail or fax** application since data elements have not been obtained. Not until the MLO receives all data elements, only then can the GFE be issued. See Application section for required data elements. Upon receipt of the borrower(s) signed application package, the MLO will sign the 1009 and other applicable loan disclosures. Once the MLO signs the 1009, the GFE, GFE Acknowledgment, and the Notice of Intent to Proceed with Loan Application must be generated and send to the borrower(s) within 3 business days along with the copy of the fully executed application package.

Borrower(s) must complete, as applicable, sign and date the GFE Acknowledgement and the Notice of Intent to Proceed and return them prior to closing.

Note: As noted earlier in this alert for mail or fax applications upon the MLO signing the 1009, and other applicable disclosures, a copy of the fully executed application package must be sent to the borrower(s). This can occur at the same time as the GFE, GFE Acknowledgment and Notice of Intent to proceed are sent to the borrower(s).

The Date of GFE will be used to validate RESPA compliance based on how the application was taken.

GFE's printed prior to application or outside of the three-business day window will be considered an incurable error, and the loan cannot proceed.

A GFE is not required if before the end of the three-business-day period the application is denied, or the borrower(s) withdraws the application.

The GFE must be included in all loan submissions. Any cross outs must be initialed by the borrower(s), and an explanation from the borrower(s) is required.

The GFE does not have to be signed, however the borrower(s) are to sign & date the Acknowledgement of Receipt of the Good Faith Estimate and Other Disclosures.

Additional GFE Requirements

- A GFE can only be given to the borrower(s) after an **application** is taken and must be included in all loan submissions.
- The GFE must be provided to the borrower(s) within three (3) days of the application as per RESPA requirements.
- A GFE must be delivered or placed in the mail no later than the 7th business day before loan closing.
- The GFE must include an estimate of all allowable fees being charged to the borrower(s) at closing.
- Any cross outs must be initialed by the borrower(s), and an explanation provided by the borrower(s).
- The borrower(s) are to complete, sign & date the Acknowledgement of Receipt of the Good Faith Estimate and Other Disclosures.
- Origination fee limit includes expenses incurred in originating, processing, and closing the reverse mortgage.
- Costs incurred for obtaining a 24-month tax certificate, Condominium Questionnaire, Verification of Employment or Assets, and/or HOA/Condo/PUD payment history, permitting that it's disclosed on the Good Faith Estimate in compliance with RESPA.

Allowable Fees

Montana

Borrower(s) may not be required to pay any fees or charges prior to the loan closing, except:

- Charges to be incurred by the lender or broker on behalf of the borrower(s) for services from third parties necessary to process the application, such as appraisal fee(s), credit report, etc.
- Application Fee
- A Commitment Fee may be charged upon approval of the mortgage loan application, and only if:
    - the borrower(s) is provided with a loan commitment that includes the terms and conditions of the loan, and the terms and conditions of the loan commitment.
    - A written commitment is issued, and it is signed by the mortgage lender and the borrower and includes but is not limited to:
    - The borrower has at least 7 calendar days from the date of loan commitment or the date of mailing, whichever is later, to accept the commitment ("irrevocable time period"). During this 7-day period the commitment cannot be modified or revoked.
    - Includes the amount and payment terms of the loan commitment fee, along with a statement as to when the fee is refundable and the terms and conditions necessary to obtain a refund.
    - The expiration date of the commitment.
    - Conditions to be satisfied prior to loan closing; and
    - The terms and conditions, if any, for obtaining a refund of fees for third-party services or arranging for the transfer of third-party service work products to another mortgage lender.

All fees charged to the borrower(s) must have been properly disclosed in compliance with RESPA.

Any amount collected more than the actual cost incurred must be refunded to the borrower within 60 days after loan denial, counteroffer, withdrawal, or closing.

Fees or charges collected, other than fees collected and paid to third parties for services related to the loan transaction, must be refunded if a valid loan commitment is not produced or if loan closing does not occur.

Applicable fees may be retained by the lender or broker in accordance with the terms of the loan commitment if:

- The borrower(s) withdraws the loan application after the lender has issued a loan commitment on the same terms and conditions disclosed to the borrower(s) on the most recent good faith estimate.
- The borrower(s) has made a material misrepresentation or material omission on the loan application; or

The borrower(s) has failed to provide documentation necessary for processing or closing of the loan application and closing does not occur through no fault of the lender.

New York

Only fees that are expressly permitted by Part 79 can be charged. At time of application (and at no time prior to application), after the 3-day cooling off period has passed, lender or broker may charge when properly disclosed:

• Appraisal fee

Note: Borrower(s) can only pay for one appraisal. When a 2nd appraisal is required Longbridge will order the appraisal from an approved AMC and incur the cost for said appraisal.

At time of closing (and at no time prior) lenders or brokers may charge when properly disclosed:

- Loan Origination fee,
- Credit report,
- Doc Prep fee,
- Title fees,
- Tax Lien search fee,
- Payment to discharge any existing liens,
- Recording fees,
- Attorney's fees (Lender and borrower),
- Flood Certificate,
- Cost of inspection(s), as applicable, paid in connection with origination of the loan but not after loan closing.,
- Payment of taxes and insurance,
- Broker fees not to exceed three percent, see below under Broker Compensation.

Fees that **cannot** be charged to Borrower:

- MERS fee
- Courier Fees
- Mail Fees

Rhode Island

No fees, costs, or payments may be charged in connection with the origination and closing of a reverse mortgage other than the following:

- An application fee, which may be collected prior to closing, must be designated as such and may not be a percentage of the principal amount of the loan or amount financed, and must be reasonably related to the services to be performed.
- Loan origination fee,
- Doc prep fee,
- Appraisal,
- Survey,
- Cost of title examination, an abstract of title, or title insurance,

- Tax lien search fee if not included in title insurance fee,
- Lien release fee,
- Mortgage recording fee,
- Actual attorney fees charged to the lender for closing the loan,
- Credit report,
- Flood certificate,
- Cost of an inspection to be paid in connection with the origination of the loan but not after the loan closing e.g., Appraisal Completion Report Form 1004D.

The above fees must have been properly disclosed to the borrower(s) in accordance with RESPA guidelines.

Origination Fee and State Fee Caps

The maximum loan origination fee is $30,000.00 unless otherwise limited by state law.

Note: Fixed rate loans **ONLY** - A Broker providing credit towards borrower(s) closing costs is not permitted.

Alabama

The total amount of compensation earned by a broker must meet the following:

Fixed Rate – Origination fee is limited to 5.00% of the Unpaid Principal Balance (UPB) at closing.

Adjustable Rate – Origination fee is limited to 5.00% of the gross Principal Limit (PL).

California

The following fee caps are in place for broker loan transactions in the State of California.

Fixed Rate - When the gross Unpaid Principal Balance (UPB) at time of closing is $30,000 or less, the origination fee must be no more than five percent (5%) of the UPB and not greater than $700.

Adjustable Rate - When the gross Principal Limit is $30,000 or less, the origination fee must be no more than five percent (5%) of the gross Principal Limit and not greater than $700.

Note: For both fixed and arm loans the following fees are included when determining the cap:
Appraisal fee, notary fee, and settlement fees.
If the origination calculation on the above is less than $390, then $390 can be charged on the loan.

Connecticut

The total of the origination fee **and** the broker compensation paid will be limited to the **greater of** $2,000 or 5.00% of the Unpaid Principal Balance (UPB) at closing.

For a Refinance transaction that Longbridge Financial financed the original loan within the prior 2 years, the total of the origination fee and broker compensation on the current transaction is limited to the greater of $2000 or 5.00% of the UPB at closing of the original transaction. The 2 years starts the date the original Note was signed and ends the date the Note is signed on the new loan.

New Mexico

A Lender or Broker may not collect, charge or receive fees in excess of:

Fixed Rate - The origination fee is limited to 6.00% of the Unpaid Principal Balance (UPB) at closing.

Adjustable Rate - The origination fee is limited to 6.00% of the gross Principal Limit at closing.

Note: Origination fee **also includes** broker compensation paid for both fixed and adjustable rate loans. .

New York

Broker Compensation **cannot** exceed 3% of the final appraised value of the Property at the time of closing. This includes origination fees paid to a Broker by the borrower(s) **and** Lender paid compensation.

State Fees

Florida

Documentary Stamp Tax

Longbridge will calculate the Florida Documentary Stamp Tax based on the Principal Limit. The tax is $3.50 per every $1,000 of the Principal Limit.

A cover page to the First Lien Security Instrument will be used to evidence the Principal Limit for the purpose of establishing the documentary stamp tax.

Intangible Tax

Longbridge will calculate the Florida Intangible Tax based on the Principal Limit. The intangible tax is $2.00 per every $1,000 of the Principal Limit.

A Cover page to the First Lien Security Instrument will be used to evidence the Principal Limit for the purpose of establishing the documentary stamp and intangible tax.

Valid Change of Circumstance (VCC)

Retail Process

When a Good Faith Estimate or other loan terms change then we will re-disclose the terms based on the valid change circumstance.

The Processor will update the LOS Fee screen, and then issue the re-disclosures to the borrower(s). The Valid Change of Circumstance form will print as part of the re-disclosure package, and it **must** be completed and include the following:

- The fee name(s)s (e.g., Mortgage Insurance, Recording Fee, Transfer Tax, etc.);
- The previous fee amount, as disclosed on the most recent GFE;
- The new fee amount of the charge as listed on the revised GFE; and
- The reason(s) the GFE is being re-disclosed with updated fees and/or terms e.g., appraised value, natural disaster, repairs, inspections, change in margin, etc.)
  Note: We may only update or add fees that are affected by the change. For example, Estimated appraised value $450,000 and actual appraised value $475,000. The higher value will affect the title insurance Premium, and if applicable City/County tax/stamps deed.

Broker/PAA Process

When a Good Faith Estimate or other loan terms change then Longbridge Financial, LLC will re-disclose the terms based on the valid change circumstance fee sheet provided to us.

The Broker/PAA partner must provide their LBF Pipeline Coordinator with a completed VCC sheet within 3 days of being notified of the change. The form must be completed in its entirety. Any fees that need to be adjusted need to be included. Only fees affected by the change can be updated. If you are changing the margin enter that as the valid change reason in the notes section.

LBF will update the LOS Fee screen, generate the re-disclosure package, complete the Valid Change of Circumstance, and email the re-disclosure package to the partner for distribution to the borrower(s).

The Valid Change of Circumstance form will print as part of the re-disclosure package, and it **must** be completed by the Pipeline Coordinator and include the following:

- The fee name(s)s (i.e., Mortgage Insurance, Recording Fee, Transfer Tax, etc.).
- The previous fee amount, as disclosed on the most recent GFE.
- The new fee amount of the charge as listed on the revised GFE; and
- The reason(s) the GFE is being re-disclosed with updated fees and/or terms i.e., appraised value, natural disaster, repairs, inspections, change in margin, etc.).
  Note: We may only update or add fees that are affected by the change. For example, Estimated appraised value $550,000 and actual appraised value $600,000. The increased value will affect the Lender's Title Insurance Premium, and if applicable City/County tax/stamps deed.

New York

If there is a Valid Change of Circumstance a re-disclosure package will be generated and sent to the borrower(s) or Partner, as applicable. The re-disclosures must be signed by the borrower(s) and returned to Longbridge prior to loan closing.

Standard Redisclosure package plus the following:

- Additional Disclosures for New York Reverse Mortgage Borrowers
- NY Schedule of Estimated Payments Disclosure
- NY Receipt of Redisclosure Package, Request for Signature and Return of One Copy
- Acknowledgment of Receipt of Good Faith Estimate
- Settlement Service Provider List
- Notice of Intent to Proceed with Loan Application
- Truth In Lending Application Disclosure
- Comparison
- Amortization Schedule
- Total Annual Loan Cost Rate (TALC)

If re-disclosures are being issued due to a product change from a fixed rate to adjustable rate, then all disclosures in the package must be signed and return prior to closing.

For Broker loans at time of initial submission of the loan to Longbridge, we will generate a re-disclosure package, and this package **does not** need to be signed and returned to Longbridge.

Loan Transfers

If a loan was not originated using a Longbridge product with our proposal and/or application package the loan must be re-disclosed with the NY Schedule of Estimated Payments being provided to the borrower(s) upon submission to Longbridge. It's to be executed and returned prior to closing.

Except for the NY Consumer Credit Report Disclosure if any of the required NY disclosures stated within the Application section of this guide, were not provided as part of another Lender's application package, then they must be provided to the Borrower(s) with the redisclosures. The required NY disclosures must be signed, dated and return prior to closing.

Important: A NY Consumer Credit Report disclosure that was signed & dated by the borrower(s) and Eligible NBS, as applicable, BEFORE credit was ordered is required for any loan transfers.

Existing appraisals completed by a Longbridge approved AMC are acceptable. For appraisals completed by a non-approved AMC, a completed Platinum exception form, the appraisal in XML format, and an exception approval from the VP of Credit are required.

Truth-In-Lending (TIL) Re-disclosure Tolerance

The TIL will be re-disclosed if:

- The change in APR is more than +**0.125%** of the amount quoted to the borrower(s) in the last Truth in Lending (TIL) disclosure, OR
- The finance charge has increased by more than $35.00 on transactions that are subject to rescission, OR
- The finance charge has increased by more than $100.00 on transactions that are NOT subject to rescission.

IMPORTANT: Re-disclosure of the TIL triggers a three-to six (3-6) business day waiting period. **The TIL is ONLY to be re-disclosed when the loan is over tolerance.**

Waiting Periods

7 Business Days – Borrower(s) elected to change product from an ARM to a Fixed Rate and have never received a TIL. The 7-day wait period cannot be reduced based on the borrower's execution since an initial TIL was not provided.

6 Days – Loan may be closed on the 7th day following the re-disclosure date. (3 days for mailing and 3 days waiting period)

3 Days – If borrower(s) signed disclosures are received, then the 3-day mailing period can be waived. The borrower(s) must receive corrected disclosures no later than 3 business days before closing.

Business day means all calendar days except Sundays and legal public holidays.

Reverse Mortgage Comparison

We must inform potential borrower(s) of all LBF's HECM and Proprietary Reverse Mortgage products and features. The RM Comparison must include Platinum Fixed and ARM products, based on product availability in the subject property state, and HECM loan products.

Note: When borrower(s) are less than 62 years old the HECM loan products cannot be disclosed on the Loan Comparison due to the borrower(s) not being age eligible for HECM. HECM products do not have to be disclosed when the property is a condominium and project is not FHA approved.

Commitment Letters

LBF will generate a commitment letter and when applicable a cover letter/cooling off disclosure and send to the borrower(s) for retail originations and to the Partner for Broker and PAA originations. Any applicable state required cooling off periods can be found in the state specific requirements below.

District of Columbia

We must provide the borrower(s) with a Lender executed Financing agreement at least 72 hours prior to closing. 3 CALENDAR Day cooling off from the day the borrower(s) execute/date the Financing Agreement is required.

Illinois

State law requires that we provide the borrower(s) with a written commitment and a cooling off period. The cover letter & commitment letter must be signed & dated, by the borrower(s) and returned to the lender. We must provide a 3 full business day cooling off period that starts the day the borrower(s) date the cover & commitment letters. A Sunday or legal public holiday do not count as a business day.

Illinois State law requires a 3-day cooling-off period for reverse mortgage loans, during which time potential borrower(s) cannot be required to close or proceed with the loan. The purpose of this requirement is to provide potential borrower(s) with 3 business days to consider their decision whether to secure a reverse mortgage or not. Potential borrower(s) may want to seek additional information from a reverse mortgage counselor during this 3-day period. The 3-day cooling-off period cannot be waived.

State law also requires that a lender certify in writing that the borrower(s) have been provided with specific disclosures regarding counseling services, cooling off period, commitment letter, and purchasing of an annuity. The Reverse Mortgage Commitment Certification is in the Processing and Underwriting document packages in the LOSs. The Certification must be signed by a lender representative and maintained in the loan file.

Louisiana

State law requires that we provide the borrower(s) with a written commitment and a cooling off period. The cover letter & commitment letter must be signed & dated, by the borrower(s) and returned to the lender. We must provide a 7 Calendar Day cooling off period that starts the day the borrower(s) date the cover & commitment letters.

Louisiana State law requires a 7-day cooling-off period for reverse mortgage loans, during which time potential borrower(s) cannot be required to close or proceed with the loan. The purpose of this requirement is to provide potential borrower(s) with 7 Calendar days to consider their decision whether to secure a reverse mortgage or not. Potential borrower(s) may want to seek additional information from a reverse mortgage counselor during this 7-day period. The 7-day cooling-off period cannot be waived.

Massachusetts

State law requires that we provide the borrower(s) with a written commitment. The cooling off disclosure & commitment letter must be signed & dated, by the borrower's and returned to the lender. We must provide a 7-calendar day cooling off period that starts the day the borrower's date the disclosure & commitment letters.

Massachusetts State law requires a 7-calendar day cooling-off period for reverse mortgage loans, during which time a potential borrower cannot be required to close or proceed with the loan. The purpose of this requirement is to provide potential borrowers with 7-calendar days to consider their decision whether to secure a reverse mortgage or not. Potential borrowers may want to seek additional information from a reverse mortgage counselor during this 7-day period. The 7-day cooling-off period cannot be waived.

Montana

A lender is not required to issue a commitment letter for property in Montana, however if a commitment fee is collected, then the requirements outlined in Allowable Fees section of this guide must be met.

New York

For all **refinance** transactions Longbridge will issue a Commitment Agreement and Setting of Prevailing Rate and a Cooling Off disclosures. We cannot issue a Commitment Agreement for a reverse mortgage until the loan has been underwritten, approved, and we have a completed, signed, and dated Counseling Acknowledgment **and** Counseling Certificate with the name, address, and signature of the borrower(s) and NBS, as applicable, and the Counselor. The Counseling Acknowledgement and Counseling Certificate must be dated AFTER the borrower's received the Proposal Package with all required disclosures.

The borrower must be provided with a copy of the complete Approval Package so 2 packages will need to be generated with one copy being left with the borrower(s).

1. Commitment and Setting of Prevailing Rate
    - Except for Purchase transactions, a Commitment **must be** issued in NY.
    - The date that the borrower signs the Commitment must be no more than 6 months from the Counseling completion date. If more than 6 months old, borrower(s) and any Non-Borrowing Spouse will need to be re-counseled, no exceptions. The Commitment Agreement must be signed by Longbridge before it's sent to the borrower(s).
    - We must give a second 3-business day cooling off period (CANNOT BE WAIVED) that will begin **on the day after** the borrower(s) signs the Commitment Agreement and Cooling Off disclosure, we must wait 3 **business** days (**defined in NY as any day of the week except Saturday, Sunday, and New York State legal holidays, see Holiday section of this guide**) before we can close. This is also called the "3 day Right to Cancel". Once the borrower(s) accepts the Commitment in writing, they can cancel and not close, but they will still be responsible for fees actually paid to third parties.

- This 3-day Right to Cancel is not the same as a 3-day Right of Rescission. Right of Rescission is a federal regulation for any refinance transaction once closing documents are executed.

2. NY Limit on Excess Hazard Insurance Disclosure
3. NY Receipt of Duplicate Approval Package, Request for Signatures and Return of One Copy

When a material change in specific loan terms occurs, the Commitment Agreement and Cooling Off Disclosure will be re-issued.

Example of material change:

- Increase in Broker fee(s); or
- Product change i.e., fixed to adjustable or adjustable to fixed.
  Note: Broker fee(s) are any origination fee paid to the broker, which is only permitted on an ARM loan, and broker compensation. Any third-party fees e.g., appraisal, etc. paid by the broker and then reimbursed to the broker on the HUD-1 Settlement Statement are not included in broker fee(s).

Upon re-issuance of a Commitment Agreement and Cooling Off a new 3 **business** day cooling off period must be provided. A business day is defined by NY as any day of the week except Saturday, Sunday, and New York state legal holidays. See Longbridge guidelines for list of NY Holidays. The first day of the cooling off period is the day after the borrower's execution of the Cooling off and Commitment.

As a reminder, the date that the borrowers sign the Commitment Agreement must be no more than 6 months from the HECM counseling completion date. If more than 6 months old, borrowers and any Non-Borrowing Spouse must be re-counseled, no exceptions.

Expiration of Commitment Agreement and Setting of Prevailing Rate

A New York Notice of Expiration of Commitment, when applicable, must be provided to borrowers not less than 12 business days but not more than 20 business days prior to the expiration of any Commitment Agreement issued.

In lieu of the disclosure, a new Commitment Agreement may be issued. The new Commitment Agreement must reflect a new expiration date, and it must be issued within 12 business days prior to the expiration date of the most recent Commitment Agreement.

When a new Commitment Agreement is issued in lieu of the NY Notice of Expiration of Commitment, then a new 3 business day cooling off period will begin. **The first day of the cooling off period is the day after the borrower's execution of the Cooling off and Commitment.**

A new Commitment Agreement must be signed within 6 months of the counseling date, or the borrowers and any Non-Borrowing Spouse must be re-counselled, no exceptions.

Utah

State law requires that we provide the borrower with a written commitment and a cooling off period. The cooling off disclosure & commitment letter must be signed & dated, by the borrower(s) and returned to LBF. We must provide a 5-calendar day cooling off period that starts the day the borrower's date the disclosure & commitment letter. The day after the borrower's signature date will be the first day of the 5-day calendar day cooling off period.

Utah State law requires a 5-calendar day cooling-off period for reverse mortgage loans, during which time a potential borrower cannot be required to close or proceed with the loan. The purpose of this requirement is to provide potential borrowers with 5 calendar days to consider their decision whether to secure a reverse mortgage or not. Potential borrowers may want to seek additional information from a reverse mortgage counselor during this 5-day period. The 5-day cooling-off period cannot be waived.

Borrower Eligibility

All borrowers must be 55* years of age or older on the day he/she executes the closing documents.

*For the states of Louisiana, Massachusetts, New York, and Washington all borrower(s) must be at least 60 years old, for the states of New Hampshire, North Carolina, and Texas all borrower(s) must be at least 62 years old on the day he/she executes the closing documents.

Borrower(s) must be residing in the subject property as their primary residence at time of closing for a refinance transaction. Documentation to support the borrower(s) occupancy of the subject property as his/her/their primary residence is required prior to loan closing. Documentation may include but is not limited to:

- Income documentation i.e., paystub,
- Asset/bank statements,
- Cable bill or evidence of cable service installation,
- Telephone bill (landline or cellular),
- Waste removal bill,
- Evidence of homestead exemption from the subject property tax authority,
- Heating fuel oil/propane bill.

For a Purchase all borrower(s) must occupy within 60 days of closing.

When a borrower is temporarily in a hospital, nursing home, rehabilitation center, etc. an exception may be approved by the Underwriting Manager. A written confirmation from the facility, on letterhead, signed by an authorized person, that it's temporary with release date is required. At least one borrower must occupy the property as his/her principal residence at the time of loan closing for a refinance transaction and within 60 days of closing for a purchase transaction.

Borrower with more than one (1) Reverse Mortgage

The borrower(s) may not have more than one (1) reverse mortgage at any one time. The loan terms of a HECM or Proprietary Reverse Mortgage require that the subject property be the borrower(s) primary residence, and the borrower(s) may not have more than one (1) primary residence at one time. We define the borrower's primary residence as the place of residence for the majority (183 days) of the calendar year.

If the borrower(s) have a **HECM or a Proprietary Reverse Mortgage** on any other property the borrower(s) are eligible to obtain another reverse mortgage if the existing HECM or reverse mortgage is satisfied prior to or at closing, **or** the borrower provides legal documentation evidencing the release of the borrower's financial obligation to satisfy the existing HECM or reverse mortgage. This alleviates the requirement for the borrower to demonstrate a final divorce decree.

Current HECM or Proprietary Reverse mortgage borrower(s) that plan to sell their existing residence and use the Purchase program to obtain a new principal residence must pay off the existing HECM or reverse mortgage.

Citizenship and Immigration Status

All borrower(s) must be a U.S. Citizen or a lawful Permanent or Non-Permanent Resident Alien.

A borrower with lawful permanent resident alien status may be eligible provided the borrower satisfies the same requirements, terms and conditions as those for U.S. citizens. The file must include evidence of the permanent residency and indicate that the borrower is a lawful permanent resident alien on the Uniform Residential Loan Application (URLA). The U.S. Citizenship and Immigration Services (USCIS) within the Department of Homeland Security provides evidence of lawful, permanent residency status.

Permanent Resident Alien

- A copy of the front and back of the valid (un-expired) Resident Alien card indicating permanent residency is required, and
- The loan application to indicate that the borrower is a lawful permanent resident alien.

Non-Permanent Resident Alien

- A copy of the front and back of the valid (un-expired) Non-Permanent Resident Alien card;
- The borrower must have a valid Social Security Number (SSN); and
- The borrower must be eligible to work in the U.S. as evidenced by the Employment Authorization Document issued by the USCIS.
  Note: The Social Security card **CANNOT** be used as evidence of work status.

The Employment Authorization Document is required to substantiate work status. If the Employment Authorization Document will expire within one year and a prior history of residency status renewals exists, the lender may assume that continuation will be granted. If there are no prior renewals, the lender must determine the likelihood of renewal based on information from the USCIS.

A borrower residing in the U.S. by virtue of refugee or asylee status granted by the USCIS is automatically eligible to work in this country. The Employment Authorization Document is not required, but documentation substantiating the refugee or asylee status must be obtained. Non-U.S. citizens without lawful residency in the U.S. are not eligible.

Date of Birth Verification

Date of birth must be verified for all borrower(s), and Occupying or Eligible Non-Borrowing Spouse. Acceptable documentation includes but is not limited to:

- Valid (unexpired) Driver's license. Can accept an expired license with a processed SSA-89 and the requirements in Photo Identification section of this guide for expired license are met.
- Birth Certificate.
- Passport.
- Written verification from the Social Security Administration (processed SSA-89); or
- State/Federal Government issued ID.

Office of Foreign Asset Control (OFAC)

An OFAC report is required for all borrower(s). A search may be conducted using the following link: https://sanctionssearch.ofac.treas.gov/. Enter the Borrower Name and Address and leave all fields as "ALL". For a Purchase, be sure you use the borrower's **CURRENT** address. OFAC information may also be reflected on the credit report.

Photo Identification

A valid photo identification for all borrower(s) and Power of Attorney, as applicable, is required.

Note: MLO certifications are not permitted.

Un-expired Photo ID Requirements

One of the following unexpired items **MUST** be collected from all borrowers, NBS and POA, as applicable to verify their identity:

- State issued driver's license.
- State issued ID card.
- Military ID card.
- Passport, or
- U.S. Alien Registration Card.

Customer Identification Program (CIP) procedures must be followed at closing. The title company/Settlement Agent/Notary is responsible for knowing the state requirements and following them at the time of loan closing.

Expired Photo ID Requirements (Expired within Five (5) years)

The following items must be collected from all borrowers to verify their identity:

- Two forms of government issued ID as listed above; and
- LBF to obtain a clear Interthinx report.

SSA-89 to be processed to verify borrower's date of birth and SSN directly with Social Security Administration.

CIP procedures must be followed at closing. The title company/Settlement Agent/Notary is responsible for knowing the state requirements and following them at time of loan signing.

No Photo Identification

If the borrower(s) do not have any photo identification (expired or unexpired) elevate the file to Management. An explanation for the lack of photo identification is required.

Customer Identification Program (CIP) Requirements

The closing/settlement agent/Notary must comply with the state requirements for CIP at closing.

If the borrower(s) photo ID is expired, validate the borrower's identity according to the laws of the state in which the loan closing occurs.

If state law is silent, LBF requires establishing the borrower(s) identity at closing by means of executed oaths from:

- Two (2) credible witnesses if photo ID expired more than five (5) years.

- One (1) credible witness if photo ID expired five (5) years or less.

The oath for each credible witness **must** affirm that all the following are true:

- The borrower(s) signing the loan documents is the person named in the documents.
- The credible witness knows the signer.
- The credible witness believes that the borrower would have difficulty or an impossible time obtaining un-expired photo identification.
- The borrower does not have any unexpired documents authorized by law to establish the borrower's identity.
- The credible witness does not have a financial interest and is not named in the loan closing documents.

The closing/settlement agent **must** validate the borrower(s) and/or POA's identity at closing.

If a discrepancy is noted, the closing agent must contact the LBF Closer, and the loan may NOT close without further instruction from the LBF Closer or appropriate Manager.

The loan CANNOT close unless the discrepancy is resolved, and a detailed resolution is documented in the loan file.

LBF and the closing/settlement agent/Notary must be fully satisfied that there is no deception or mistake concerning the identity of the borrower(s) and/or POA.

In cases where an individual borrower is not physically present at the loan closing, the mortgage **CANNOT** be closed unless there is a properly executed and LBF approved Power of Attorney. See **Power of Attorney**. The closing/settlement agent/Notary must validate the identity of the attorney-in-fact as per this policy.

Principal Residence

The property must be the principal residence of each borrower at the time of loan closing.

A principal residence is defined as the dwelling where the borrower maintains his or her permanent place of abode and spends most of the calendar year (at least 183 days of the calendar year). A person may only have one principal residence at any one time.

Purchase – Borrowers must occupy the property within 60 days of closing.

Married spouses or other borrowers may be living apart because one of them is temporarily in a health care facility; however at least one borrower must be living in the home for the loan to close.

When a borrower is temporarily in a hospital, nursing home, rehabilitation center, etc. an exception may be approved by the Underwriting Manager. A written confirmation from the facility, on letterhead, signed by an authorized person, that it's temporary with release date is required. At least one borrower must occupy the property as his/her principal residence at the time of closing for a refinance transaction or within 60 days of closing for a purchase.

Discrepancies

Potential occupancy discrepancies include, but are not limited to:

- Driver's license address differs from subject property or is recently issued.
- ID recently issued or having a different address from the subject property.
- Credit report shows a different address as current.

- 1009 home phone number is tied to a different address.
- Documents in file show a different mailing address (e.g., homeowner's insurance, payoff letter(s), bank statement(s), Social Security award letter(s), etc.);
- Borrower(s) own multiple properties.
- P.O. Box listed as mailing address, and USPS confirms the subject property as a deliverable address.
- Homestead exemption claimed on another property.
- Subject property has recently been listed for sale.
- Mailing address is different from the subject property address.
- Interthinx report alerts to address discrepancy, or reverse directory alert.

In these circumstances when file documentation raises concerns that the borrower(s) primary occupancy is in question, underwriting reserves the right to request additional supporting documentation along with a written letter from the borrower(s) explaining discrepancies or disposition of other residences and/or real estate owned. Primary occupancy must be determined with certainty and be adequately supported.

Documentation

Acceptable evidence to support occupancy by the borrower(s) in the subject property can be obtained by providing LBF with one (1) item from List A **and** two (2) items from List B.

List A	List B
Copy of borrower(s) driver's license, if not recently issued	Copy of borrower(s) voided check
Copy of Social Security Award Letter or copy of a bank statement with SS direct deposit	Copy of borrower(s) mortgage statement
Copy of borrower(s) bank statement that reflects sufficient monthly activity	Copy of borrower(s) auto insurance policy page
Copy of borrower(s) state issued ID, if not recently issued	Copy of borrower(s) credit card statement(s)
	Copy of borrower(s) utility statements/bills (e.g., phone (cell and/or landline), cable, gas/propane, waste removal, or internet service.
	Copy of federal tax return(s)
	Voter registration card
	Car registration or title

Note: At the underwriter's discretion other forms of documentation may be acceptable to support occupancy.

Social Security Number (SSN) Requirements

All borrower(s) must have a valid Social Security Number. All the following apply:

- All Borrowers, and Occupying or Eligible NBS, as applicable must provide evidence of their SSN. ONBS or ENBS must provide only when his/her income is being used to reduce family size or as a compensating factor.
- The SSN must be consistent on all documents provided by the borrower and NBS, as applicable.

Acceptable evidence of Social Security Number includes but is not limited to:

- Social Security Card.
- Social Security Form SSA-1099.
- W2 and/or 1099.
- Written verification from the Social Security Administration (processed SSA-89).
- 4506T Tax Transcripts
  Note: Personal federal and/or state income tax return are not acceptable evidence of SSN.

Program Eligibility

Address

LBF requires the use of the USPS address for all loan documents. Loan documents include but not limited to; counseling certificate, credit report, appraisal, title (if noted within), deed (if noted within), flood certificate, homeowner's & flood insurance (if applicable), closing documents. File must contain a USPS address for the subject property. In cases where the USPS address is not deliverable then verification of a deliverable mailing address for the borrower(s) is also required.

Note: The credit report must have the borrower(s) current address for a Purchase transaction.

Age of Documentation

Documents used in the origination and financial assessment may not be more than 120 days old at the time of disbursement/funding, except as noted below. Documents whose validity for financial assessment purposes is not affected by the passage of time, such as divorce decrees, or tax returns may be more than 120 days old at disbursement/funding.

No Expiration Date

The following documentation does not expire:

- Flood Certificate.

90 Day Expiration

The following documentation is valid for 90 days:

- State of Texas, preliminary title binder/title commitment.

180 Day Expiration

The following documentation is valid for 180 days:

- Appraisal(s). An appraisal update may be allowed, see Appraisal Update in this guide.

- Counseling Certificate. Loans **may close** with an expired counseling certificate, except in Arizona, New York, Rhode Island, & Texas.
  Note: State of NY the Counseling certificate is valid for 180 days. At the time of commitment, the counseling certificate must be valid (not expired). NO MORE THAN 6 months can elapse **from the date of counseling to the date the borrower(s) signs the commitment** or borrower(s) will need to be re-counselled, no exceptions.
  Note: State of RI the closing must take place within 180 days of the date that the borrower(s) or NBS, whichever is older, sign the counseling certificate. If the loan does not close within the 180-day period, the borrowers and NBS, as applicable, must be re-counselled. Prior to being re-counseled the borrowers and NBS, as applicable, must be provided with the HUD/Platinum approved counseling agency list and this must be documented in the file.
  Note: State of TX requires loan to close no later than the 180th day after counseling was completed. Closing date must be at least 5 days after re-counseling completion date.
- The Counseling Certificate may not be expired at the time of application, and no more than 180 days may have elapsed between counseling date and date of application.
- The closing date must be within 270 days of the date counseling was completed.

Closing Cooling Off

Rhode Island

The state of Rhode Island has a 3-day cooling off period where the borrower(s) and NBS, as applicable, **must receive the complete closing document package no less than 3 business days prior to closing. This cannot be waived by the borrowers, or NBS, or a lender, and as such no exceptions are permitted.**

The loan file must be documented for the delivery of the closing package to the borrower(s) and NBS, as applicable, at least 3 business days prior to closing:

- For documents sent electronically, a copy of the email showing the sent date and/or confirmation of receipt is required.
- For documents sent via an Esign service, the Certificate of Completion to evidence receipt is required.
- For documents sent using a delivery service as FedEx, UPS, etc., a copy of the shipping label with delivery date is required, and
- For documents sent via standard US mail Postal Service the borrower(s) and NBS, as applicable, must sign an Acknowledgement of Receipt of Closing Documents evidencing receipt no less than 3 business days prior to closing. When this method of delivery is utilized, the closing will have to be scheduled at least 6 days after the documents are sent so the borrower receives them at least 3 business days prior to closing.
  We strongly encourage you not to send the closing documents via US mail due to the additional delay it will cause.

Reminder: Currently closing documents cannot be ESigned.

Conveyance Tax

The state of Hawaii imposes a tax on the conveyances or transfers of real property and interests in real property by deed, lease, sublease, an assignment of lease, or other document, unless an exemption applies. Conveyance tax is due at the time of recording. This will be disclosed on line 1205 State Tax/stamps deed in the Fee screen.

Counseling Policy

All borrower(s) and Non-Borrowing Spouse, as applicable must receive counseling from a Platinum approved counseling agency. All loans must comply with state requirements for reverse mortgage counseling.

Disclosures Required Prior to Counseling

California

California regulations state that a reverse mortgage loan application shall not be taken unless the loan applicant(s), PRIOR TO RECEIVING COUNSELING, have received from the MLO a list of HUD/Platinum Approved Counselors, the Important Notice to Reverse Mortgage Loan Applicant and the Reverse Mortgage Worksheet Guide.

Retail Process

Longbridge must provide prospective borrower(s) with the required disclosures prior to counseling. These disclosures are in the LOS Proposal Package. The proposal package must be generated in its entirety, and it should show up in the history of the documents. Please be sure you don't close out of the loan in the LOS before the package has been fully generated.

- For loan transfers, the borrower(s) must provide the disclosures they received from their prior lender or the Counselor before LONGBRIDGE can take an application. If the disclosures are not dated prior to counseling, the disclosures must be provided to the borrower(s) and he/she/they must be re-counseled.
- For Face-to-Face counseling, the borrower(s) are required to have the Counselor sign the RM Worksheet Guide at time of counseling and return the disclosure back with the application package.
- When a loan is received in the branch, the Production Partner is to look for the required disclosures with a print date that is prior to the counseling completed date. If these are not received, the loan cannot be submitted to Opening.
- At Opening, if the above have not been provided, the loan is to be returned to the PP and put back into Origination status in RV and the Production Partners cabinet in ICE.
- At processing, the disclosures must be signed and dated and included in the underwriting submission package.
- If the prospective borrower(s) are counseled ***PRIOR*** to meeting with the Lender and was not provided the Important Notice and Worksheet noted above, LONGBRIDGE must provide the required disclosures, and the borrower(s) must be re-counseled prior to taking the loan application.
- If the prospective borrower(s) received counseling prior to receiving the disclosures and is not re-counseled, LONGBRIDGE must refuse to take the loan application.

Broker Process

California regulations state that a reverse mortgage loan application shall not be taken unless the loan applicant(s), PRIOR TO RECEIVING COUNSELING, have received from the MLO the Important Notice to Reverse Mortgage Loan Applicant and the Reverse Mortgage Worksheet Guide.

To comply with California regulations, the following requirements must be met:

- MLO must provide prospective borrower(s) the required disclosures prior to counseling. These disclosures are in the LOS Proposal Package. The proposal package must be generated in its entirety in the LOS, and it should show up in the history of the documents. Please be sure you don't close out of the loan before the package has been fully generated.
- For loan transfers, the borrower(s) must provide the disclosures they received from their prior Lender or the Counselor before the MLO can take an application. If the disclosures are not dated prior to counseling, the

disclosures must be provided to the borrower(s), and they must be re-counseled prior to taking the loan application.

- For Face-to-Face counseling, the borrower(s) are required to have the Counselor sign the RM Worksheet at time of counseling and return the disclosure to the MLO.
- If the prospective borrower is counseled *PRIOR* to meeting with the MLO and the Counselor did not provide the Important Notice and Worksheet noted above than the MLO must provide the required disclosures, and the borrower(s) must be re-counselled.
- At time of loan submission to underwriting, the signed and dated disclosures must be in the loan file.
- If the prospective borrower received counseling prior to receiving the disclosures and is not re-counselled, LONGBRIDGE will refuse the loan submission.

Counseling Agencies

The MLO **must** provide the prospective borrower(s) with a list of approved Counseling Agencies. The following HUD approved counseling agencies are approved to provide counseling for the Platinum program:

Albany County Rural Housing Alliance***	518-817-5521
American Consumer Credit Counseling**	800-769-3571 Ext. 1919
Cambridge Credit Counseling**	800-757-1788
Community Service Network, Inc.**	781-438-9254
Consolidated Credit Solutions	800-435-2261
Consumer Credit and Budget Counseling, dba National Foundation for Debt Management	866-395-5769
Credit Card Management Services, DBA Debt Helper**	800-920-2262
Credit.org	866-896-7965
GreenPath, Inc.	888-860-4167
Hancock Community Development	877-284-4326
Horizon Counseling Inc.	888-315-4326
Money Management International	866-232-9080
Neighborhood Housing Services of Brooklyn***	718-469-4679
Project Sentinel	888-324-7468 Ext. 8012
QuickCert, Inc.	888-383-8885
Smart Money Housing AKA Smart Women Smart Money	773-533-0243

****ONLY these agencies may provide Platinum loan counseling for the state of Massachusetts.**

****These agencies are likely to be closest for Rhode Island borrower(s) who wish to receive face to face counseling.**

*****These agencies can provide face to face counseling to borrower(s) or NBS in the local area.**

Counseling State Requirements

California

All reverse mortgage borrower(s) and NBS must receive reverse mortgage counseling and may not be waived on a refinance transaction for any reason. We must provide the borrowers with a list of at least 10 counseling agencies approved by HUD to engage in reverse mortgage counseling.

The counseling agency may not receive any compensation either directly or indirectly from the lender or from any other person or entity involved in originating or servicing the mortgage or the sale of annuities, investments, long term care insurance or any other type of financial or insurance product.

California regulations state that a reverse mortgage loan application shall not be taken unless the loan applicant, PRIOR TO RECEIVING COUNSELING, has received from the Counselor or the MLO the Important Notice to Reverse Mortgage Loan Applicant and the Reverse Mortgage Worksheet Guide.

For loan transfers, the counseling certificate, and disclosures the borrower(s) received from their prior lender, or the Counselor are required before the MLO can take an application. If the disclosures are not dated prior to the date counseling was completed, then the borrower(s) must be re-counselled.

If the prospective borrower(s)received counseling prior to receiving the disclosures and is not re-counseled, then the MLO may not take the loan application.

When the borrower(s) receiving counseling Face to Face the counselor signed and dated RM Worksheet is required. If the borrower(s) were counseled PRIOR to meeting with the MLO, then the disclosures provided by the Counselor to the borrower(s) are required. For the Underwriter to approve the loan a fully executed RM Worksheet Guide is required.

Hawaii

All borrowers must be provided with the Platinum list of Counselors **prior to** accepting a loan application. All borrowers must receive Platinum counseling **prior to** application as evidenced by a fully executed counseling certificate.

Louisiana

We must provide the borrower(s) with a list of at least 5 approved nonprofit counseling agencies. The agencies must be approved by the US Department of HUD.

Massachusetts

Effective March 31, 2024, counseling may be conducted by synchronous real time video conference or telephone.

Upon a fully executed counseling certificate being received, the disclosure entitled “Important Information for Elder Homeowners Is a Reverse Mortgage Right for You?” must be sent to the borrower(s) and NBS, as applicable, to be signed and dated. **The disclosure must be signed and dated by borrower(s) and NBS, as applicable, AFTER receipt of the fully executed counseling certificate and must be in the package time of submission to Underwriting to issue a loan approval.**

Note: This disclosure may be referred to as Notice to Reverse Mortgage Applicant or Massachusetts Opt-in Form.

Rhode Island

MLOs must deliver to the borrower(s) and Non-Borrowing Spouse (NBS), as applicable.

    - Director Russo's Statement to Elders on the Advisability of RM counseling, and
    - A list of HUD/Platinum approved counseling agencies. Please note that RI requires a minimum of 3 agencies to be listed. These statements and disclosures are included in our Proposal and Application packages.
- Neither the Borrower nor the NBS can pay for counseling. If the counseling fee is not waived by the counseling agency, **the loan originator is responsible for the cost.** A copy of the counseling certificate and counseling invoice reflecting who paid for the counseling services are required.
  Note: The counseling certificate may serve as the invoice permitting the counselor has completed the applicable information e.g., Upfront fee for counseling session, amount that is due & payable.
- The RI statute requires that counseling must be conducted in person. However, it does permit telephone counseling if the prospective borrower(s), or NBS, as applicable, cannot or chooses not to travel and cannot be visited in their home. We are not required to determine why the borrower(s) or NBS elected telephonic counseling, however the counseling certificate must reflect how counseling was completed.
- Borrower(s) and NBS, as applicable must receive counseling from a HUD/Platinum approved counseling agency. As of the time of this update there were no HUD or Platinum approved agencies located within either Rhode Island or Connecticut. It is therefore likely that the closest agencies are in Massachusetts. At the present time, the following are approved HUD/Platinum counseling agencies in Massachusetts:
    - American Consumer Credit Counseling
    - Cambridge Credit Counseling
    - Community Service Network
    - Credit Card Management Services, Inc D/B/A DebtHelper.com

Please note, if the borrower and/or NBS elects telephonic counseling, any approved counseling agency may provide telephonic counseling.

- Closing must take place within 180 days of the date that the borrower(s) or NBS, whichever is older, sign the counseling certificate. If the loan does not close within the 180-day period, the borrower(s) and NBS, as applicable, must be re-counselled. Prior to being re-counseled the borrower(s) and NBS must be provided with the HUD/Platinum approved counseling agency list, and this must be documented in the file.

Rhode Island Cooling Off Period

- An **original** counseling certificate, signed and dated by the counselor, the borrower(s) and NBS, as applicable, must be delivered to Longbridge **at least three (3) business days prior to the closing of the loan**; this is a mandatory cooling off period that cannot be waived.
    - Certificates that are electronically signed by the Counselor, Borrower(s) and NBS, as applicable, will be considered an original document.
    - For any wet/ink signatures, the original executed document is required.
      Note: Upon receipt of a faxed or emailed fully executed counseling certificate processing of the loan e.g., ordering appraisal, flood certificate, etc. may begin.

Rhode Island Ordering of Services

In Rhode Island, no costs can be imposed until the borrower(s) and NBS, as applicable, have received counseling as evidenced by a completed and fully executed counseling certificate and the originator has a complete, and fully executed application package.

A loan application cannot be **processed** until the fully executed counseling certificate is received by the originator. Only the following actions may take place prior to receipt of the executed counseling certificate:

- Ordering an AVM.
- Ordering a credit report.
- Obtaining information for the application (including verifying credit, income, assets, and property charges etc.).
- Completing a financial assessment of the borrower(s) including documenting extenuating circumstances and/or compensating factors.
- Ordering a preliminary title search.

South Carolina

A lender cannot accept an application for a reverse mortgage until the Lender has obtained from the South Carolina State Housing Finance and Development Authority the content and format of a statement regarding the advisability and availability of independent information and counseling services on reverse mortgages. We cannot commit to a reverse mortgage unless the borrower(s) state in writing that they received the statement from the lender at the time of initial loan inquiry. The required disclosure is included in Longbridge's loan proposal and application packages.

Texas

Reverse mortgage counseling **cannot** be completed more than 180 days prior to the loan closing. Texas law requires the loan to close no later than 180 days after counseling was completed. In addition, counseling cannot be completed less than 5 days prior to closing. If the counseling certificate expires during the loan process the borrower(s) and Ineligible NBS, as applicable, MUST be re-counseled, provide a fully executed Platinum counseling certificate, and the loan may not close until the 6th day after re-counseling was completed. Borrower(s) or Ineligible NBS may not elect to waive counseling on a refinance transaction.

Utah

The state of Utah requires that reverse mortgage borrower(s) and Non-Borrowing Spouse, as applicable, meet with an independent housing counselor and receive counseling PRIOR to taking an initial loan application. We will validate the requirement was met based on the counseling completed date on the certificate. To validate that counseling occurred prior to application the application should not be taken on the same day that counseling was completed.

We must provide a list of at least 5 independent housing counseling agencies that includes the housing counseling agency name, and telephone number.

Washington

We must provide the borrowers with a list of at least 5 independent housing counseling agencies approved by HUD, including at least 2 agencies that can provide counseling by telephone. Telephone counseling is only an option at the borrower's request.

Who must receive Counseling

- Borrower(s): Individuals or current trust beneficiaries who are eligible and seeking a Platinum reverse mortgage **must** receive counseling. If a borrower lacks competency, individuals with durable power of attorney, or court appointed conservators or guardians receive the counseling, and then execute the counseling certificate on the borrower's behalf.
- Non-Borrowing Spouse: Counseling is required to ensure that the borrower and Non-Borrowing Spouse both understand the implications of a reverse mortgage.

- Life Estate: Person(s) holding a life estate interest must receive counseling. Only the borrower(s) may hold a life estate interest in the subject property.
- Remainder men(s): It is strongly recommended but not required that all Remainder man(s) receive counseling.
- Trustee(s): It is strongly recommended but not required that all Trustee(s) that are not also a reverse mortgage borrower receive counseling.
- Trust Contingent Beneficiaries: It is strongly recommended but not required for Contingent Beneficiaries of the Trust to be counseled. These individuals will neither receive any benefit from the Trust, nor have any control over Trust assets until the borrower(s) are deceased or the mortgage has been released/satisfied.
- Borrower(s) Children: Counseling for the children of the prospective borrower(s) is not required. However, it is permissible and will be available by an approved counseling agency if the child requests it.

Counseling Certificate

- The Certificate must reflect the names of all borrowers, NBS, and borrower's personal representative (POA or Guardian/Conservator), as applicable, and the subject property address.
- Slight variations in name and/or address are allowed at the underwriter's discretion.
- All counseled parties must sign & date the counseling certificate; and
- A copy of the fully executed certificate is required prior to closing unless state law requires that counseling be completed earlier in the loan process. i.e., prior to application or prior to processing of the loan.

Longbridge will accept counseling certificates from a Longbridge approved Platinum Counseling Agency where the counseling was completed for another Proprietary Fixed rate product.

For a Proprietary Adjustable rate, we will accept counseling certificates from a Platinum approved agency for counseling completed for FAR HomeSafe.

Longbridge will review counseling certificates for proprietary fixed products completed by a non-Platinum approved counseling agency to determine eligibility.

Purchase Transaction

- If the contract of sale is dated prior to counseling than the subject property address must be listed on the counseling certificate.
- If the counseling date is prior to the contract of sale date than the borrower(s) current residence address on the counseling certificate is acceptable. A certificate reflecting To Be Determined (TBD) is unacceptable.

State of Massachusetts

Upon a fully executed Platinum counseling certificate being received, the disclosure entitled "Important Information for Elder Homeowners Is a Reverse mortgage Right for you?" must be sent to the borrower(s) to be signed & dated. **The disclosure must be signed and dated by borrower(s) AFTER receipt of the fully executed counseling certificate and must be in the package at time of submission to Underwriting to issue a loan approval.** This disclosure can be found in the **Processing package** in Quantum Reverse & Reverse Vision.

Note: This disclosure may be referred to as Notice to Reverse Mortgage Applicant in QR or Massachusetts Opt-In Form in RV.

Counseling Delivery Methods

Face-to-Face Counseling

Counselors should make every effort to provide counseling on a face-to-face basis, which allows for greater participation by the borrower(s) and allows the Counselor to more accurately determine that the borrower(s) understands the program.

California

California Civil Code requires Counselors to provide face to face counseling unless the borrower(s) elect to receive the counseling in another manner. The Counseling Certificate and/or Addendum to the Counseling Certificate will reflect if the borrower(s) chose to receive Face to Face or Telephone Counseling.

Telephone Counseling

Telephone counseling is an alternative only when face to face counseling is not feasible.

An MLO should not discuss telephone counseling as an alternative unless the borrower(s) completely rule out face to face counseling.

Telecommunication Device for the Deaf (TTD Services)

Borrower(s) who are mentally competent but have a hearing impairment **must** still be counseled. The borrower(s) **must** locate a Counselor who provides this service.

Lender and Counselor Interaction Rules

Longbridge requires that the borrower(s) receive the following documents at least 24-48 hours prior to counseling:

- Loan Comparison.
- TALC.
- Amortization Schedule.
- "Use Your Home to Stay at Home" booklet; and
- "How to Prepare Yourself for a Counseling session" booklet

The Counselor is ultimately responsible for providing these documents to the borrower(s). However, if the Lender provides a reverse mortgage client with a loan proposal package, then the Lender must provide a copy of the loan printouts to the Counselor prior to the borrower(s) session. For proposal packages generated in LOSs the Counselor can be provided with the Counseling Access Code and then access the Comparison, TALC and Amortization Schedule.

The Lender can mail, fax or email a copy of what was provided to the borrower(s) once a Counselor has been selected by the borrower(s). The LOSs Proposal package includes a Counseling Access Code that the borrower(s) can provide to the Counselor and then access the Comparison, TALC, and Amortization Schedule.

The following rules are in place regarding requesting counseling:

- The MLO may not contact a Counselor or counseling agency to refer a borrower, discuss a borrower's personal information, including the timing or scheduling of the counseling, or request information regarding topics covered in a counseling session.
- The MLO may not attend or listen in to the borrower(s) counseling session; and
- The prospective borrower(s) must initiate communication with the counseling agency on his or her own, when he or she is comfortable with commencing with the counseling process, and without the assistance of the MLO.

Example 1: The MLO may not dial the counseling agency's phone number and hand the phone to the borrower to schedule counseling.

Example 2: The MLO may not entre the borrower's contact information into a web-based system which automatically puts the borrower(s) name in que to be called by a Counselor.

Counseling must be performed by an independent 3rd party that is neither directly nor indirectly associated with the mortgage transaction.

MLO's are only permitted to communicate with Approved Counselors under one (1) of the following conditions:

- A borrower has scheduled a counseling session and needs the required documentation for counseling to be sent directly to the Counselor in advance of the counseling session. The MLO is then permitted to mail, fax or email the documentation directly to the Counselor; or
- A borrower has re-scheduled a counseling session and updated documentation must be sent directly to the Counselor in advance of the counseling session. The MLO may mail, fax or email the documentation directly to the Counselor; or

A borrower has made a change to the original documentation provided in advance of counseling (including but not limited to; estimated home value, date of birth, product type), and the updated documentation must be sent directly to the Counselor in advance of the counseling session. The MLO is then permitted to mail, fax or email the documentation directly to the Counselor.

Death Certificate

A death certificate is required when a deceased person is being removed from title. This includes any person named in a Trust.

An affidavit of death may also be required based on state requirements as determined by the title company. The settlement agent or title company must state in writing that the deceased party can be removed from title at closing without probate.

Disbursement Limits

The following are requirements and definitions applicable to Adjustable and Fixed interest rate Platinum reverse mortgages.

Adjustable Interest Rate:

- Initial Disbursement Limit (IDL): The IDL shall not exceed the Principal Limit amount established at loan closing. The borrower(s) may bring other verified assets to closing to satisfy the mandatory obligations, and
- Borrower(s) must draw at least 25% of the Principal Limit at the time of loan closing.

Fixed Interest Rate:

- Disbursement Limit (DL): The DL shall not exceed the Principal Limit amount established at loan closing. The borrower(s) may bring other verified assets to closing to satisfy all outstanding liens against the Property and to pay all closing costs.
- The borrower(s) must draw at least 80% of the Principal Limit. The borrower(s) may elect to take less than 100% of the Principal Limit if they provide a letter of explanation that includes the following:
    - Reason they are electing to take less than 100% of Principal Limit,

    - Acknowledge that funds not taken are not available for a subsequent draw after loan closing, and
    - There is a 12-month waiting period to complete a Platinum to Platinum or Platinum to HECM refinance.
- A single lump sum disbursement at loan closing, and
- Cannot provide for future draws by the borrower(s).

Documentation Requirements

We cannot accept or use documents relating to assets, employment or income of the borrower(s) that have been handled by, or transmitted through, the equipment of unknown parties or interested third parties. We cannot accept or use any Third-Party Verifications that have been handled by or transmitted from or through, any interested third party or the borrower(s).

We must authenticate all documents received electronically by examining the source identifiers (e.g., fax banner header or the sender's email address) or contacting the source of the document by telephone to verify the document's validity. We must document the name **AND** telephone number of the individual with whom we verified the validity of the document.

We must authenticate documents obtained from an internet website and examine portions of printouts downloaded from the internet. Documentation obtained through the internet must contain the same information as would be found in an original hard copy of the document.

Exception

A lender or TPO is permitted to handle documents relating to the employment, income, assets, credit, or occupancy of Borrowers, and Third-Party Verifications. E.g., Verification of Rent, Verification of Mortgage, Verification of Employment and/or Income, Verification of Deposit, credit reports, etc.

Electronic Signatures

An electronic signature conducted in accordance with the Electronic Signature Performance Standards (Performance Standards) is accepted on documents requiring signatures, unless otherwise prohibited by law. The Performance Standards are the set of guidelines that govern acceptance of an electronic signature.

The use of electronic signatures is voluntary. Longbridge will accept electronic signatures that fully comply with the Performance Standards. Any electronic signature technology utilized must comply with all requirements of the E-SIGN Act, including those relating to disclosures, consent, signature, presentation, delivery, retention and any state law applicable to the transaction. Electronic signatures on third party documents (originated and signed outside of the control of Longbridge) in accordance with the E-SIGN Act and the Uniform Electronic Transactions Act (UETA) are acceptable. An indication of the electronic signature and date should be clearly visible when viewed electronically and in a paper copy of the electronically signed document.

Electronic signatures will be accepted on all application documents requiring signatures. Electronic signatures on closing documents are not acceptable.

A completion certificate or transaction history issued by the electronic signature process utilized (DocuSign, Adobe, etc.) is required as accompanying documentation for electronically signed documents.

Flood Determination Certificate

A flood determination certificate, including Life of Loan, must be included in every file to determine if the subject property is located within a flood zone, and requires flood insurance coverage.

Review the Standard Flood Hazard Determination (SFHD) and ensure the following:

- The subject property address matches the USPS address for the subject property.
- Correct lender and loan number are populated on the determination. For Retail & Broker originations as follows:

  Longbridge Financial, LLC
  P. O Box 40724
  Lansing, MI 48901-7924

  Note: For PAA originations – Lender to match the 1009.

- Handwritten loan numbers or Lender IDs are not acceptable.
- Lender ID must be completed for PAA loans if the principal is an entity insured by the FDIC. This would be applicable to a bank.
- If the SFHD is issued without these fields being populated, as applicable, or populated with incorrect information, the certificate must be re-issued with the correct required information; and
- The SFHD has not been altered.

A property is not eligible if a residential building and related improvements to the property are located within a Special Flood Hazard Area (SFHA) and insurance under the National Flood Insurance Program (NFIP) is not available in the community. For a Property where the dwelling is outside of the flood zone and other related improvements are not given contributory value, then an exception request can be submitted for review.

A property is not eligible if the improvements are, or are proposed to be located, within a Coastal Barrier Resource System (CBRS).

Appraiser Requirements

Appraisers are required to review the applicable FEMA FIRM and make appropriate notations on the applicable appraisal reporting form. If the property is located within a SFHA, the appraiser must:

- Attach a copy of the flood map panel to the appraisal report;
- Enter the FEMA zone designation on the reporting form, as well as identify the map panel number and map date; **and**
- Quantify the effect on value & marketability, if any.

Note: If the property is not shown on any map, the appraiser must enter "not mapped."

Appraisers are required to perform the due diligence necessary to determine if a property is located within a CBRS. If the property is located within the CBRS boundaries, appraisers are instructed to immediately stop work on the assignment and return the file to the Lender.

Definition/Description

Flood hazard areas identified on the Flood Insurance Rate Map are identified as a Special Flood Hazard Area (SFHA). SFHA are defined as the area that will be inundated by the flood event having a 1-percent chance of being equaled or

exceeded in any given year. The 1-percent annual chance flood is also referred to as the base flood or 100-year flood. SFHAs are labeled as Zones A, AO, AH, A1-A30, AE, 99, AR, AR/AE, AR/AO, AR/A1-A30, AR/A, V, VE, and V1-V30.

Disputing a Flood Zone

If a borrower feels the subject property is located outside of a flood hazard area, they must obtain a Letter of Map Revision (LOMR) or Letter of Map Amendment (LOMA) from Federal Emergency Management Agency (FEMA), and the flood certificate must be updated.

Any disputes to the findings must be reconciled with the flood certificate provider, and not LBF.

A dispute or re-determination should only be requested when there is verified documentation to support the request (e.g. survey, appraisal, city or county flood reports, elevation certificate, etc.)

Additional information/documentation must enable a LOMA or LOMR request to be reviewed and approved by FEMA.

- A LOMA or LOMR is a letter issued by FEMA that officially addresses whether an existing structure or parcel of land is or is not located in a SFHA.
- A LOMA deals with structures or land that has not been elevated by fill, and a LOMR deals with structures or land that have been elevated by fill. Fill is any material, usually soil, which is placed on a property to elevate the grade so that any structure(s), existing or proposed, located on the property meet(s) FEMA's criteria for removing a structure(s) located on the property from the SFHA.

Possible sources for this information would be a Community Flood Plain Administrator, City Engineer, or Surveyor who has "shot" the topography of the site (a written statement by the surveyor is not acceptable; the survey must show the elevations).

Retain a copy in the loan file of all material used by the Flood Determination vendor to make the final flood determination, include a copy of the effective NFIP map (Flood Hazard Boundary Map (FHBM) or Flood Insurance Rate Map (FIRM) panel for the community in which the building is located with the location of the building(s) indicated.

Documentation must be supplied to the flood determination vendor to evaluate and provide a revised certificate, if applicable.

Eligibility for Condominiums in SFHAs

We must ensure the Homeowners' Association (HOA) obtains insurance under the NFIP on buildings located within the SFHA. The flood insurance coverage must protect the interest of the Borrower(s) who hold title to an individual unit, as well as the common areas of the Condominium Project.

Eligibility for Existing Construction in SFHAs

When a residential building and related improvements to the property is determined to be located within a SFHA, insurance under the NFIP must be obtained.

Eligibility for Proposed or New Construction in SFHAs

If any portion of the property improvements (the dwelling and related structures/equipment essential to the value of the property and subject to flood damage) is located within an SFHA, the Property <u>is not</u> eligible **unless**:

- A final Letter of Map Amendment (LOMA) or final Letter of Map Revision (LOMR) that removes the Property from the SFHA is issued by FEMA; **<u>or</u>**

- Lender obtains a FEMA National Flood Insurance Program (NFIP) Elevation Certificate (FEMA Form 086-0-33) prepared by a licensed engineer or surveyor. The elevation certificate must be completed based on finished construction and document that the lowest floor (including the basement) of the residential building and all related improvements/equipment essential to the value of the Property, is built at or above the 100-year flood elevation in compliance with the NFIP criteria.

We must obtain insurance under the NFIP when a flood elevation certificate documents that the property remains located within an SFHA.

Flood Elevation Certificate and/or Flood Insurance

When it's uncertain about whether a property is located within a SFHA, it may require a flood elevation certificate. In addition, Longbridge has discretion to require flood insurance even if:

- The residential building and related improvements to the property are not located within the SFHA, **but**
- The lender has reason to believe that the building and related improvements to the property may be vulnerable to damage from flooding.

Mapping and NFIP Participation

When an area is Not Mapped and NFIP or private flood insurance is not available, the property is not eligible.

Flood Zone D, Not Mapped/Undetermined

The Zone D, Not Mapped or Undetermined, designation is used for areas where there are possible but undetermined flood hazards, as no analysis of flood hazards has been conducted. The designation of Zone D is also used when a community incorporates portions of another community's area where no map has been prepared.

Flood insurance is available in Zone D should the area that the subject property is located within be subject to potential flooding. Flood insurance is required and to waive then obtain documentation as noted below.

For a property located in any of these designations, the file must be documented with some form of due diligence to determine that the subject property is not located in an area with a potential flood hazard.

The file must be documented with any one of the following:

- Interflood maps,
- FEMA maps,
- Elevation certificate,
- Printout from https://www.fhfa.gov/data/dashboard/mortgage-loan-and-natural-disaster
- Letter from the insurance company stating that flood insurance is not necessary, or
- Letter from the local municipality.

Required Flood Disclosure Notices

If the subject property is within a flood zone as per the flood certificate than the borrower(s) must be provided with The Notice of Special Flood Hazards and Availability of Federal Disaster within a reasonable time frame. A reasonable time frame is considered 10 days prior to closing. Less than 10 days is permitted if the borrower(s) currently have a flood insurance policy.

High-Cost Test

The State of Utah requires that a High-Cost Test be completed on Fixed rate loans. We must have a High-Cost Test completed at the time of application and at the time of closing. For third party originations, Longbridge will complete the test upon receipt of the loan submission, and at the time of closing. The loan must pass the High-Cost Test to be

eligible for the Platinum Program. LBF does not originate, close, nor purchase any loan that does not pass the High Cost Test.

Holidays

A loan closing may take place on a holiday, however loan funding cannot. A holiday may not be counted as a rescission day. The following days are considered federal holidays:

- New Year's Day
- Dr. Martin Luther King Jr Day
- President's Day
- Memorial Day
- Juneteenth
- Independence Day (4th of July)
- Labor Day
- Columbus Day
- Veteran's Day
- Thanksgiving Day
- Christmas Day

New York State Legal Holidays

The term "business day" means any day of the week except for Saturday, Sunday, and any legal holidays. The legal holidays under New York law are:

- New Year's Day
- Dr. Martin Luther King Jr Day
- Lincoln's Birthday
- Washington's Birthday (President's Day)
- Memorial Day
- Flag Day
- Juneteenth
- Independence Day
- Labor Day
- Columbus Day
- General Election Day
- Veterans Day
- Thanksgiving Day
- Christmas Day
- Any other day appointed by the governor of New York or the US President.

If any holiday except Flag Day, falls on a Sunday, the following Monday is a legal holiday.

The New York holidays are updated on an annual basis, and you can check the holiday schedule using the New York court system's website COURT TERMS & HOLIDAYS | NYCOURTS.GOV.

Life Estate

A life estate is a form of joint ownership that allows a person to remain in a house until his or her death, when it passes to the other owner. Life estates can be used to avoid probate and to give a house to children without giving up the ability to live in it.

The person(s) holding the life estate, the life tenant(s), possesses the property during his or her life. The other owner, the remainderman, has a current ownership interest but cannot take possession until the death of the life estate holder(s). The life tenant has full control of the property during his or her lifetime and has the legal responsibility to maintain the property as well as the right to use it, rent it out, and make improvements to it.

The life tenant cannot sell or mortgage the property without the agreement of the remainderman. A remainderman(s) **MUST** be an individual or individuals. A Trust, LLCs or other entities are not permitted as remainderman(s). A Trust may be permitted on an exception basis if the Trust meets guidelines as evidenced by an Attorney Opinion Letter obtained from LBF approved outside legal counsel. Trustee(s) must execute as Remainderman(s).

Closing in a Life Estate is permitted, however, to encumber fee simple interest in the property the following requirements apply:

- The life tenant(s) are the borrower(s) and execute all origination and closing documents.
- The promissory note **must** be executed by the holder of the life estate (the holder of the life estate is the borrower(s)).
- The Mortgage(s)/Deed of Trust(s) **must** be executed by the holder of the life estate **and** Remainder men(s);
- The remainder men(s) must execute the Mortgage(s)/Deed of Trust(s) and any Riders, Notice of Right to Cancel, and the Truth-In-Lending disclosure or Important Terms.
- Underwriters must add the following at PTF condition when title is vested in a life estate: "All parties on title must sign the Mortgage/Deed of Trust, Notice of Right to Cancel, Truth-In-Lending or Important Terms disclosure, HUD-1, and Compliance Agreement.".
- Title must list such borrower(s) as holding title.
- The intervening assignments, if applicable, must reflect such borrowers; and
- The Nearest Living Relative document must be completed with all remainder man(s) information on every loan vested in a life estate.
  Note: Holder(s) of a future interest (remainder man(s)) do not have rights to loan proceeds.

Texas – Closing in Life Estate

A copy of the most recently recorded deed is required. Grantor(s) must have the full powers to mortgage, convey, sell, transfer, etc.

When title and closing documents are sent for UPOL review, that must include the most recent recorded deed for review.

The borrower will need to complete the TX Remainderman Marriage Certification as part of the application process. If married the legal name of his/her spouse. All remainderman(s) and the spouse of any remainder man(s) must be present at closing and execute the Deed of Trust. The remainderman is required to complete and execute the TX Remainderman Marriage Closing Certification at the time of loan closing.

A spouse of a remainder man must have a valid government issued photo identification to present to the notary at time of closing. This photo identification must meet requirements for state CIP rules. Spouses name on Deed of Trust to match to the photo identification even if he/she is not included in the Deed.

All Platinum borrowers and Non-Borrowing Spouse, as applicable must receive Platinum counseling, and it's strongly recommended that the remainder man also receive Platinum counseling. A remainder man's spouse does not have to receive Platinum Counseling. The remainder man's spouse execution of the Deed of Trust is required based on Texas regulations for a perfected lien.

At time of closing the Remainderman will execute a disclosure that outlines his/her responsibilities upon the passing of the borrower(s).

Enhanced life Estate

With a "regular" life estate deed, the owner of the real estate makes a gift of the property to beneficiaries, called remaindermen. He/she/they can't mortgage or sell the property during his lifetime without the permission and "joinder" of the remaindermen. Joinder means that they're parties to the mortgage or sale. He/she/they effectively give the property away and unilateral control of the property during his lifetime.

With an "enhanced" life estate, the owner of the real estate, referred to as the "life tenant," retains complete control over the property during his/her/their lifetime. He/she/they have the right to mortgage or sell the real estate without the consent of his/her/their beneficiaries or the remaindermen named in the deed because he/she/they haven't given the property to them yet. The property doesn't transfer until the death of the Life Tenant(s).

An enhanced life estate deed functions in a manner very similar to a beneficiary deed or transfer-on-death deed. Beneficiary and TOD deeds don't take effect and transfer property to the beneficiary until after death, and the language in the deed must specifically state this. These must be prepared, signed and recorded in the county land records office just like any other deed.

Closing in an Enhanced Life Estate is permitted, however, to encumber fee simple interest in the property the following requirements apply:

- The life tenant(s) are the borrower(s) and execute all origination and closing documents.
- The promissory note **must** be executed by the holder of the life estate (the holder of the life estate is the borrower(s)).
- The intervening assignments, if applicable, must reflect such borrowers.
- Title must list such borrower(s) as holding title.
  Note: Holder(s) of a future interest (remainder man(s)) do not have rights to loan proceeds.

Since any Remainder men(s) will not have a vested interest in the subject property until the death of the Life Tenant(s) they **are NOT** required to sign the Mortgage(s)/Deed of Trust(s), Notice of Right to Cancel, Truth-In-Lending or Important Terms disclosure, HUD-1, or Compliance Agreement.

Minimum Property Value

For Platinum Fixed rate products, the minimum property value is $450,000.00.

Note, transactions eligible should continue to use the HECM program unless there is a benefit to the borrowers to use the Platinum program.

For the Line of Credit Product, the minimum property value is $1,209,750. However, if the property value is at or above $450,000 and is not eligible for the HECM program for one of the below reasons an exception is permitted without management approval.

- Borrower(s) less than 62 years of age, or
- Non-FHA approved condominium project, or
- Solar lease or power purchase agreement.

Maximum Loan Amount (Principal Limit (PL))

Maximum Loan Amount (Principal Limit) is $4,000,000. When the Principal Limit is $3,000,000 to $4,000,000, the PL will be the greater of $3,000,000 or PLF minus 5%. For the state of Massachusetts, the maximum loan amount is $2,000,000, exceptions are not permitted.

Example: Appraised value = $8,600,000, PLF = .35, Principal Limit $3,010,000. PL being > $3,000,000 then reduce PLF to .30. $8,600,000 x 30 = $2,580,000. Can use a PL of $3,000,000 and avoid the 5% reduction to PLF.

Mortgagee Clause/Lender Information

Homeowner's Insurance Mortgagee Clause

Retail & Broker originations:

Longbridge Financial, LLC ISAOA
P.O. Box 39457
Solon, OH 44139-0457

PAA originations to be listed as the Lender on the 1009 and include ISAOA.

Flood Certificate Lender Information

Retail & Broker originations:

Longbridge Financial, LLC ISAOA
P. O Box 40724
Lansing, MI 48901-7924

PAA originations to be listed as the Lender on the 1009 and include ISAOA.

Closing Protection Letter Lender Information

Retail & Broker originations:

Longbridge Financial, LLC ISAOA
61 South Paramus Road, Suite 500
Paramus, NJ 07652

PAA originations to be listed as the Lender on the 1009 and include ISAOA.

Mortgage Recording

At the time of loan closing the Mortgage/Deed of Trust will state a mortgage amount equal to 150% of the Maximum Claim Amount (Appraised value). Typically, the maximum claim amount is the appraised value, however for a purchase transaction we will use the lesser of the appraised value or purchase price. In the state of Florida, we will record at 150% of the Principal Limit.

NMLS

NMLS Consumer Access, a free service to confirm that the MLO with whom the borrower(s) have chosen to conduct business is authorized to originate mortgage loans in the subject property state.

Longbridge requires a printout from the NMLS site at http://www.nmlsconsumeraccess.org/, for the MLO that executes the 1009, for the loan origination company, and for any branch ID shown on the 1009.

Non-Borrowing Spouse (NBS)

When a borrower is legally married, and the spouse resides in the subject property, and the spouse will not be a borrower on the reverse mortgage, the loan may be eligible for the Platinum program except for the states of Massachusetts, New York and Texas. For the state of New York we allow for Eligible (Occupying) NBS with a deferral period, and that remains as stated in this guide.

When a borrower is legally married, and the spouse does not reside in the subject property as his or her principal residence (Non-Occupying NBS) then the loan is eligible for the Platinum program including in the states of Massachusetts and Texas. Documentation to support that the spouse does not reside in the subject property is required.

A spouse that does not meet the age, occupancy, or ownership requirements, is considered a Non-Borrowing Spouse (NBS).

In the state of New York ONLY when a borrower is legally married, and the spouse resides in the subject property as principal residence, and the spouse is not age eligible to be a borrower then an Eligible Non-Borrowing Spouse will be allowed if all requirements in this guide are met and continue to be met after loan closing a deferral period will be applied.

Any Non-Borrowing Spouse whether Eligible or Ineligible must receive counseling and attend the closing to execute an Eligible or Ineligible Non-Borrowing Spouse certification, as applicable, and any additional loan closing documents as determined by the title company to have a valid lien position. An Ineligible NBS will not benefit from a deferral period of the reverse mortgage due and payable status now nor in the future.

The loan documents for New York use the term Eligible or Ineligible NBS and that will remain regardless of new terms of Occupying or Non-Occupying NBS as used in this guide.

Definitions

Borrower refers to the original borrower under a Note and Mortgage. The term does not include successors or assigns of a Borrower.

Deferral Period is defined as the period following the death of the last surviving borrower, during which the due and payable status of the reverse mortgage is further deferred based on the continued satisfaction of the Qualifying Attributes for an Eligible NBS. **Applicable for New York only.**

Eligible NBS, NY loans only, refers to the spouse of a Borrower, who is not also a mortgagor, and who: (1) met, and continues to meet the requirements of the Loan both at the time of the Loan closing and at the time of the last surviving Borrower's death; (2) was either: (a) legally married - as determined by the law of the state in which the spouse and Borrower reside(d) or the state of celebration - to the Borrower at the time of loan closing and who remained married to the Borrower until the Borrower's death; or (b) engaged in a committed relationship with the Borrower akin to marriage but was prohibited, at the time of the loan origination, from legally marrying the Borrower based on the gender of both the Borrower and non- Borrower spouse, but was legally married prior to the death of the Borrower, as determined by the law of the state in which the spouse and Borrower reside(d) or the state of celebration, to the Borrower and remained married until the death of the Borrower; and (3) currently resides and resided in the property secured by the Loan as his or her principal residence at origination of the Loan and throughout the duration of the life of the Loan.

Non-Borrowing Spouse is the spouse, as defined by the law of the state in which the spouse and borrower reside or the state of celebration, of a borrower at the time of closing and who is also not a borrower.

Non-occupying Non-Borrowing Spouse (NNBS) is an NBS who does not reside at the subject property. An NNBS may also be referred to as an Ineligible NBS.

Occupying Non-Borrowing Spouse (ONBS) is an NBS who resides at the subject property as his or her principal residence.

Principal Residence refers to the dwelling where the Borrower and when applicable ONBS maintains his or her permanent place of residence and typically spends most of the year (at least 183 days). A person may only have one (1) principal residence at a time.

The property will be considered as the principal residence of any ONBS, who is **temporarily** in a health care institution, if the property is the principal residence of his or her borrowing spouse, who physically resides in the property.

Application Requirements

The borrower(s) must state whether he or she is legally married at the time of initial application and confirm this information at closing. An NBS does not have to be 55 or older for a fully qualified Borrower to obtain a reverse mortgage. For New York loans an ENBS that is age eligible, 60 years old, **must be** a borrower. Longbridge may make an exception to allow for ENBS that meets the age requirement to not to be a borrower based on individual circumstances as reviewed and approved by the COO, VP of Credit, or SVP Compliance, Legal & Licensing.

Principal Limit (PL)

The Principal Limit will be determined based on the age of the youngest borrower. For New York loans with an Eligible NBS (ENBS), the PL will be based on the age of the youngest borrower **or** ENBS, as applicable. We will not use the age of any Occupying or Ineligible Non-Borrowing Spouse.

Credit Report

A credit report for a Non-Occupying NBS is not required. When the income of an Occupying/Eligible NBS is being used as a compensating factor or to reduce family size then a credit report is required. The O/ENBS must sign an authorization for his/her credit report to be pulled.

New York

A credit report for the ENBS is required when the income of the ENBS is being used as a compensating factor or to reduce household/family size. It can be a joint credit report. The ENBS must sign and date the NY Consumer Credit Report Disclosure **PRIOR** to the credit report being pulled.

An underwriter **must not** consider the credit history of an Occupying or Eligible NBS.

Personal Identification Requirements

The NBS must provide evidence of identification, date of birth, and social security number, as applicable, prior to the closing of the Platinum loan (in addition to the NBS being counseled):

- Provide a valid government issued photo identification; and
- Evidence of Social Security Number. Required if Occupying or Eligible NBSs income is used to qualify.

Counseling

All borrower(s) and any Non-Borrowing Spouse (Occupying, Eligible or Non-Occupying) must receive Platinum counseling from a Platinum approved counseling agency as evidenced by a completed Platinum Counseling Certificate.

Determination

At application, we must identify any current Non-Borrowing Spouse and must determine if the Non-Borrowing Spouse is an Occupying or Non-Occupying NBS. This determination is a factual determination and cannot be changed or waived by any election. An NBS may not elect to be Occupying, Eligible or Non-Occupying.

At closing, we must obtain the appropriate certification from each borrower identified as married as well as from each Occupying, Eligible, or Non-Occupying Non-Borrowing Spouse, as applicable.

Income

Income from an Ineligible NBS may not be used to qualify the borrower(s).

An Occupying/Eligible Non-Borrowing Spouse may voluntarily provide information on his or her income and we may use the income of the ENBS as a compensating factor or to reduce household/family size. To use the O/ENBSs income it must meet the same documentation and verification standards as required for the borrower's income. Social Security Retirement income may be grossed up. Imputed income from dissipated assets may not be included.

Vested Interest

All borrowers must hold a vested interest in the subject Property at the time of loan closing. An Occupying NBS **may not** hold a vested interest in the subject property after loan closing.

Permitted Occupying NBS Scenarios

The following are eligible scenarios for loans with an Occupying NBS:

- NBS has never been a vested owner on title for the 24 months prior to application. The NBS is not age eligible for the loan.
- NBS has never been a vested owner on title for the 24 months prior to application. The NBS is age eligible but does not want to be added to title because the house will be inherited by someone other than the NBS.

The following are examples of these scenarios:

- Separate trusts one borrower who may have owned the home prior to the marriage and wants the assets passed onto their own heirs instead of the spouse and their heirs.
- Second marriage borrower who owned the home prior to marriage and incoming spouse will not be residing in the home once the borrower passes.
- Permanently incapacitated spouse who is not living in the home, as currently permitted.
- Additional scenarios may be considered through the Platinum Exception Process.

NBS Scenarios NOT Allowed

The following are ineligible scenarios for loans with an NBS:

NBS removed from title within 24 months of application - Longbridge requires that the NBS has not been a vested owner on title at any time within the 24 months prior to application, except for an NBS who has permanently moved to an assisted living facility, and evidence of the NBS permanent residency is required.

Deferral of Due and Payable

There is no protection (deferral of due & payable) for an Occupying NBS, except in NY, to retain an interest in the home or to continue to reside in the home past a maturity or default event, as is the case with an FHA-insured HECM with an Eligible Non-Borrowing Spouse (ENBS).

A Platinum loan is not insured by Federal Housing Administration (FHA) or governed by the Department of Housing and Urban Development rules. In the event of the borrower's death, or change of principal residence, or any other maturity or default event, the loan will be due and payable regardless of an ONBS inheriting the home. In these instances, the loan will have to be repaid by the ONBS to remain in the home. If ANY default or maturity event occurs, and the loan is not repaid, the lender may foreclose on the property and evict all residents, including an Occupying Non-Borrowing Spouse.

To ensure that the ONBS is fully aware and understands the potential risks at the time of maturity or default, it is requirement that the borrower and ONBS meet with an attorney and provide the lender with a completed and fully executed NBS Certification for Platinum Reverse Mortgage Application with NBS, a copy of the **recorded interview,** and transcript of the interview held with the Attorney, Borrower and ONBS.

The ONBS should have a plan as to how they intend to pay off the Platinum lien upon the borrower's death or other maturity or default event. Some options include, but are not limited to:

- Proceeds from life insurance/other asset(s): An existing life insurance policy may be used to pay off the Platinum lien. Net proceeds will need to be sufficient to satisfy the lien.
- Available cash: A description of these funds and their sources to be provided.
- Sale of Property: The surviving NBS plans to sell the Property and use proceeds and/or other income, such as Social Security, to rent or purchase a new residence.

If the loan cannot be paid in full, the lender may foreclose on the Property and evict all residents, including the ONBS.

If the Borrower predeceases the ONBS, or some other maturity or default event occurs, the ONBS will then have a period of time following the borrower's death to purchase the Property from the estate or, if the ONBS inherits the Property, to pay the loan off.

The ONBS cannot modify or extend the time for payment of this loan upon maturity or default event, and he or she must either pay off the loan with available cash or sell the Property to satisfy the mortgage.

Borrower Responsibilities

The Borrower is responsible for complying with all requirements set forth in the loan documents, which include, but not limited to:

- Occupying the Property as the Borrower's principal residence.
- Payment of Property charges, including taxes, insurance(s), homeowner's association dues, condominium association dues, ground rents, or any other applicable property charges.
- Keeping the home maintained and in good condition.
- Making required repairs as may be required in the loan documents.
- Complying with other terms, including but not limited to, certifying the borrower's occupancy on a periodic basis.

Attorney Session

Unless waived by Longbridge Financial (see below) or the subject property is located in the state of New York, any Occupying Non-Borrowing Spouse or, if incompetent, his/her attorney in fact under a durable general power of attorney or court appointed guardian or conservator (referred to below as "NBS") and the Borrower must participate in a **video recorded counseling session with an attorney of their choosing** ("Attorney Session") in order to review and receive advice regarding the risks associated with the Borrower's obtaining a Platinum reverse mortgage loan.

The attorney session must be recorded steno graphically and transcribed by a court reporter **and** be video recorded by the court reporter or a videographer, and all parties must sign the Non-Borrowing Spouse Platinum Certification.

Note: For New York loans only, an Attorney Session is not required for any Non-Borrowing Spouse.

The NBS or Borrower must provide all loan application information and documents that the Borrower received at application to the attorney before the Attorney Session.

Upon completion of the session, all parties complete, sign, notarize (as applicable) and date the Non-Borrowing Spouse Platinum Certification.

Attorney Selection

Reverse mortgages are not suitable for all individual situations, and this process is designed to ensure that the Borrower and NBS receive legal advice from an independent attorney of their choosing. The attorney may not be financially interested in the loan, and may not be a relative, agent or employee of the NBS, Borrower, mortgage broker (if any), lender or any settlement service provider.

The loan originator, mortgage broker, if applicable, and lender, or anyone employed by or associated with them, cannot recommend an attorney or videographer, or court reporter.

Note: The providers chosen will not appear on the Settlement Service Provider list.

If the NBS and Borrower need help finding an attorney, they can contact the state or local bar association. The attorney, NBS or Borrower must select the court reporter and videographer.

The attorney must be licensed and in good standing to practice law in the state in which the NBS and Borrower are physically located. If the attorney is physically in a different state than the NBS and Borrower during the session, the attorney must provide a letter stating that s/he may lawfully give legal advice to the NBS and Borrower during the

attorney session under the laws of states where the NBS and Borrower are physically located. The letter must be on the attorney's letterhead, addressed to the lender, dated, and signed by the attorney.

Remote Electronic Sessions

The Borrower and NBS may elect to have the Attorney Session conducted remotely, provided that all of the requirements set forth herein are met. The NBS, attorney, Borrower, court reporter, and/or video technician may participate from different physical locations by remote synchronous audio-video conference technology, such as Zoom or Webex. The NBS and Borrower must always be visible and audible on the technology platform and video recording.

Items to be covered

Reverse mortgages are not suitable for all situations and this policy is designed to ensure that the NBS has access to an independent attorney of their choice to understand the risks of the loan.

Loan application information and loan disclosures the borrower received from the lender or broker. E.g., Loan Comparison, TALC, Amortization Schedule, sample of Note, Mortgage, Loan Agreement, etc.

The Attorney shall request and review a description of the NBSs plan for paying off the loan when it's due and payable upon a maturity event or default.

The Attorney shall inform the ONBS of the risks to them so that the ONBS can decide whether to consent to, as well as plan for, such risks associated with the plan.

The ONBS is aware that obtaining another mortgage loan to refinance and pay off the due & payable Platinum reverse mortgage loan is not a guarantee.

The ONBS will not be personally liable for any deficiency on the loan, but also understands that if he or she does not or cannot pay off the loan, he or she must find another place to live.

The ONBS will be waiving rights in the Property the ONBS would otherwise have, including homestead, Community Property, or other marital property rights that might allow the ONBS to remain in the property after or to contest foreclosure arising from, a maturity event or default by the borrower(s) under the loan terms.

The borrower and ONBS will acknowledge that they understand all the above items that have been discussed with them and want to proceed with the loan.

The ONBS must acknowledge that he/she understands that if ANY default and/or maturity event occurs in connection with the Borrower's Platinum reverse mortgage loan, including, but not limited to, those events of occurrences listed below, the loan amount with interest and fees will become due-and-payable for will have to be repaid in a short period of time after the loan becomes due and payable in order to remain in the home:

- The Borrower(s) cease to occupy the Property as their primary residence;
- The Borrower(s) sell or transfer ownership of the Property or any portion of the Property;
- The Borrower(s) pass away before ethe NBS;
- The Property charges, including taxes, insurance(s), homeowner's association dues, or any other property charges have not been paid and such delinquency is not timely cured;
- Required repairs are not completed in a timely fashion or the property is not maintained; and

- The Borrower(s) fail to comply with the terms and conditions of the loan documents, including, but not limited to, certifying occupancy on a periodic basis.

Waiver of Attorney Session

The lender does not require the Attorney session for a **Non-Occupying** Non-Borrowing Spouse (NNBS) as defined earlier in the alert. The NNBS must still be counseled and sign applicable NBS Certifications.

For New York loans, an Attorney Session is not required for any Non-Borrowing Spouse.

Costs of the Attorney Session

The attorney session, video recording, and transcript may be paid through the loan proceeds, if disclosed in accordance with RESPA requirements, but the costs of these services **cannot be paid by the Lender or Broker** including payment of these costs from a Lender or Broker credit.

The invoice for costs must be made out to the borrower and if the loan does not close for any reason the borrower is responsible for the costs directly to the attorney and/or court reporter.

The fee(s) for these services should appear on the GFE Block 6- (required services that you can shop for) and on the HUD-1 in Section 1300-Additional Settlement Charges.

The fee(s) for these services is an APR fee because this is required by Longbridge.

The fee(s) are not subject to a tolerance cap.

Closing

The borrower and NBS must sign the NBS Closing Disclosure at the time of loan closing. A sample of the Important Platinum NBS Annual Disclosure will be included in the closing package.

In addition to the above, NBS must be present at closing and sign:

- Security instrument
- Notice of Right to Cancel
- Truth In Lending Statement
- Compliance Agreement
- Name and Signature Affidavits (Signature and AKA Affidavit)
- 4506-C, if Occupying NBSs income is issued to qualify for financial assessment.

Other Requirements (New York ONLY)

A non-borrowing spouse that meets the Qualifying attributes requirements at application for a Deferral Period is an Eligible NBS and **may not** elect to be ineligible.

An ENBS may become an Ineligible NBS should any of the Qualifying Attributes cease to be met during the loan term.

A ENBSs failure to meet and continue to meet the Qualifying Attributes **cannot** be cured, therefore once a NBS is determined to be Ineligible, he or she **cannot** later become eligible for a Deferral Period.

Required Borrower, NBS Certifications

At application and closing we must obtain the appropriate certification from each borrower identified as unmarried or married as well as from each Occupying, Eligible or Non-Occupying NBS, as applicable.

Qualifying Attributes of the Deferral Period for an Eligible NBS (New York ONLY)

- Have been the spouse of the borrower at the time of loan closing and have remained the spouse of such borrower for the duration of the borrower's lifetime.
- Have been properly disclosed to us at origination and specifically named as an ENBS in the documents, **AND**
- Have occupied and continue to occupy the property securing the reverse mortgage as the principal residence of the ENBS.

Deferral Period Requirements (New York ONLY)

- An ENBS may continue to reside in the subject property as his or her principal residence notwithstanding the death of the last surviving borrower,
- ENBS must ensure all other obligations of the borrower contained in the loan documents (the property is his or her principal residence, payment of property taxes, homeowner's insurance, flood insurance, HOA dues, special assessments, ground rents, as applicable, and maintain the property).
- Should an ENBS fail to meet any of the Qualifying Attributes or should any of the requirements for Deferral cease to be met, the Deferral Period of the due and payable status shall cease, and the reverse mortgage will immediately become due and payable.

Unaffected Terms (New York ONLY)

While repayment of the reverse mortgage is subject to a deferral, all applicable terms and conditions of the Note, Mortgage, and Loan Agreement, must continue to be satisfied. In accordance with the terms of the Loan Agreement and Mortgage no reverse mortgage funds may be disbursed to the borrower, the borrower's estate, or the ENBS once the loan is in deferred due and payable status. The following terms **are not** affected during the Deferral Period.

The mortgage will continue to accrue interest in accordance with the terms of the Mortgage and Loan Agreement.

Ordering of Services

California

The state of California requires a 7-day cooling off period from the date counseling was completed to assess any fees to the borrower(s). The required Cooling off period cannot be waived by the Borrower(s).

The following applies to all loans secured by a property located in California:

Allowed during the Cooling Off Period	**NOT allowed** during the Cooling Off Period
• Taking the initial loan application • Ordering a credit report, and • Ordering a preliminary title search	Processing the loan application including, but not limited to: • Ordering the appraisal report • Ordering of the flood certificate

Upon the cooling-off period expiring on the 8th day additional services may be ordered, i.e., appraisal report, flood certificate, trust review, etc.

Rhode Island

The state of Rhode Island, no costs can be imposed until the borrower(s) and NBS, as applicable, have received counseling as evidenced by a completed and fully executed counseling certificate and the originator has a fully executed, complete application package.

A loan application cannot be **processed** until the fully executed counseling certificate is received by the originator. Only the following actions may take place prior to receipt of the executed counseling certificate:

- Ordering an AVM.
- Ordering a credit report.
- Obtaining information for the application (including verifying credit, income, assets, and property charges etc.).
- Completing a financial assessment of the borrower(s) including documenting extenuating circumstances and/or compensating factors.
- Ordering a preliminary title search.

PACE/HERO Liens

For a refinance transaction the loan proceeds may be used to satisfy a PACE/HERO lien that appears in title. For a Purchase the Seller(s) must satisfy any outstanding PACE/HERO lien at or prior to closing. Properties which will remain encumbered with a PACE/HERO obligation are not eligible.

Property Assessed Clean Energy (PACE) /Home Energy Renovation Opportunity (HERO) refers to an alternative means of financing energy and other PACE/HERO allowed improvements to residential properties using financing provided by private enterprises in conjunction with state and local governments.

Generally, the repayment of the PACE/HERO obligation is collected in the same manner as a special assessment tax is collected by the local government rather than paid directly by the borrower to the party providing the PACE/HERO financing.

Generally, the PACE/HERO obligation is also secured in the same manner as a special assessment against the property. In the event of a sale, including a foreclosure sale, of the property with outstanding PACE/HERO financing, the obligation will continue with the property causing the new homeowner to be responsible for the payments on the outstanding PACE/HERO amount. In cases of foreclosure, priority collection of delinquent payments for the PACE/HERO assessment may be waived or relinquished.

Appraisal

Where it's determined that the property is subject to a PACE/HERO obligation, the lender must notify the Appraiser that the PACE/HERO obligation will be paid off as a condition of loan approval.

At time of Appraisal Order

We must provide to the selected Appraiser with a complete copy of the subject contract of sale including all addendums, amendments, or change orders, land lease, surveys and other legal documents, as known & as applicable, contained in the mortgage file necessary to analyze the Property.
We must disclose all known information regarding any environmental hazard that is in or on the subject property, or in the vicinity of the property, whether obtained from the Borrower, the real estate broker, or any other party to the transaction.

The Appraiser must review the contract of sale and property tax records to determine the amount of any outstanding PACE/HERO obligation.

- When the Appraiser observes that the property taxes for the subject property are higher than average for the neighborhood and type of dwelling; **or**
- When the Appraiser observes energy-related building components or equipment or is aware of other PACE/HERO allowed improvements during the inspection process.

If the appraiser identifies that the subject property has an outstanding amount on a PACE/HERO obligation than he/she must report same within the appraisal report.

Purchase

Where the subject property is encumbered with a Property Assessed Clean Energy/Home Energy Renovation Opportunity (PACE/HERO) obligation, the sales contract must include a clause specifying that the PACE/HERO obligation will be satisfied by the Seller(s) at, or prior to closing. The Seller(s) must satisfy any outstanding PACE/HERO obligation and it's not to be considered a concession or contribution by an interested party.

Payoffs

Proceeds may be used to pay off existing liens that appear in the title, debts that underwriting requires to be paid off to meet Residual Income requirements, or the borrowers elect to payoff off at closing.

All taxes, liens, judgments, and outstanding mortgages listed on the title must be paid off or removed from the title commitment at closing.

Payoffs must include:

- The payoff statement expiration date should extend 5 days past the funding date. If the payoff statement does not extend 5 days past funding it must also include per diem interest.
- No expired payoff statements will be accepted. The payoff statement must be valid through 5 days past funding, unless per diem is included.
- HELOC payoff must be dated within 1 week of clear to close being issued even if per diem interest is noted. If the payoff was issued/generated in the prior month then an updated payoff is required regardless of per diem interest being noted.
- HECM to Platinum refinances – loan must close and fund by the payoff expiration date, regardless of per diem being included. This is due to Interest and Monthly MIP being added to the balance on the first of every month. **Note**: Any payoff statement that is 30 days or more past the quote/generation date then an updated payoff statement is required.

Power of Attorney (POA)

If a borrower(s) is deemed incompetent a POA, Conservator or Guardian may be used. If using a POA it must clearly be established that the borrower was of sound mind at the time of executing the POA document(s) but is currently not of adequate mental competency to handle his or her own financial affairs. Some POA's will require two (2) physician's letters to establish mental competency.

A written acknowledgment from the title company indicating the POA is acceptable to insure is required.

Requirements

General Power of Attorney (POA) guidelines:

- The POA grants the power to mortgage or sell property rights in the subject property, complies with state law, and allows for the Note to be enforced in the jurisdiction.
- The POA must be acknowledged by a Notary Public authorized under applicable law; and
- The POA must be Durable (continues to be in effect if the borrower becomes incompetent after execution of the POA).
- A POA **cannot** be used to execute on behalf of a Trustee of a Trust. A Successor Trustee **must** be in place to execute on behalf of the Trust.

The Attorney-In-Fact must be directed to sign the loan documents as indicated in the following example: "John Doe by Jane Smith as attorney-in-fact/AIF".

The POA must provide valid (un-expired) photo identification.

State Specific Requirements

Rhode Island

Any person who executes reverse mortgage documents as Attorney-in-Fact for another person must deliver at time of loan the closing the following written and notarized statement(s):

- The power of attorney is in full force and affect and has not been revoked or otherwise terminated; **and**
- The attorney-in-fact acknowledges his or her fiduciary obligations to the principal pursuant to the power of attorney with respect to the reverse mortgage loan.

Mentally Incompetent Borrower

This POA is used for a mentally incompetent borrower.

For the Attorney-In-Fact to execute all disclosures and the closing documents, the General POA criteria listed above, **PLUS** the following must be met:

- A letter from an actively licensed medical professional (Physician, Physician's Assistant, Nurse Practitioner, or Registered Nurse), on letterhead, signed, and dated, from the borrower's primary care physician, another medical practice who regularly treats the borrower for medical issues OR an American Board of Medical Specialties certified specialist in geriatrics or neurology who has completed a recent physical examination of the borrower.
- The letter must state that the medical professional has completed an examination of the borrower's physical and mental competency, and the borrower is not competent to make his/her own business decisions.
- The letter must indicate the approximate date of the diagnosis of incompetency, which must be AFTER the POA was executed.
- If the POA document requires that 2 licensed physicians are to verify a borrower's mental capacity, then 2 letters are required.
- If POA is used in conjunction with a Trust Agreement additional documentation (e.g., a second (2nd) letter confirming incompetency) maybe required as outlined in the Trust Agreement,
- A POA **cannot** be used to execute on behalf of a Trustee of the Trust. A Successor Trustee **must** be in place to execute on behalf of the Trust.
- The POA must execute all application and closing documents,

- The POA must receive counseling on the borrower's behalf, execute the counseling certificate on the borrower's behalf, and sign and date as POA,
- The counseling certificate must identify the borrower and the POA at the top of the certificate.
- A notarized copy of the fully executed Durable POA is required. The title company may require the original POA to be recorded at the time of closing, and
- A written acknowledgment from the title company indicating the POA is acceptable to insure.

Convenience Power of Attorney

This POA is utilized for a mentally competent borrower who has decided for the POA to be utilized for the reverse mortgage transaction at the time of application and/or scheduled closing. For borrower(s) with a physical limitation on ability to sign loan documents, see section Incapacitated Borrower above.

For the Attorney-In-Fact to execute loan documents, the General POA criteria listed above, plus the following must be met:

- An acknowledgment from the Borrower(s) explaining the reason for use of a Convenience POA is required. The letter must be signed by the borrower(s) and not the POA.
- The borrower(s) and POA must be counseled and execute the counseling certificate.
- A notarized copy of the fully executed Durable POA must be provided. The title company may require the original POA to be provided at the time of closing to be sent for recording.
- A written acknowledgment from the title company indicating the POA is acceptable to insure.
- A POA **cannot** be used to execute on behalf of a Trustee of the Trust. A Successor Trustee **must** be in place to execute on behalf of the Trust.

Conservatorship/Guardianship

In the case of an incompetent borrower where a POA is unsatisfactory or was never executed, a court appointed Conservator or Guardian can act on behalf of the incompetent borrower(s) to obtain a reverse mortgage.

A conservatorship or guardianship must be valid, and in force with no expiration date so the borrower has legal representation for the life of the loan. Temporary conservatorships or guardianships are not allowed, unless limited based on state law. Borrower(s) must have a legal representative for the life of the loan.

Documentation

If the borrower(s) have a Guardian, the file must contain the following documents:

- A copy of the letter of Conservatorship or Guardianship.
- A copy of the executed court order/approval of the conservator/guardian to obtain the reverse mortgage on the behalf of the borrower. If the executed court order identifies specific reverse mortgage loan terms, i.e., interest rate, loan amount, etc. those terms **MUST** be met, or an updated executed court order is required.
- Title company must review and provide written approval for the use of the Conservator or Guardian.
- Conservator/Guardian must attend counseling to be counseled on the borrower's behalf, the borrower and Conservator/Guardian must be identified at the top of the counseling certificate, and the Conservator/Guardian must sign and date the counseling certificate on the borrower's behalf, and as the Conservator/Guardian; and
- Provide a copy of his/her valid (un-expired) photo identification.

Signing with a Mark

If the borrower is mentally competent and can only make a Mark, we will accept the Mark on the 1009, Addendum to 1009, Demographic Information Addendum, and counseling certificate if the Signing with a Mark Statement is executed and notarized which indicates two (2) disinterested parties, one of which may be the Notary Public, witnessed the Mark and attest this is the Mark of the borrower.

It's recommended, but not required, for a POA to be utilized for the execution of the closing documents. If the borrower prefers to close and make his or her Mark on all documents, an attestation must identify that each document that was signed with the Mark was the Mark of the borrower. Each loan document (Note, Mortgage/Deed of Trust, Loan Agreement including Exhibits) that is signed with a Mark by the borrower(s) must be accompanied by a Signing with a Mark Statement.

Principal Limit

The Principal Limit is established at closing and is the maximum amount that the borrower(s) may receive from the reverse mortgage before any disbursements are made. The maximum principal limit is $4,000,000.

Note: State of Massachusetts the maximum principal limit (loan amount) is $2,000,000, exceptions are not permitted.

The Principal Limit is determined by multiplying the Appraised Value by the Principal Limit Factor (PLF) for the borrower(s) selected loan product and corresponding to the age of the youngest borrower or Eligible NBS, as applicable.

Due to New York state requirements an alternate PLF table is applied to the Platinum 4.0 Max product.

Principal Limit Growth

For an adjustable rate, line of credit product, a principal limit growth factor of 1.50% annually (.125% monthly) will be applied to Available Principal Limit. The PL growth factor will apply for the first seven (7) years and will end on the last day of the month of the 7th anniversary of the loan.

Principal Limit Factor (PLF) Reduction

A PLF reduction of five percent (5%) will be applied when:

- Rural Property, **or**
- Declining Market.

When the Principal Limit is $3,000,000 to $4,000,000 the Principal Limit will be the greater of $3,000,000 or PLF minus 5%.

PLF reductions **are not** cumulative.

Product Parameters

Adjustable Rate

A variable rate mortgage where the interest rate will periodically adjust based on an index. The interest initial rate is calculated by taking the Margin, as selected by the Borrower, and adding it to an index. The index applied is the Weekly Average Yield on United States Treasury Securities adjusted to a constant maturity of one year. The index is published by the Federal Reserve Board in Statistical Release H.15 (519). The rate can change monthly based on changes in the index value. Upon the loan closing the first-rate change must occur on the first day of the second full month and then can occur every month thereafter. The interest rate will never be less than 6.25%. Subject to this floor, there are no limits on the amount the rate can change each month, however it can never be more than 5.00 percentage points higher than the initial interest rate established at closing.

Exclusive of any repair set aside and/or Tax and Insurance Set Aside, as applicable, the borrower(s) must take at least twenty-five percent (25%) of the Principal Limit (PL) as an initial advance.

The principal limit growth factor is 1.50% annually (.125% monthly). This PL Growth Factor will only apply for the first seven (7) years and will end on the last day of the month of the 7th anniversary of the loan.

If no maturity event or defaults occur after loan closing the borrower can make draw requests for ten (10) years after the beginning of the loan (the "Draw period"). It will end on the last day of the month of the 10th anniversary of the loan. The borrower(s) can take subsequent draws of loan principal during the Draw Period up to the Available Principal Limit.

The Available Principal Limit will not exceed the sum of seventy-five percent (75%) of the initial Principal Limit. The Initial Advance, plus the amounts set aside for a Repair Set Aside and/or Tax and Insurance set aside, if any, cannot exceed the Principal Limit.

Fixed Rate

A fixed rate mortgage is a mortgage loan where the initial interest rate on the Note remains the same through the life of the loan. The borrower(s) must draw at least 80% of the Principal Limit. The borrower(s) may elect to take less than 100% of the Principal Limit if they provide a letter of explanation that includes the following:

- Reason they are electing to take less than 100% of Principal Limit,
- Acknowledge that funds not taken are not available for a subsequent draw after loan closing, and
- There is a 12-month waiting period to complete a Platinum to Platinum or Platinum to HECM refinance.

Purchase

On a Purchase, in addition to the standard requirements, the following are required:

- Fully executed real estate purchase contract with all addendums, disclosures, change orders, and Amendments, as applicable.
- Seller's property condition disclosure, as required by state law, provided by the realtor and signed by the Seller(s);
- Source of funds to close.
- We must use the **LESSER** of the actual purchase price, or appraised value to determine the Principal Limit; and
- Additional documentation based on specifics of the purchase transaction.

Note: We no longer require Real Estate Certification or For Your Protection Get a Home Inspection disclosures.

Borrower Retaining Current Residence

When prospective borrower(s) under the Purchase program intends to retain their existing home as a rental property, we must ensure they have adequate income to:

- Maintain the costs associated with the new home financed with the Purchase (e.g., taxes, insurance, HOA, etc.);
- Satisfy the monetary investment for the Purchase transaction;
- Continue to make the mortgage payment and tax and insurance payments on the existing mortgage;
- Continue to make payments for HOA/Condo/PUD fees, if applicable, on the current residence.
- Upon including the monthly expenses for the current residence, the borrower(s) **MUST** have adequate residual income meeting Financial Assessment requirements.
- If rental income is being derived from the property being vacated by the borrower(s), the borrower(s) must be relocating to an area more than 100 miles from the borrower(s) current principal residence.
- When rental income from the property being vacated must be used to qualify an appraisal report evidencing market rent and that the borrower(s) have at least 25% equity in the property are required. The appraisal is not required to be completed by an FHA Roster appraiser.
- A satisfactory 24-month property charge payment history (Taxes, HOA/Condo/PUD dues) evidencing no payments made in arrears is required.

Borrower Selling Current Residence

Evidence of sale and receipt of funds is required. A fully executed Closing Disclosure/HUD-1 Settlement Statement and copies of disbursement checks and/or wires.

Certificate of Occupancy (CO)

Loan application may be taken prior to a Certificate of Occupancy, or its equivalent being issued. We must obtain a permanent CO or its equivalent prior to closing. A Purchase transaction may close with a repair escrow held by the title company for weather related delays for repairs or landscaping that are not structural i.e. pool, spa, outbuildings, etc. The subject property must be habitable as verified by a Temporary CO.

Contract of Sale (COS)

A copy of the clearly legible contract of sale including any amendments, modifications, change orders, or other agreements/disclosures must be in the loan file. Any cross-outs must be initialed by all parties. All pages to the contract, any amendments, disclosures, as applicable are required.

The subject property must be purchased from the Owner of Record and the transaction may not involve any sale or assignment of the contract of sale.

An individual who is a party to the COS, but is not a borrower will need to be removed from the COS. The contract of sale must be in the borrower(s) name only.

There may be no identity of interest between Seller(s) and Buyer(s). Identity of Interest Disclosure must be completed and executed.

Seller Concession/Contribution

The Seller(s) may pay the following at time of closing:

- Fees required to be paid by a Seller under state or local law.

- Fees customarily paid by a seller in the subject property locality; and
- The seller may purchase a Home Warranty Policy.

The Seller or other interested party (e.g., Lender, Builder, Real Estate Agent/Broker) may contribute up to 6% towards closing costs. 6% will be based on the **lesser of** appraised value or purchase price.
Note: Fixed rate product, a Broker may not provide credit towards borrower(s) closing cost.

Purchase Price

If the purchase price exceeds the appraised value, the borrower(s) must write a letter acknowledging that the appraised value is less than the purchase price and express his/her/their intent to proceed with the Purchase at the purchase price. We must verify adequate borrower assets to cover the additional funds required at time of closing. We **must** use the lesser of appraised value or purchase price to determine the Principal Limit.

Inspections

A Home or Pest inspection is not typically required unless requested by any of the following:

- State regulations, or
- Appraiser.

Non-Arm's Length Transaction

A non-arm's length transaction refers to a sale where there is an established relationship between Seller(s) and Buyer(s). **Non-arm length transactions are not eligible.**

Counseling

The borrower(s) and Non-Borrowing Spouse, as applicable, must receive counseling.

Counseling Certificate

If the contract date is prior to counseling, the subject property must be listed on the counseling certificate. If the counseling date is prior to the contract date, listing the borrower(s) current residence address on the counseling certificate is acceptable. The counseling certificate may not reflect To Be Determined (TBD).

Monetary Investment

The required monetary investment is the difference between the principal limit and the purchase price plus the total of any loan related closing costs, and any servicing set aside amount. We must verify liquid assets adequate to cover funds required to close.

Borrower(s) must use their own money (checking, savings, liquidation of assets, sale of real estate or personal property) or gift funds for funds needed to close.

Asset Verification

Verification of adequate liquid assets to meet the source of funds to close is required. Obtain one of the following:

- Most recent 1-month bank statement or quarterly statement (with all pages) that evidences the account holder name(s), address, account #, beginning and ending dates, beginning, and ending account balances, and all monthly transactions, **OR**
- Most recent 1-month or quarterly bank statement (with all pages), and a written Verification of Deposit, **OR**
- Third Party Verification of Assets.

For recently opened accounts and accounts with recent individual deposits of more than 1% of the **LESSER OF** Purchase Price, or appraised value require a satisfactory explanation and documentation for source of funds.

Any liquidation of retirement and/or investment funds must be paper trailed to the Settlement Agent or through other borrower(s) bank account(s). We must also document the borrower(s) eligibility for withdrawal, and the terms and conditions for withdrawal from any retirement account.

Note: Any bank printouts must be stamped and signed by bank authorized personnel.

Definition of a Family Member

Family Member is defined as follows, regardless of actual or perceived sexual orientation, gender identity, or legal marital status:

- Child, parent, or grandparent:
  - Child is defined as a son, stepson, daughter, or stepdaughter.
  - Parent or grandparent includes a stepparent/grandparent or foster parent/grandparent
- Spouse or domestic partner
- Legally adopted son or daughter, including a child who is placed with the borrower by an authorized agency for legal adoption
- Foster child
- Brother, stepbrother
- Sister, stepsister
- Uncle
- Aunt, or
- A son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, sister-in-law of the borrower(s).

Gift Donor(s)

Gifts Donor(s) refer to the person(s) or entity that are contributing the gift funds. Gift Funds may be provided by:

• the borrower(s) Family Member; or

• the borrower(s) employer or labor union.

A gift donor(s) may NOT be a person or entity with an interest in the transaction or sale of the property, such as:

- The seller(s).
- The real estate agent(s) or broker(s).
- The builder.
- The lender; or
- An associated entity.

Gift Funds

Cash on Hand is not an acceptable source of donor gift funds. We must obtain a gift letter signed and dated by the donor(s) and borrower(s) that includes the following:

- Donor(s) name, address, telephone number.
- Donor(s) relationship to the borrower(s).
- Dollar amount of the gift; and
- A statement that no repayment is required.

We must verify and document the transfer of gift funds from the donor(s) to the borrower(s) in accordance with the following requirements:

- Gift funds have been verified in the borrower(s) account, obtain the donor's bank statement showing the withdrawal and evidence of the deposit into the borrower's account, OR
- Gift funds are not verified in the borrower's account, obtain the certified check or money order or cashier's check or wire transfer or other official check evidencing payment to the borrower(s) or Settlement Agent, and the donor's bank statement evidencing sufficient funds for the gift.
- Gift funds are paid directly to the Settlement Agent, we must verify that the settlement agent received the funds from the donor(s) for the gift, and that the funds were from an acceptable source.

If the gift funds are being borrowed by the donor and documentation from the bank or other savings account is not available, we must have the donor provide written evidence that the funds were borrowed from an acceptable source, not from a party to the transaction, including the lender.

Regardless of when gift funds are made available to a Borrower, we must be able to make a reasonable determination that the gift funds were not provided by an unacceptable source (i.e., not from a party to the transaction, including the lender), and were the donor's own or eligible borrowed funds.

Ineligible Funding Sources

The monetary investment requirement can also be met using approved funding sources as defined within these guidelines, with exception of the following funding source which **MAY NOT** be used:

- Cryptocurrency
- Bridge Loan.
- Loan(s) against other real estate owned.
- Borrowed funds (secured or unsecured) **.
- Seller financing.
- Builder Incentive.
- Sweat Equity.
- Trade Equity.
- Rent Credit.
- Cash on hand.
- Secondary Financing; or
- Down payment assistance programs (DAP)

**Funds acquired by an unsecured or secured, including but not limited to loans against real property, 401k, or life insurance, are NOT an acceptable source of funds to close or an earnest money deposit/down payment. Any borrowed funds must be paid in full at or prior to closing from an acceptable source of funds. Verification of assets to pay off the debt and a payoff statement must be obtained.

Sale of Personal Property

The borrower(s) may sell various items of personal property, such as:

- Cars.
- Stamps.

- Coins.
- Recreational vehicles.
- Baseball card collections; or
- Power equipment (i.e. generators, tractors, loaders, backhoes, skid steer, etc.)

The estimated worth of the items being sold may be in the form of:

- Published value estimates issued by organizations, such as:
    - Automobile dealers, or
    - Philatelic or numismatic associations, or
- A separate written appraisal by a qualified appraiser with no financial interest in the loan transaction.

Note: The **LESSER OF** the estimated value or actual sales price will be used as verified assets.

Evidence of sale and deposit of proceeds must be documented in the file.

Sale of Real Estate

The net proceeds from an arms-length sale of a currently owned property may be used for funds to close or cash investment on the subject property. The borrower(s) must provide a fully executed Closing Disclosure/HUD-1 Settlement Statement, and copies of disbursement checks and/or wires. Evidence of deposit of net proceeds into the borrower(s) account may also be required depending upon the sale date to closing date of the subject property.

Verification of Earnest Money Deposit/Down Payment

Lender must verify and document the deposit amount and source of funds, if the amount of earnest money deposit:

- Exceeds one (1) percent of the sales price; or
- Appears excessive based on the borrower's history of accumulating savings

Satisfactory documentation includes:

- A copy of the borrower's cancelled check; or
- Certification from the deposit holder acknowledging receipt of funds & evidencing clearing the borrower(s) account(s), **AND**
- Copy of the borrower(s) bank statement showing withdrawal of the earnest money deposit.

New Construction Existing Less Than One Year

No Zoning

If the property is located within an area that does not have Zoning, and the local governing authorities (municipality, county, or state) does not issue a Certificate of Occupancy or its equivalent then a home inspection report from a qualified individual is required. If the state requires that a home inspector be licensed than the report must come from an actively licensed Home Inspector.

The property must be:

- Structurally sound.
- Safe.
- Secure.

- No health or safety issues.
- Meet state and local code; and
- Meet Minimum Property Requirements and Minimum Property Standards.

Notice of Right to Cancel

Funds will be disbursed at the closing table for the reverse mortgage proceeds being used to complete the purchase of the subject property. For an ARM the borrower(s) may elect to add funds, aka over funding, at the time of closing so that a Line of Credit (LOC) may be established that will be available for future draws, therefore a Notice of Right to Cancel must be executed at closing.

Occupancy Requirements

The borrower(s) must occupy the property within 60 days of closing.

Current HECM or reverse mortgage borrowers that plan to sell their existing residence and use the Purchase program to obtain a new principal residence must pay off the existing HECM/reverse mortgage.

When a borrower is temporarily in a hospital, nursing home, rehabilitation center, etc. an exception may be approved by the Underwriting Manager. A written confirmation from the facility, on letterhead, signed by an authorized person, that it's temporary with release date is required. At least one borrower must occupy the property as his/her residence within 60 days of closing.

Property Flipping

Property Flipping is indicative of a practice whereby recently acquired property is resold for a considerable profit with an artificially inflated value.

The term *Property Flipping* refers to the purchase and subsequent resale of a property in a short period of time. The eligibility of a property for a Mortgage is determined by the time that has elapsed between the date the seller acquired title to the property and the date of execution of the sales contract. The seller's date of acquisition is defined as the date the seller acquired legal ownership of that property. The resale date is defined as the date of execution of the sales contract by all parties intending to finance the Property with a reverse mortgage.

For the purchase of the subject property to be eligible for financing, the requirements below must be met:

Sale by Owner of Record

The subject property must be purchased from the Owner of Record and the transaction may not involve any sale or assignment of the sales contract. This requirement applies to all purchase money mortgages regardless of the time between re-sales. A copy of the most recent recorded deed is required.

Time Restrictions on Re-sales (Property Flipping)

Resale Date is the time that has elapsed between the date the seller acquired the property (based upon the date of Settlement) and the date of execution of the sales contract.

Re-sales occurring 90 days or less

Any resale that occurs within 90 days or less from date of acquisition by the Seller(s) the property is not eligible.

Exceptions to 90-day restriction

The above noted time restrictions do not apply to:

- properties acquired by an employer or relocation agency in connection with the relocation of an employee.
- resales by HUD under its real estate owned (REO) program.
- sales by other U.S. government agencies of Single-Family Properties pursuant to programs operated by these agencies.
- sales of properties by nonprofits approved to purchase HUD-owned Single-Family properties at a discount with resale restrictions.
- sales of properties that are acquired by the seller by inheritance.
- sales of properties by state and federally chartered financial institutions and Government-Sponsored Enterprises (GSE);
- sales of properties by local and state government agencies; and
- sales of properties within Presidentially Declared Major Disaster Areas (PDMDA).
- The restrictions listed above do not apply to a builder selling a newly built house or building a house for a borrower planning to use reverse mortgage financing.

Resales Occurring Between 91-180 Days After Acquisition

A second appraisal by another appraiser must be obtained if:

- The resale date of a property is between 91 and 180 days following the acquisition of the property by the seller's; **and**
- The re-sale price is 100 percent "over the purchase price" paid by the seller to acquire the property.

Example: A property is resold for $80,000 within six (6) months of the seller's acquisition of that property for $40,000. The mortgage lender must obtain a second (2nd) independent appraisal supporting the $80,000 sales price.

When a second appraisal is required, the following requirements must be met:

- Report is completed by a different appraiser and appraisal company.
- Include photos & documentation (i.e., copy of agreement with the contractor) to renovations that resulted in an increased value.
- If the second appraisal supports a value of the property that is more than 5% **lower than** the value of the first appraisal, the lower value **must** be used as the property value in determining the adjusted value.
- The cost of the second appraisal may be paid by the borrower, Seller or lender; and
- A 12-month chain of title is required to document compliance with time restrictions on resales.

Note: An AVM, BPO, Desk review, or Field review are not acceptable as a second (2nd) appraisal.

Repairs

Properties being purchased using the Purchase program must meet minimum property requirements. For purchase transactions where major property deficiencies threaten the health and safety of the homeowner and/or jeopardize the soundness and security of the property, all repairs must be completed by the Seller(s) prior to closing. Appraisers must complete the appraisal report as "**Subject To**" the completion of these repairs.

Major Property Deficiency Examples:

- No running water or hot water.
- Leaking roof.
- No primary heating source.
- Inadequate electrical systems (including lighting);

- Inoperable doors and windows (inhibited ingress and egress); and
- State or local code violations.

Rate Lock In

At the present time rate lock does not occur until loan closing. The rate must be locked within 3 days of the closing documents drawn date. The rate is finalized when the closing documents are drawn. The loan closing must be scheduled at least 72 hours in advance. Scheduling and Fee sheets including the date and time requested for closing must be submitted to our closing department closing@longbridge-financial.com.

Refinance – HECM to Platinum or Proprietary Reverse to Platinum

When borrowers consider refinancing a HECM or a proprietary reverse mortgage, the Lender must compare their expected principal limit increase from the existing HECM/Proprietary current principal limit against their cost to refinance via the Closing Cost Test. Lender must also confirm that the loan passes the loan proceeds test which is the Available Benefit Amount from the new reverse mortgage, must equal or exceed 5% of the Refinance Principal Limit.

- Reverse mortgage must have a clearly defined benefit to the borrower(s).
- The benefit of the refinance (increase in the principal limit) must exceed 5x's the cost.
- Any POC items, such as the appraisal paid up-front will also be included in the benefit-cost ratio.
- The loan must pass the Loan proceeds test.
- The existing HECM/Proprietary loan that is being refinanced must have closed at least 12 months prior to the Platinum closing date (For example, Existing HECM/Proprietary closed January 2, 2017, new reverse mortgage closing date January 2, 2018, the 12-month seasoning is met).
- The borrower cannot be delinquent or in default on the existing HECM/Proprietary loan due to any of the following:
    - Tax defaults/delinquencies. Tax delinquencies may be cured at the time of closing permitting there is adequate equity to satisfy the existing mortgage and the outstanding property charges. Tax delinquencies will be considered as a part of the Financial Assessment requirements.;
    - Past due or forced-placed Hazard or Flood Insurance; or
    - Repair set-asides that have not been completed or satisfied.
      Note: Any insurance or repair defaults must be cured prior to closing and evidenced by an updated Refinance Worksheet.

Closing Cost Test

The increase in the borrower's principal limit from the prior HECM/reverse mortgage to the new reverse mortgage **must** equal or exceed five (5) times the closing costs paid by the borrower. For example:

Eligible Borrower	
Closing Costs	$6,500
Principal Limit Increase	$33,800
Refinance Factor	5.2

Exceptions

If the borrower's refinance factor is less than five (5) times the cost of the loan and/or does not pass the loan proceeds tests the borrower(s) must write a letter of explanation that:

- Acknowledges that the benefit factor is not greater than five (5) times the closing costs on the loan.
- Indicates they are refinancing to add his/her spouse or other household member as a borrower to the loan; and
- States that they wish to proceed with the transaction.

The Lender on a case-by-case basis, and only with approval by LBF SVP Compliance and Legal or VP of Credit, at the written request of the borrower(s) for a documented medical or financial hardship or for other circumstances where LBF's SVP Compliance and Legal or VP of Credit believes a clear benefit exists.

Loan Proceeds Test

The Available Benefit Amount from the Platinum, defined as the amount of Principal Limit that is available to the borrower after deducting the loan balance, must equal or exceed 5% of the Refinance Principal Limit. For example:

Eligible Borrower	
Principal Limit	$200,000
Prior HECM/RM Loan Balance	$175,000
Available Benefit Amount	$25,000
% of Principal Limit	12.5%

Counseling

The borrower(s) and Ineligible Non-Borrowing Spouse, as applicable, must receive Counseling for any Refinance transaction.

Required Documents

- Most recent monthly mortgage statement. Statement may be up to 120 days old if it's a fixed rate.
- Completed LBF HECM to Platinum Refinance Worksheet.
- HECM/Proprietary Refinance Worksheet from current lender/servicer. Refinance worksheet must be dated within 30 days of closing; and
- Payoff statement from current lender/servicer. Payoff must be good for at least 5 days past funding. If the existing HECM is not paid in full before the 1st day of the month an updated payoff statement may be required due to the lender/servicer having to add monthly interest and mortgage insurance to the outstanding balance as of the first day of the month.

Seasoning Requirement

For any refinance of an existing HECM or reverse mortgage the loan closing date **must** be at least 12 months after the closing date of the prior HECM/reverse mortgage.

The existing HECM/Proprietary loan that is being refinanced must have closed at least 12 months prior to the Platinum closing date (For example, Existing HECM/Proprietary closed January 2, 2017, new reverse mortgage closing date January 2, 2018 the 12-month seasoning is met).

Right to Cancel / Right of Rescission

LBF requires the borrower(s) to execute a Notice of Right to Cancel / Right of Rescission for all non-purchase money transactions.

This requirement can be waived by LBF Director of Operations or Compliance Officer if the borrower(s) will lose their home to foreclosure sale, and the current lender will not postpone the sale date until after the funding date. Must be documented in the file.

- The borrower(s) must provide a handwritten letter of request to waive the right to cancel that explains the hardship; and
- Provide a copy of the Notice of Sale.

Signature Lines on Closing Documents

Individual Borrower(s)

The Borrower(s) signature must match exactly to how he/she/they are vested in title/deed. i.e., John E Smith then borrower must sign *John E Smith.*

Non-Borrowing Spouse

The signature line must include language indicating the signer is an Eligible or Ineligible Non-Borrowing Spouse. (e.g., *John Doe*, an Eligible Non-Borrowing Spouse)

Trust

The signature must match exactly to how he/she/they are vested in title/deed. i.e., John E Smith then borrower must sign *John E Smith.*

Borrower(s) are Trustee(s)

The borrower signs as both the Trustee and the borrower.

John E Smith on Borrower signature line, and *John E Smith Trustee* on the trustee signature line)

Each borrower/current beneficiary/grantor must sign all documents including the Note, Notice of Right to Cancel, Truth-In-Lending or Important Terms, and HUD-1 Settlement Statement, Mortgage/Deed of Trust and any applicable Riders necessary to create a valid first mortgage lien under state law.

Borrower(s) are NOT Trustee(s)

Each trustee must separately execute the Note, Truth-In-Lending or Important Terms, Notice of Right to Cancel, HUD-1 Settlement Statement, Mortgage/Deed of Trust and any applicable Riders necessary to create a valid first mortgage lien under state law.

Note: Trustee is specifically prohibited from signing the Loan Agreement

Power of Attorney

The Borrower(s) signature must match exactly to how he/she/they are vested in title/deed. i.e., John E Smith then borrower must sign *John E Smith*

Agent to sign *John E Smith* by *Jane Doe* as AIF or POA

Conservator

The Borrower(s) signature must match exactly to how he/she/they are vested in title/deed. i.e., John E Smith then borrower must sign *John E Smith*

Conservator to sign *John E Smith* by *Jane Doe*, Conservator

Guardian

The Borrower(s) signature must match exactly to how he/she/they are vested in title/deed. i.e., John E Smith then borrower must sign *John E Smith*

Guardian to sign *John E Smith* by *Jane Doe*, Guardian

Life Estate

The Borrower(s) signature must match exactly to how he/she/they are vested in title/deed. i.e., John E Smith then borrower must sign *John E Smith*. The Remainder Man(s) signature must match exactly to how they are identified in title/deed vesting

For Example: Title/Deed vesting is John Doe, a married man, as to a Life Estate with remainder to Jane Doe

John Doe signs on the borrower signature line, and Jane Doe signs on the Remainder Man line

Source of Funds

When funds to close is required on a refinance transaction or when assets are used as a compensating factor or assets are dissipated as income the borrower(s) must use their own money (checking, savings, liquidation of assets, sale of real estate or personal property) or gift funds for funds needed to close.

Asset Verification

Verification of adequate liquid assets to meet source of funds to close, assets used as a compensating factor, or assets dissipated as income are required. Obtain one of the following:

- Most recent 1-month or quarterly bank statement (with all pages) that evidences the account holder name(s), address, account #, beginning and ending dates, beginning and ending account balances, and all monthly transactions, **OR**
- Most recent 1-month or quarterly bank statement, and a written Verification of Deposit, **OR**
- Third Party Verification of Assets.

For recently opened accounts and accounts with recent individual deposits of more than 1% of the appraised value a satisfactory explanation and documentation of source of funds are required.

Any liquidation of retirement and/or investment funds must be paper trailed to the Settlement Agent or through other borrower(s) bank account(s). We must also document the borrower(s) eligibility for withdrawal, and the terms and conditions for withdrawal from any retirement account.

Note: Any bank printouts must be stamped and signed by a bank authorized personnel.

Cryptocurrency

Cryptocurrency **may not** be used as a source of funds to close on a Platinum refinance or purchase transaction.

Definition of a Family Member

Family Member is defined as follows, regardless of actual or perceived sexual orientation, gender identity, or legal marital status:

- Child, parent, or grandparent:
  - Child is defined as a son, stepson, daughter, or stepdaughter.
  - Parent or grandparent includes a stepparent/grandparent or foster parent/grandparent
- Spouse or domestic partner
- Legally adopted son or daughter, including a child who is placed with the borrower by an authorized agency for legal adoption
- Foster child
- Brother, stepbrother
- Sister, stepsister
- Uncle
- Aunt, or
- A son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, sister-in-law of the borrower(s).

Gift Donor(s)

Gifts Donor(s) refer to the person(s) or entity that are contributing the gift funds. Gift Funds may be provided by:

• the borrower(s) Family Member; or

• the borrower(s) employer or labor union.

A gift donor(s) may NOT be a person or entity with an interest in the transaction or sale of the property, such as:

- The seller(s).
- The real estate agent(s) or broker(s).
- The builder.
- The lender; or
- An associated entity.

Gift Funds

Cash on Hand is not an acceptable source of donor gift funds. We must obtain a gift letter signed and dated by the donor(s) and borrower(s) that includes the following:

- Donor(s) name, address, telephone number.
- Donor(s) relationship to the borrower(s).
- Dollar amount of the gift; and
- A statement that no repayment is required.

We must verify and document the transfer of gift funds from the donor(s) to the borrower(s) in accordance with the following requirements:

- Gift funds have been verified in the borrower(s) account, obtain the donor's bank statement showing the withdrawal and evidence of the deposit into the borrower's account, OR
- Gift funds are not verified in the borrower's account, obtain the certified check or money order or cashier's check or wire transfer or other official check evidencing payment to the borrower(s) or Settlement Agent, and the donor's bank statement evidencing sufficient funds for the gift.
- Gift funds are paid directly to the Settlement Agent, we must verify that the settlement agent received the funds from the donor(s) for the gift, and that the funds were from an acceptable source.

If the gift funds are being borrowed by the donor and documentation from the bank or other savings account is not available, we must have the donor provide written evidence that the funds were borrowed from an acceptable source, not from a party to the transaction, including the lender.

Regardless of when gift funds are made available to a Borrower, we must be able to make a reasonable determination that the gift funds were not provided by an unacceptable source (i.e., not from a party to the transaction, including the lender), and were the donor's own or eligible borrowed funds.

Sale of Personal Property

The borrower(s) may sell various items of personal property, such as;

- Cars.
- Stamps.
- Coins.
- Recreational vehicles.
- Baseball card collections; or
- Power equipment (i.e. generators, tractors, loaders, backhoes, skid steer, etc.).

The estimated worth of the items being sold may be in the form of:

- Published value estimates issued by organizations, such as:
    - Automobile dealers, or
    - Philatelic or numismatic associations, or
    - A separate written appraisal by a qualified appraiser with no financial interest in the loan transaction.

    Note: The **LESSER OF** the estimated value or actual sales price will be used as verified assets.

Evidence of sale and deposit of proceeds must be documented in the file.

Sale of Real Estate

The net proceeds from an arms-length sale of a currently owned property may be used for funds to close or cash investment on the subject property. The borrower(s) must provide a fully executed Closing Disclosure/HUD-1 Settlement Statement, and copies of disbursement checks and/or wires. Evidence of deposit of net proceeds into the borrower(s) account may also be required depending upon the sale date to closing date of the subject property.

Unacceptable Sources of Funds

- Loan(s) against other real estate owned.
- Borrowed funds (secured or unsecured) **.
- Cash on hand; or
- Secondary financing.

**Funds acquired by an unsecured loan or a secured loan, including but not limited to loans against real property, 401k, or life insurance, are NOT an acceptable source of funds to close or an earnest money deposit/down payment. Any borrowed funds must be paid in full at or prior to closing from an acceptable source of funds. Verification of assets to pay off the debt and a payoff statement must be obtained.

State Specific Requirements

Hawaii

Allowable Fees

A doc prep fee cannot be charged.

Conveyance Tax

The state of Hawaii imposes a tax on the conveyances or transfers of real property and interests in real property by deed, lease, sublease, an assignment of lease, or other document, unless an exemption applies. Conveyance tax is due at the time of recording.

For QR & RV this will disclose on line 1205 State Tax/stamps deed.

Counseling

All borrowers and NBS, as applicable, must be provided with the Platinum list of Counselors **prior to** accepting a loan application. All borrowers must receive Platinum counseling **prior to** application as evidenced by a fully executed counseling certificate.

Cisterns and Catchment Systems

A cistern or catchment system may be permissible. The following requirements apply:

- Existing construction **only** is eligible.
- Property must lack availability for connection to a public or private community water system. The Appraiser must specifically comment on the lack of availability.
- Appraiser to comment if within the Property marketplace does the alternative water supply system have an adverse impact on the value or marketability.
  Note: The appraisal should be reviewed first so as not to have expensive water testing completed before Property eligibility is determined.

If the appraisal and Property is satisfactory then we will need to obtain the following:

- Water test – sample must be collected and transported by a disinterested 3rd party.
    - The sample must be collected from the inside of the home e.g., kitchen sink, and tested by local health authority, a commercial testing laboratory, a licensed sanitary engineer, or other party that is acceptable to the local health authority.
- The water quality must meet the requirements of the health authority with jurisdiction. State of Hawaii does not have testing standards and has adopted EPA water testing standards for cistern or catchment system. The below is noted on the State of Hawaii Department of Health website.

Screening Test and Acceptable Levels

Parameter	Acceptable Level	EPA Test Method
Turbidity	<= 5 NTU	180.1
Escherichia coli (E. coli)	= Absence	SM 9223 (Colisure or Colilert)
Lead	<= 0.015 mg/L	200.8
Copper	<= 1.3 mg/L	200.8

NTU = Nephelometric Turbidity Units
mg/L = milligrams per liter = ppm

- An estimate from a commercial well drilling company will be used to determine financial feasibility of a conventional well system.

Deed

Any deed(s) to be executed at closing must be prepared by an attorney.

Hawaii Homeland

Property that is a part of the Hawaii Homeland program **are not** eligible due to restrictions that are incompatible with the Platinum program.

Homeowner's Insurance Coverage

We cannot require the borrower to obtain property insurance coverage in an amount that exceeds the replacement cost of the improvements **as established by the property insurer**.

Lava Zones

Property located in a Lava Zone 1 or 2 are not eligible.

Zone 1: Includes the summits and rift zones of Kīlauea and Mauna Loa (left) where vents have been repeatedly active in historic time. These areas are the most dangerous because all, or nearly all, erupted lava first emerges from the ground within Zone 1.

Zone 2: Include Hawaiian Ocean View Ranchos, Hawaiian Oceam View Estates, Black Sand Beach, Nanawale Estates, Kehena, Kalapana Seaview Estate, parts of Hawaiian Paradise Park, Hawaiian Beaches, parts of Kapoho, Puna Beach Palisades, Kona Paradise, Honomalino Opiihale and more.

Leaseholds

Leasehold refers to the right to hold or use Property for a fixed period at a given price, without transfer of ownership, on the basis of a lease contract. Leasehold Interest refers to real estate where the residential improvements are located on land that is subject to long-term lease from the underlying fee owner, creating a divided estate in the Property.

Ground Rent refers to the rent paid for the right to use and occupy the land. Improvements made by the ground lessee typically revert to the ground lessor at the end of the lease term.

They are common in Hawaii and must meet guidelines for Leasehold property.

- A renewable lease for not less than 99years, **or**
- A lease having a remaining period of not less than 50 years beyond the date of the 100th birthday of the youngest borrower.
  Note: Sub-leasehold Estates **are not** eligible.

The appraiser must obtain a copy of the lease from the Lender and must analyze and report the terms of the ground lease, including:

- the amount of the Ground Rent,
- the term of the lease,
- if the lease is renewable,
- if the lessee has the right of redemption (the right to obtain a Fee Simple title by paying the value of the Leased Fee to the lessor, thereby cancelling the ground rent), and
- if the Ground Rent can increase or decrease over the life of the lease term.

In valuing the Leasehold Interest, the Appraiser must apply the appropriate techniques to each of the approaches to value included in the analysis.

- In the cost approach, the value of the land reported must be its Leasehold Interest.
- In the Gross Rent Multiplier (GRM) income approach, the sales used to derive the GRM factor must be based on properties under similar Ground Rent terms (or be adjusted to similar Ground Rent terms).
- In the sales comparison analysis, the comparable sales must be adjusted for their lack of similarity to the subject in the “Ownership Rights” section of the Sales Comparison Approach (SCA) grid.

Marital Status

The borrower(s) marital status must be stated on the first page of the Mortgage/Deed of Trust. How a borrower is vested (name and marital status) is found in the Preliminary Title Report, Schedule A, which is taken from the most recently recorded Deed.

When a borrower is married, but his or her spouse is not a borrower, then borrower marital status must still appear. An Eligible or Ineligible Non-Borrowing spouse must acknowledge by signing separately in the signature area of the Mortgage/Deed of Trust.

Examples of how vested interest may be held including but not limited to:

- John J Doe, Unmarried
- John J Doe, Single
- John J Doe & Mary A Doe, husband, and wife
- John J Doe & Mary A Doe, Married

For Property held in a Trust, any borrower that is also a Trustee of the Trust must sign as an individual and Trustee. The borrowers and/or Trustees' marital status does not need to appear when property is held in Trust.

Non-Borrowing Spouse

All non-borrowing spouses must be counseled. See the Non-Borrowing Spouse section of this guide for all NBS requirements.

Permanent Heat Source

A permanent heat source **is not** required in Hawaii when the Appraiser comments that the lack of a heating source is common to the marketplace and does not adversely affect the marketability or value of the property.

Recording Documents

Hawaii has two different systems of recordation, Land Court (Torrens) and Regular system. A third possibility is Dual which means both Land Court and Regular. For Dual properties documents must be recorded in both systems. The preliminary title will indicate which system the Property is in and will appear in Exhibit A (legal description). The title company is responsible for ensuring that the documents (Mortgage(s), Deed(s), etc.) are recorded in the current system or systems that the Property is assigned to.

Title Endorsement

It is common for the title policy to have an exception in title: Reservation of Mineral and Metallic mines in favor of the State. The title company will need to issue an endorsement insuring the lender against any loss resulting from the exercise of that Reservation.

Subject Property Address

LBF requires the use of the United States Postal Service (USPS) address for all documentation, including but not limited to:

- Counseling Certificate.
- Appraisal report.
- Flood Certificate.
- Homeowner's or Flood insurance, as applicable.
- Title Commitment, if included it must match USPS.

- Proposed deed, if included it must match USPS.
- Note.
- Mortgage/Deed of Trust; and
- Loan Agreement

A printout for the street address from the USPS is required for the loan file. If the street address is not a USPS deliverable address, then a USPS printout for a deliverable address is required (e.g., P.O. Box).

Survey Requirements

A survey from a licensed surveyor is required at the underwriter's discretion and when:

- There is a discrepancy in the legal description, lot size, or the ingress or egress.
- Well and septic distances are in question.
- Encroachments are present; or
- The appraiser requests.

State-specific requirements

Florida	A copy of the survey and a Survey Affidavit to be signed at closing.
Ohio	Refinance: A copy of the survey or a Survey Affidavit must be executed at at closing. New Construction or Purchase: A new survey is required.
Texas	Refinance: Copy of the survey or title to confirm issuance of T19 endorsement with no survey related exceptions. When property legal description is a Lot and Block, a survey Affidavit is acceptable. When the property legal description is Metes and Bounds, a Survey is required. Purchase: A survey is required.
New Mexico	Refinance: A copy of Survey for title to issue Alta 9 endorsement is required. When the property is in a plotted subdivision with no changes, then an Improvement Location Report (ILR) is acceptable for title to issue an Alta 9. Purchase: a survey is required.

For the above states the title company may require a Survey if the chain of title, a Survey Affidavit, or an Owner's Affidavit discloses any information that would prevent title coverage and/or an Alta 9 endorsement.

Trusts

Trust: An arrangement whereby legal title to the property is transferred by the Grantor (or Trustor) to a third (3rd) person called a Trustee. The Trustee holds and manages the property for the benefit of another, called a Beneficiary. The Grantor and Trustee may or may not be the same person.

The Trust must be one in which the individual establishing the Trust has reserved, to himself or herself, the right to revoke the Trust during his or her lifetime. An Irrevocable Trust is permitted if it meets the requirements in this guide.

Definitions

Revocable Trust – A trust that is created by an individual during his or her lifetime and can be changed or cancelled by its creator (grantor) at any time, for any reason, during that individual's lifetime. The Trustee is typically the same person as the grantor. This type of trust is also known as a Revocable Inter-Vivos Trust.

Irrevocable Trust – A trust that cannot be changed or cancelled once it is set up without the consent of the beneficiary. An irrevocable trust is an arrangement in which the grantor permanently departs with the ownership and control of the property.

Eligibility Requirements

In general, Inter-Vivos (Living) Trust will be allowed if it meets the following eligibility requirements:

- Natural person(s) must establish the Trust by a written document during the lifetime of the individual(s) establishing the Trust, to be effective during his/her/their lifetime. It may be established solely by one (1) individual or jointly by more than one (1) individual. A Testamentary Trust, which is a Trust created by a person(s) Last Will & Testament after his/her/their death are **NOT** an eligible Trust.
- A complete copy of the trust agreement, all addendums, and amendments must be included in the file. **Note**: In the State of California, a Certificate of Trust may be accepted permitting it provides all information to validate that the Trust meets this guide.
- All beneficiaries of the trust must be an eligible borrower at the time of origination and until the mortgage is released (i.e. borrower/beneficiary must occupy the property as a principal residence and new beneficiaries may not be added to the trust). Contingent beneficiaries, that receive no benefit from the trust nor have any control over the trust assets until the beneficiary is deceased, need not be an eligible borrower.
- The trustee must sign the mortgage, and the mortgage must be signed by each borrower/beneficiary, if necessary, to create a valid first mortgage. The borrower/beneficiary must sign the Note and Loan Agreement. The lender may require the signature of the trustee on the Note or the signature of the borrower/beneficiary on the mortgage.
- Trust shall not be a party to the Loan Agreement. The borrower/beneficiary may issue instructions to the lender to permit the trustee to exercise one or more rights stated in the Loan Agreement on behalf of the beneficiary, i.e. the right to receive loan advances or to request changes in the payment plan.
- The lender must be satisfied that the trust is valid and enforceable, that it provides the lender with a reasonable means to assure that it is notified of any subsequent change of occupancy or transfer of beneficial interest and ensures that each borrower/beneficiary has the legal right to occupy the property for the remainder of his or her life.
- The Trust document must name one or more Trustees to hold legal title to manage the property that has been placed in the Trust. Borrower(s) do not have to be the Trustee(s).
- The Trustee(s) must have the power to encumber the subject property for the purpose of securing a loan for the party (or parties) who are the "borrower(s)" under the Note.
- When title is to be held in a Trust, the full title to the secured property must be vested in the Trust. There may be no other owners. The title insurance policy must assure full title protection and state that title to the secured

property is vested in the Trustee(s). It must not list any exceptions with respect to the Trustee(s) holding title to the security property or to the Trust.

- Each Trustee must separately execute the Note (in all instances), Truth-In-Lending or Important Terms, Notice of Right to Cancel, HUD-1, the Mortgage/Deed of Trust, and any applicable Riders necessary to create valid mortgage lien(s) under state law.
  Note: Trustee(s) are specifically prohibited from signing the Loan Agreement.
- Each borrower/current beneficiary/grantor must sign all documents including the Note, Mortgage(s)/Deed of Trust(s), and any applicable Riders necessary to create valid mortgage lien(s) under state law.
- A Testamentary Trust **is not** an acceptable Trust due to it being created upon the death of the Grantor/Trustor/Settlor.

Trust Review and Approval

Attorney Review

- For Revocable Trusts, the Trust documents must be reviewed and approved either by (A) an LBF Approved Trust Review Attorney *or the Closing Attorney.
- For Irrevocable Trusts, the Trust documents must be reviewed and approved by an LBF Approved Trust Review Attorney*. Trust must allow for principal distribution.
- The purpose of the review is to ensure that the Trust meets the Eligibility Requirements within this Guide.
- An Attorney Opinion Letter **must** be provided to LBF prior to the closing documents being drawn.
- Review attorney must prepare an Amendment to Trust Agreement and Agreement of Trustees and Beneficiaries, if necessary, for a Trust to meet the Eligibility Requirements of this Guide. If there are substantial changes (i.e., more than lender being notified of change in occupancy or transfer of beneficial interest) that must be done for the Trust to meet LBF guidelines then it must be executed in front of a Notary Public, by the Trustee(s) and Beneficiaries prior to closing.
- LBF's Approved Trust Review Attorney shall prepare an Amendment to Trust Agreement and Agreement of Trustees and Beneficiaries to be executed by the Trustee(s) and Beneficiary(ies) at or prior to closing for Irrevocable Trusts.

*Paul N. Lovegrove, PC, Maria J Greco, Esq, Jay Resendez Attorney at Law, Jack Miller Law, PLLC, and Carrie House are approved to review **Revocable Trust**.

*Paul N. Lovegrove, PC, and Maria J Greco, Esq, **ONLY** are approved to review **Irrevocable Trust**.

If the Closing Attorney reviews the trust, a copy of the invoice must be provided to the Closer prior to drawing closing documents. Trust Review Fee must have been properly disclosed on the GFE to the borrower(s).

Note: If the Trust is altered in any way after it has been reviewed and approved, it will need to be re-evaluated.

Texas - Closing in Trust

We are allowing loans in the state of Texas to close in a Revocable Trust. To be eligible to close in a Trust all Trust requirements in this guide must be met as well as the requirements stated below:

- Trust must be unconditionally Revocable by any settler/grantor/trustor or beneficiary without the consent of another person.

- All primary beneficiaries must be eligible Platinum borrowers.
- Each Trustee must be a primary beneficiary of the Trust and reside at the property (e.g., cannot have a child, any other person, or any other entity as a Trustee when he/she/they are not a primary beneficiary of the Trust, and does not reside at the Property).
- The trust must authorize the Trustee(s) to be able to mortgage and borrow against the subject trust property.
- The trust must own 100% of the subject property. i.e., the property cannot be held by more than one (1) trust or other individual owner(s).
- An attorney opinion letter from Paul Lovegrove, PC, Maria Greco, Esq. or Jack Miller stating that the trust satisfies all the above conditions and Platinum guidelines is required. An Attorney Opinion Letter from any other legal counsel will not be accepted for Trust in Texas.
- Preliminary title report is issued by Senior Settlement Services, Inc, Allegiant Reverse Services or Premier Reverse Closings (PRC). A lender title insurance policy from any other provider will not be accepted.
- A Certificate of Trust will not be accepted. A copy of the entire executed Trust Agreement is required.

Title company review

The Trust must be reviewed and approved by the title company issuing title insurance on the loan.

Underwriting Review

An LBF Underwriter must review the Trust (all pages included, it's signed & dated by Trustors/Grantors), Attorney Opinion Letter, any attorney prepared Amendment to Trust, to validate the Trust meets guidelines, borrower(s) are eligible borrowers, are Primary Beneficiaries of the Trust, and are vested owners in title.

The loan will not be a) allowed to close (Retail or Broker) or b) purchased (PAA) if the Trust documents are not reviewed and approved by the necessary parties as indicated above.

Land Trust

A Land Trust is an agreement whereby one party, the Trustee, agrees to hold ownership of a piece of real property for the benefit of another party, the Beneficiary.

Property owners use Land Trusts to keep information about their assets private. The value of the property is available through public records, but the records reflect the name of the Trust as the owner.

A Land Trust is most common in the State of Illinois. An eligible Land Trust **must** meet the following requirements:

- All Beneficiaries of the Trust are eligible borrower(s) at the time of loan application, and until the mortgage is released. Contingent Beneficiaries do not need to be an eligible borrower as they have no benefit from the Trust and have no control over the assets.
- The Borrower/Beneficiary must occupy the property as its principal residence.
- No new Beneficiaries can be added to the Trust; and
- The Note and Mortgage/Deed of Trust include the Number of the Trust, and the date the Trust was created.

The Borrower/Beneficiary signs the standard closing package, and the following documents:

- Letter of Direction. This document lists all the documents that the Trustee is to execute.

- Collateral Assignment for Beneficial Interest
    - Must be signed by all Beneficiaries
    - Must be signed by the Lender

Note: **Cook County IL** - If a lender is filing a Collateral Assignment for property located in Cook County, a Facsimile Assignment of Beneficial Interest must be recorded prior to closing as required by law.

Note: **Chicago IL** - If the subject property is in the City of Chicago, you will need to obtain an Exempt Full Payment Certificate from the City of Chicago Department of Water before the document can be recorded.

Note: **Other Municipalities** - If the municipality where the property is located has an exempt transfer stamp ordinance, this stamp must be obtained prior to recording. The title company to confirm if this is a requirement in the subject property municipality.

The **Trustee** must sign the following documents:

- Note.
- Mortgage/Deed of Trust and all Riders (as applicable).
- Notice of Right to Cancel; and
- Truth-In-Lending Disclosure or Important Terms

The Trustee does **NOT** sign:

- Loan Agreement

Note: The Borrower/Beneficiary may issue instructions to a Lender to permit the Trustee to exercise one or more rights stated in the Loan Agreement on behalf of the Beneficiary, such as the right to receive loan advances, or to request changes in the payment plan.

Verify that the trust:

- Is valid and enforceable.
- Meets the requirements of this guide; and
- Notifies the lender of any change of occupancy or transfer of beneficial interest

Anonymous Land Trust

For anonymous Land Trusts, the Beneficiary does not sign the Mortgage/Deed of Trust or Rider(s), as applicable.

Attorney Opinion Letter

A full copy of the Land Trust agreement with any amendments or addendums must be reviewed and approved by LBF approved outside counsel. Outside counsel must provide an Attorney Opinion Letter.

Definitions

Beneficiary(ies) or Beneficial Owner(s):

This refers to the property owner or owners and must be the borrower(s).

Power of Direction:
The holder of the power of direction is the person authorized to direct the Trustee to execute documents, including loan documents.

Letter of Direction:
This letter, signed by the holder of the power of direction, authorizes the Trustee to execute the document(s) contained in the letter of direction.

Collateral Assignment of Beneficial Interest:
This is the agreement that secures the Lenders interest in the beneficial interest of the Trust and puts a lien on the beneficial interest in the Trust. It is the Land Trust equivalent of the mortgage. However, since it is not recorded, it does not show up as a lien on record title. Most significantly, it gives the Lender a power of direction in the Land Trust and may allow foreclosure outside the court-monitored foreclosure process through a UCC Article 9 personal property foreclosure.

Facsimile Assignment of Beneficial Interest for Collateral Purposes:
One-page document used to notify state, county and municipal bodies of a transfer of interest within the Land Trust. This only needs to be recorded if the subject property is in Cook County, and it **must** be recorded prior to closing.

Unlicensed Practice of Law (UPOL)

The unauthorized practice of law is performing legal services, creating legal documents, or offering legal advice as a person who is unlicensed, disbarred, or with no bar admission authorizing an individual to be able to do so.

To be compliant loan closing documents and/or preliminary title insurance must be reviewed and approved by a state licensed attorney. In these states we are to disclose a UPOL fee and not a Document Prep fee. This must occur in the following states:

- Ohio, and
- Texas.

Note: Hawaii was removed.

Financial Assessment (FA)

We must perform a financial assessment of all prospective borrower(s) on all reverse mortgage transaction types (e.g., traditional refinance, HECM to Reverse Mortgage refinance, and purchase). The purpose of financial assessment is to evaluate the borrower's financial capacity and willingness to timely meet his or her financial obligations.

Cash Flow/Residual Income Analysis

We must perform a cash flow/residual income analysis to determine the capacity of the borrower(s) to meet documented financial obligations with his/her/their documented income.

Credit History Analysis

We must perform a credit history analysis for each prospective borrower to determine if the borrower(s) has demonstrated the willingness to meet their financial obligations by analyzing each borrower's credit and property charge history.

Form 4506C

Borrower(s) and Non-Borrowing Spouse, as applicable, must execute the form 4506C for prior two (2) tax years personal and business returns, as applicable. Processing of the form will be completed at Longbridge's discretion. An electronic signature is permitted when a DocuSign Certificate of Completion is provided.

Credit Report Requirements

A tri-merged credit report (TRMCR) or a Residential Mortgage Credit Report (RMCR) from an independent consumer reporting agency that includes:

- Name of the Company ordering the report.
- Name, address, and telephone number of the consumer-reporting agency.
- Name, SSN and current address for each borrower.
- All inquiries made within the last 90 days.
- All credit and legal information not considered obsolete under the Fair Credit Reporting Act (FCRA), including information for the last seven years regarding:
    - Bankruptcies.
    - Judgments.
    - Lawsuits.
    - Foreclosures; and
    - Tax liens.

Fraud Alert

If the borrower(s) credit report or LBF's Interthinx report reflects an open Fraud Alert than additional verification to extend credit is required.

- LBF requires a Fraud Alert Checklist to be completed and fully executed. Contact with the borrower(s) must be made using the phone number identified in the fraud alert message.
- If there is more than one borrower and there is an alert for each borrower than contact **must** be made with each borrower. A spouse **may not** give authorization for the other spouse.
- The underwriter **must** review the written certification to confirm that all requirements were met, and sign & date the certification.
  Note: Loans submitted to underwriting without the completed Fraud Alert Checklist(s), a pended loan notification will be issued.

Frozen Credit / Security Freeze

Borrower(s) have the right, based upon the laws of the state the borrower resides in to place a "security freeze" on their credit history, and this prohibits the credit reporting agency from releasing the borrower(s) credit history. This freeze can be placed with any or all the three (3) major credit reporting agencies, Experian, TransUnion, or Equifax.

When the borrower(s) credit report reflects that it has been frozen by any or all the credit reporting agencies the underwriter will have to issue a Pended loan decision. The borrower will need to make direct contact with the identified credit reporting agency so that their credit history can be released. Borrower(s) must notify the Lender or Broker upon the freeze being lifted, so a new tri-merge credit report can be pulled. The updated credit report must include the history from all agencies.

Credit History

We must examine the borrower's overall pattern of credit behavior, not just isolated unsatisfactory or slow payments, to determine the borrower's ability to manage their financial obligations.

Satisfactory Credit

We will consider the borrower(s) to have satisfactory credit if mortgage payment history for any mortgage is 0 x 30 in prior 12 months, and no more than 2 x 30 in prior months 13 - 24.

Exception

Longbridge may make an exception when the credit history does not meet the above requirements. For example, borrower(s) had a 1 x 30 and a 1 x 60 in the prior 12 months. Exceptions to be submitted to the Underwriting Manager for review and approval.

Borrower(s) must provide a letter of explanation and evidence of 18-months reserves of Taxes, Insurance(s) and HOA dues, as applicable. Loan proceeds may not be used to meet the 18-month reserves.

To be considered for the exception:

- Borrower(s) must provide a letter of explanation, acceptable to Longbridge and evidence of 18-months reserves of Taxes, Insurance(s) and HOA dues, as applicable. Loan proceeds and/or gift funds **may not** be used to meet the 18-month reserves.
- Exceptions are to be submitted to the Underwriting Manager for review and approval.

Credit Score Requirements

All borrowers with a FICO must meet the score requirement. The transaction must have at least one borrower with an acceptable credit score.

- FICO 550-619 a TISA is required.
- FICO at or above 620 up to 660 must close with either a TISA or 18 months reserves of taxes, insurance(s), and HOA dues, as applicable. Loan proceeds nor gift funds may be used for the 18-month reserve requirement.
- When mid FICO is below 660 and HOA/PUD/Condo or similar dues are applicable, then a TISA is required. Evidence of 18 months reserves it not permitted.

Credit score is determined by using the following:

Middle score of 3 scores.

Lowest of 2 scores; or

1 score.

Accelerate Process

The accelerate process is a more streamlined process for borrowers at/above 760 mid FICO. When there are multiple borrowers:

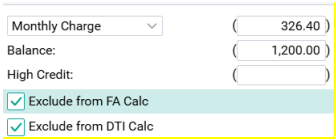
- 1 borrower meets the 760 and another borrower does not have a credit score due to lack of credit history then eligible for accelerate process.
- 1 borrower meets 760, any other borrower with a score must meet all other minimum score requirements e.g., minimum of 550, 550-619 TISA is required, 620-660 TISA or 18 months reserves and loan is eligible for accelerate process.

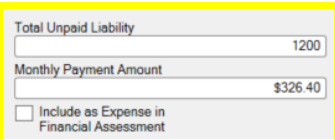
In addition to a 760 FICO, residual income calculation is replaced with a Debt to Income (DTI) ratio, up to 50% DTI is permissible.

- Utilities & maintenance (square footage x .14) will not be considered in DTI.
- Installment loans with less than 10 monthly payments and the cumulative payments of all such installment loans are less than or equal to 5% of the borrowers' gross monthly income, then the monthly payment from the debt w/ less than 10 months remaining is not included in the expenses.

  For the payment to be excluded:

Quantum Reverse	Reverse Vision
Liabilities/Expenses screen, check Exclude from FA Calc **and** exclude from DTI Calc	Credit Accounts screen, **un**check Include as Expense in Financial Assessment





Note: Loans that do not meet the credit score and DTI requirement are not eligible for this streamlined process, no exceptions; instead, please use our standard Platinum process.

When the above requirements are met then the following will apply:

- 12-month property charge payment history with no more than 1x30 in payment history.
- Income Verification:
  - Employment income: Paystubs covering last 30 days or most recent bank statement evidencing direct deposit. A verbal or electronic verification of employment completed within 10 days prior to the funding date is required.
- For Self-employed borrower(s):
  - Provide the most recent two months personal bank statements (checking, savings, certificate of deposits, stocks/bonds, investment accounts (e.g., mutual funds, money market, IRA, 401K, etc.) to establish net worth that is equal to or greater than the Maximum Claim Amount in lieu of providing 2 years (personal or business) tax returns.
  - The most recent current ending balance(s) can be dissipated and used as income, OR

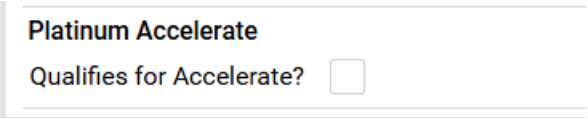
- Alternatively, the available funds can also be dissipated, as needed.
  Note: If DTI is met upon dissipating borrower assets and/or available funds, then additional evaluation noted below is not required.
- Assets minus liabilities from the statements (excluding any mortgage we are paying off). To calculate annualized monthly income; take total monthly deposits from the 2 months of statements subtract total liabilities, times 6 divided by 12. For example, $10,000 in deposits and $6,000 in withdrawals. $10,000 - $6,000 = $4,000 x 6= $24,000/12= $2,000. $2,000 would be the monthly effective income.

Quantum Reverse

Upon entering the living area (square footage) on the Property screen it will auto calculate the Maintenance and Utility Charge and include it in the total monthly expenses. QR will deduct the Maintenance & Utility Charge before calculating the DTI. The DTI is reflected on the Financial Assessment screen. The calculation is set to round so if DTI is 50.1 it will round to 50 and if 50.51 it will round to 51%.

We have created a field in the Miscellaneous screen to identify Platinum loans that are intended to qualify under this new process Qualifies Accelerate. You will have to manually check this box when the credit score and DTI meet the requirements noted above.

The field is pictured below:



Reverse Vision

Upon entering the living area (square footage) on the Processing Input or Appraisal Services screen it will auto calculate the Utilities/Maintenance expense and include it in the total monthly expenses. For manual calculation of the DTI this monthly amount will need to be deducted from the expenses, then divide total expenses by total income. Take Total Expenses on Cash Flow screen subtract Utilities/Maintenance from the Expenses screen to equal total expenses and then divide by total income.

Example: living area/square footage = 2280. 2280 x .14 = 319.20 Utilities/Maintenance, Total expense = 2187.27, Total income = 5300.00.

2187.27 – 319.20 = 1868.07 / 5300 = 35% DTI.

We do not have a field to enter the process or DTI, so the LO is to add a Note, Platinum Accelerate and DTI = 35%. The Underwriter will need to state in the Underwriting Analysis section of the FA Worksheet Platinum Accelerate and DTI = __% at the time of issuing underwriter clear to close.

Bankruptcy, Foreclosure(s) or Short Sale

Chapter 7 or 13 Bankruptcy must be discharged at least two (2) years and Foreclosure or Short Sale date must be at least two (2) years at time of initial loan application.

Past Due Accounts

Any accounts that are past due in monthly payments must be brought current and up to date prior to or at closing. A detailed letter of explanation is required for any accounts with past due payments. This requirement applies to any account regardless of status (open account or closed account). Loan proceeds may be used to bring the account current or pay it in full.

Judgment(s), State and/or Federal Tax Lien(s)

Judgment(s), State, and/or Federal Tax Lien(s) that appear in the credit and/or title report(s) must be paid in full at time of loan closing.

Significant Derogatory Events

Borrowers with any history of the following are not eligible unless there is at least a minimum of two (2) years re-established clean (no late payments) credit history:

- Loan modification*
- Multiple bankruptcies (two (2) or more), or
- Short sale, or
- Deed in lieu of foreclosure.

*When the credit history reflects that an open mortgage was modified, a copy of the modification agreement is required. We will no longer require a 2-year re-established clean credit history when the payment history of the prior 12 months meets the requirements of the modification agreement. When the credit history identifies that the mortgage was modified and for the prior 12 months the payment history is 0-x39, 0x60, 0x90+ then the requirement is considered met.

12 Month Payment History on Housing Obligations

At a minimum the previous 12-months of housing payment history must be verified using the 12 months prior to application for the borrower's principal residence. Housing payment history can be documented via:

- The credit report e.g., mortgage payment history:
- Verification of Rent (VOR) obtained directly from the landlord. A VOR is only acceptable from a landlord with no identity of interest to the borrower(s). Identity of interest refers to a pre-existing relationship (personal or professional) between the landlord and the borrower(s):
- Verification of Mortgage (VOM) obtained directly from the servicer:
- Rent free letter from the property owner, OR
- Canceled checks or bank statements showing direct withdrawal for the most recent 12 months.

When the borrowers have had multiple principal residences in the most recent 12-month period then a payment history for each residence is required to have a combined 12-month history.

For example, purchase transaction, borrowers have been renting their current residence for the last 6 months and the 6 months prior to renting they owned a principal residence that had a mortgage on it for the last 5 years, then verify the 6 months of rental payments, and the 6 months of mortgage payments. The 12-month verification is documented with a combination of credit report, VOR, canceled checks, bank statements evidencing withdrawal, as applicable.

In the example above, the borrowers had a mortgage for the last 5 years on their prior principal residence, so the mortgage payment history is reviewed as part of the 12-month housing payment history **and** as part of satisfactory

credit history. That mortgage payment history for the prior 24 months must be reviewed and confirm the history has no more than 0 x 30 in the prior 12 months, and no more than 2 x 30 in the prior 13 – 24 months.

For Borrower(s) who are living rent free this must be documented.

- Mortgage Free, Longbridge will utilize the title report and obtain a Fraud Guard report to validate that the property is owned free and clear.
- Rent free, then a letter from the property owner indicating that the borrower(s) are living rent free, and the amount of time the borrower(s) have been living rent free is required.

Definition of Property Charges

- All property taxes – school, city, village, county, state, etc.
    - Where a taxing authority has permanently waived or otherwise permanently exempted the borrower from payment of property taxes, i.e., taxes are not due and payable and do not accrue or result in a lien against the property, such taxed may be excluded from the financial assessment. Documentation for the waiver or exemption must be included in the loan file.
    - Where a taxing authority has deferred the payment of property taxes, i.e., liability for taxes remains, but payment is deferred until a certain point in the future, such taxes may be excluded from the financial assessment provided:
        - That the deferral period will be in place until the death of the borrower or the sale of the property, whichever occurs first.
        - That a lien senior to the reverse mortgage first and second mortgages, as applicable, will not be created upon the termination of the deferral period; AND
        - Documentation on the deferral is in the file.
- Homeowners and flood insurance, as applicable.
- Homeowners Association (HOA), Condominium or Planned Unit Development (PUD) fees.
- Ground rents; AND
- Other assessments levied by municipalities or under state law

Property Charge (PC) Payment History

All Property taxes and HOA/Condo/PUD fees for the subject property are current and there are no property charge arrearages in the prior 24 months.

Arrearage is defined as any payment made 30 days or more past the due date. Property taxes paid >30 days past the due date but are paid by the taxing authority delinquency date will not be considered a late payment.

Exception

Longbridge may make an exception for limited delinquencies when the borrower's property charge history does not meet 0x30 in the prior 24 months:

- 0x30 last 12 months, but no more than 1x30 months 13-24:
    - may be approved by underwriting without an LOE or any additional reserves.
- For delinquencies that exceed 0x30 last 12 months and/or 1x30 months 13-24, but do not exceed the maximum delinquency as shown in the grid below:
    - The borrower(s) must provide a letter of explanation acceptable to Longbridge; and,

- evidence of 18-months reserves of Taxes, Insurance(s) and HOA dues, as applicable.
  Note: Loan proceeds nor gift funds may be used to meet the 18-month reserves.

Scenario	Last 12 Months		13-24 Months	
Scenario 1	#D30	2	Max #D30	0
	#D60	0	Max #D60	0
Scenario 2	#D30	1	Max #D30	0
	#D60	1	Max #D60	0
Scenario 3	#D30	1	Max #D30	1
	#D60	0	Max #D60	0
Scenario 4	#D30	0	Max #D30	1
	#D60	1	Max #D60	0
Scenario 5	#D30	0	Max #D30	1
	#D60	0	Max #D60	1

For late payments that exceed the above grid one the following is required:

- extenuating circumstances are explained with sufficient supporting documentation acceptable to Longbridge; or,
- if there are no documented extenuating circumstances the loan must close with a TISA.
  Note: TISA is not available in New York.

Tax and Insurance Set Aside (TISA)

A Tax and Insurance Set-Aside (TISA) is an amount withheld from the mortgage proceeds for the payment of property charges during the life of the borrower(s). The need for a TISA will be based on the results of the financial assessment of the borrower(s). Borrowers may voluntarily elect to have a TISA.

Where the Underwriter determines, after considering any documented Extenuating Circumstances, that the borrower(s) have demonstrated the willingness and the capacity to meet his or her obligations, a TISA is not required. Where the Underwriter determines that the borrower(s) have not demonstrated the willingness and/or the capacity to meet his or her obligations, a TISA is required. The TISA must be fully funded. No partially funded TISAs allowed.

Through the Fully Funded TISA the Lender will use reverse mortgage proceeds to pay property taxes and insurance (homeowner's and flood insurance, as applicable) premiums on behalf of the borrower(s). The borrowers remain responsible for all other property charges, i.e., HOA/Condo/PUD fees, ground rent, other assessments, as applicable. There can be no changes to the TISA after closing.

New York

TISA **is not** permitted in New York.

Due to TISA not being permitted FICO 550-619 are not eligible.

FICO at or above 620 up to 660 must have documented 18 months of reserves of taxes, insurance(s). Loan proceeds nor gift funds may be used for reserves.

When the mid FICO is below 660 and HOA/PUD/Condo or similar dues are applicable, then the loan is not eligible since a TISA is not available in NY.

TISA and Loan Decision

When determining the need for a TISA, and whether the reverse mortgage represents a sustainable solution for the borrower's financial circumstances, the Underwriter must evaluate whether the borrower(s) meet residual income, credit history and property charge history requirements including the use, of Extenuating Circumstances, and Compensating Factors.

The Lender must determine if a TISA is required based on the following:

- **Residual Income**
  If, after considering any applicable Compensating Factors, the borrower's % of Residual Income Fulfilled is less than 100% a Fully Funded TISA must be required. In all cases Platinum **must** provide a sustainable solution.
- **Credit History**
  If, after considering any applicable Extenuating Circumstances, the borrower's credit is not acceptable, a Fully Funded TISA must be required.
- **Property Charge Payment History**
  If, after considering any applicable Extenuating Circumstances, the borrower's Property Charge Payment History is not acceptable, a Fully Funded TISA must be required.

In making the loan decision the Underwriter must consider the impact a Fully Funded TISA will have on the borrower's residual income.

There will be an effective reduction in the borrower's out-of-pocket monthly expenses where the Lender will pay property charges out of reverse mortgage proceeds. Where this reduction in expenses would result in the borrower effectively meeting the applicable standard for the borrower's family size and geographic region, it may provide a basis on which to determine the reverse mortgage does represent a sustainable solution for the borrower's financial circumstances. Where the amount of property charges to be paid through the Fully Funded TISA is such that the borrower(s) will still fall significantly short of the residual income standard, the approval of a reverse mortgage would not provide a sustainable solution for the borrower's financial circumstances.

The Underwriter is responsible for providing well documented reasons for approving the reverse mortgage when borrowers do not meet residual income, property charge payment history and/or credit history standards.

Extenuating Circumstances

Where the borrower's credit and/or property charge payment history does not meet the criteria described in this guide, the Underwriter may consider any Extenuating Circumstances that led to the credit or property charge issues. Extenuating Circumstances may include, but are not limited to:

- loss of income due to the death or divorce of a spouse that directly resulted in late payment of obligations;
- loss of income due to the borrower's or spouse's unemployment, reduced work hours or furloughs, or emergency medical treatment or hospitalization that directly resulted in late payments of obligations; or
- increase in financial obligations due to emergency medical treatment or hospitalization for the borrower or spouse, emergency property repairs not covered by homeowners or flood insurance, divorce, or other causes that directly resulted in late payments of obligations.

The Underwriter must document the presence of any Extenuating Circumstances as part of the financial assessment. To be used to make the determination that credit and/or property charge payment history is acceptable, documentation of Extenuating Circumstances must demonstrate:

- the connection between the specific occurrence(s) and the measurable impact of the occurrence(s) on the borrower's finances.

- that no other actions, not directly or indirectly related to the financial problem, were taken by the borrower(s) that contributed to the derogatory incident(s) (e.g., assuming new financial obligations, voluntarily terminating employment or reducing hours, etc.).
- the likelihood that these circumstances will not recur. In assessing the likelihood that the circumstances will not recur, Lender may consider the impact of the reverse mortgage on the borrower's circumstances, through the elimination of financial obligations and/or through an increase in borrower income; and
- that the borrower(s) demonstrate financial liquidity through non-reverse mortgage assets, additional sources of income, access to revolving credit or other factors that enhance his or her ability to endure financial challenges.

Extenuating Circumstances – Unemployment

If a borrower cited loss of income due to unemployment as the cause of late payments or other derogatory information, the documentation must include the following:

- the borrower(s) had documented a satisfactory credit and/or property charge payment history prior to being unemployed.
- the borrower's documented income, including any unemployment compensation received, was insufficient to make timely payments on all outstanding accounts.
- the credit report indicates that the borrower(s) did not incur new debt, unrelated to the financial problem, that contributed to the borrower's inability to meet all obligations in a timely manner; and
- the borrower is employed again and/or has alternate source(s) of income.

Documentation includes the credit report, W-2s, tax returns, statements from the borrower and any additional documentation required to support the loss of income, impact on credit history and recovery.

Documenting Extenuating Circumstances

The Underwriter **must** document any Extenuating Circumstances to address derogatory credit and/or property charge payment history.

The Underwriter **must identify in writing** on the Financial Assessment Worksheet all specific circumstances and factors it relied upon to make its favorable determination. Supporting documentation (letters of explanation **and** appropriate documentation for the Extenuating Circumstance) must be included in the file. A letter of explanation without supporting documentation is not acceptable.

TISA Formula

FORMULA FOR CALCULATING PROJECTED TAX AND INSURANCE SET ASIDE

Projected Life Expectancy Tax and Insurance Cost = (1.2 x PC ÷12) × m

PC (Property **C**harges**) ÷12** is the current total monthly Property Charge for property taxes, homeowner's insurance, and flood insurance, as applicable.

m is the Total Annual Loan Cost (TALC) life expectancy in years of the youngest borrower, with borrower age rounded up to the nearest whole year if the next birthday is less than 183 days after the estimated date of closing, x 12. For example, a 74-year-old borrower whose birthday is more than 183 days after the estimated date of closing, TALC life expectancy is 12 years x 12 months = 144.

The **PC÷12** is multiplied by 1.2 to account for expected increases in property charges over the life expectancy of the youngest borrower.

The life expectancy chart for TISA will be the HECM table rounded up to the whole year.

Residual Income Analysis

The purpose of the residual income analysis is to determine the capacity of the borrower(s) to meet his or her documented financial obligations with his or her documented income.

General Income Requirements

All sources of effective income must be reasonably likely to continue through at least the first three (3) years of the mortgage.

We may only consider income if it is legally derived and, when required, properly reported as income on the borrower's tax returns.

Negative income must be subtracted from the borrower's gross monthly income and not treated as a recurring monthly liability unless otherwise noted.

Cryptocurrency

Cryptocurrency **may not** be used as effective income to qualify the borrower(s).

Grossing Up Non-Taxable Income

The cash flow/residual income analysis will include Federal Taxes. If federal taxes are paid on some or all a borrower's income, it will be reflected in the expense analysis for residual income. Non-taxable income such as Social Security Retirement or Child Support may be grossed up, see Social Security Retirement and Child support income sections of this guide.

Employment Income

The following documentation is required to verify employment and income:

- Most recent pay stubs covering a minimum of 30 consecutive days (if paid weekly or bi-weekly, pay stubs must cover a minimum of 28 consecutive days) that show the borrower's year-to-date earnings; **and**
- One (1) of the following:
    - A written Verification of Employment (VOE) covering two (2) years; OR
    - An electronic verification (e.g., The Work Number, Equifax, etc.) covering two (2) years.

OR

- Most recent pay stubs covering the most recent 30 consecutive day period (if paid weekly or bi-weekly, pay stubs must cover a minimum of 28 consecutive days) that show the borrower's year-to-date earnings.
- Previous two (2) years W-2 forms; **and**
- A Verbal verification of Employment covering two (2) years.

OR

Third Party Verification of Employment and Income.

Salary Income that has been and will likely continue consistently being earned use the current salary.

Hourly employees, hours do not vary, use the current hourly rate x # of hours.

Hourly, hours do vary, average the income over the previous two (2) years. If there is a documented increase in the pay rate, then use the most recent 12-month average.

A re-verification of employment must be completed within 10 days prior to the funding date. Verbal re-verification of employment is acceptable.

Overtime and Bonus Income

Overtime and Bonus income refers to income that the borrower receives in addition to the borrower's normal salary. The Underwriter may use overtime and bonus income if the borrower has received this income for the past two (2) years and it is reasonably likely to continue.

Periods of overtime and bonus income less than two (2) years may be used if it's been earned over a period of not less than one (1) year and is reasonably likely to continue.

The Underwriter will average the income earned over the previous two (2) years. However, if the overtime or bonus income from the current year decreases by 20% or more from the previous year than must use current year's income.

Part-Time Employment

Income from a Part-Time job where the borrower has worked interrupted for the prior two (2) years and is reasonably likely to continue may be included in effective income.

Average income over the previous two (2) years. If there is a documented increase in pay rate than use the most recent 12-month average.

Seasonal Employment

Refers to Seasonal employment i.e., landscaping, snow removal, holiday season, etc. where the borrower has worked in the same line of work for the past two (2) years and is reasonably likely to be rehired for the next season. Verification of Employment from the seasonal employer and obtain last 2 years federal tax returns for unemployment income.

Average income over the previous two (2) years.

Employment with Family-Owned Business

Family-Owned Business Income refers to income earned from a business owned by the borrower's family, but in which the borrower is not an owner. Official business documents i.e., corporate resolutions, other business organizational documents, business tax returns or Schedule K-1 or letter from Certified Public Account on his/her business letterhead, showing the ownership percentage must be obtained to verify that the borrower(s) are not an owner in the family-owned business.

Lender to verify employment and income as follows:

- Most recent pay stubs covering a minimum of 30 consecutive days (if paid weekly or bi-weekly, pay stubs must cover a minimum of 28 consecutive days) that show the borrower's year-to-date earnings; **and**
- One (1) of the following:
    - A written Verification of Employment (VOE) covering two (2) years; OR
    - An electronic verification (i.e. Work Number, Equifax, etc.) covering two (2) years.

OR

- Most recent pay stubs covering the most recent 30 consecutive day period (if paid weekly or bi-weekly, pay stubs must cover a minimum of 28 consecutive days) that show the borrower's year-to-date earnings;
- Previous two (2) years W-2 forms; **and**
- A Verbal verification of Employment covering two (2) years.

AND

Borrower(s) last two (2) years signed federal tax returns or 4506-C Transcripts.

Salary Income that has been and will likely continue consistently being earned use the current salary. Hourly employees, hours do not vary, use the current hourly rate x # of hours.

Hourly, hours do vary, average the income over the previous two (2) years. If there is a documented increase in pay rate than use the most recent 12-month average.

Commission Income

Commission income refers to income that is paid contingent upon the conducting of a business transaction or the performance of a service. Commission income may be included as effective income if the borrower earned the income for at least one (1) year in the same or similar line of work and it is reasonably likely to continue.

When commission income is less than or equal to 25% of the borrower's total earnings Lender to verify employment and income as follows:

- Most recent pay stubs covering a minimum of 30 consecutive days (if paid weekly or bi-weekly, pay stubs must cover a minimum of 28 consecutive days) that show the borrower's year-to-date earnings; **and**
- One (1) of the following:
    - A written Verification of Employment (VOE) covering one (1) year; OR
    - An electronic verification (i.e. Work Number, Equifax, etc.) covering one (1) year.

OR

- Most recent pay stubs covering the most recent 30 consecutive day period (if paid weekly or bi-weekly, pay stubs must cover a minimum of 28 consecutive days) that show the borrower's year-to-date earnings;
- Previous 1 year W-2; **and**
- A Verbal verification of Employment covering 1 year.

Using the Lesser of:

- Average commission income earned over the previous two (2) years, or length of time commission income has been earned if less than two (2) years; or
- Average commission income earned over the previous one (1) year.

When Commission income is greater than 25% of the borrower's total earnings obtain the borrower(s) last two (2) years signed federal tax returns or 4506-C Transcripts.

Using the LESSER of:

- Average net commission income earned over the previous two (2) years, or length of time commission income has been earned if less than two (2) years; or
- Average net commission income earned over the previous one (1) year.

Calculate the Net commission income by taking the annual gross commission income minus unreimbursed business expenses.

Self-Employment Income

Self-Employment income refers to income generated by a business in which the borrower has a 25% or greater ownership interest.

We can use income from self-employment if the borrower has been self-employed for at least two -(2) years. For borrower(s) that have been self-employed between one (1) and two (2) years, then document the borrower was previously employed in the same line of work in which the borrower is self-employed or in a related occupation for at least two (2) years.

Business income that has a greater than 20% decline over the analysis period must be documented to show it is now stable. We may consider income as stable after a 20% reduction if the reduction was the result of extenuating circumstances and the borrower demonstrates the income has been stable or increasing for a minimum of 12 months.

The last two (2) years signed federal income tax returns (personal and business) with all schedules **or** 4506-C Transcripts are required. A Year-to-Date Profit and Loss with Balance Sheet is required if more than one (1) quarter has elapsed since the date of most recent calendar year or fiscal year-end tax returns was filed. A balance sheet is not required for a borrower who files Schedule C. If YTD income is used to qualify an Audited YTD P&L with balance sheet is required.

A business credit report for all Corporations and "S" Corporations is required.

Use the **LESSER** of:

- Average net profit/loss earned over the previous two (2) years, **OR**
- Average net profit/loss earned over the previous one (1) year.

The Underwriter may add back to the net profit/loss depreciation, depletion, amortization, and casualty losses.

Frequent Changes in Employment

We must document the stability of the borrower(s) employment income when the borrower has changed jobs more than three (3) times in the previous 12-month period or has changed lines of work.

- Transcripts of training and education demonstrating qualification for a new position; OR
- Employment documentation evidencing continual increased in income and/or benefits

Gaps in Employment

We may consider the borrower's current income when a borrower has gaps in employment of six (6) months or more (an extended absence) if the following criteria are met:

- Borrower has been employed in the current job for at least six (6) months at the time of loan application; AND
- A documented two (2) year work history prior to the absence from employment.

Temporary Reductions in Income

We may consider the borrower's current income when there is a temporary reduction in income due to a short-term disability or similar circumstance. The following are required:

- The borrower intends to return to work,
- The borrower has the right to return to work, **AND**
- The borrower can meet their financial obligations considering any reduction of income due to the circumstance.

Non-Employment Sources of Income

We must document any income used in the residual income analysis from the following sources:

- Rental income,
- Disability benefits,
- Pension/retirement benefits (based on period of continuance),
- Annuity income,
- Department of Veterans Affairs (VA) Benefits,
- Social Security, disability, workman's compensation, public assistance, and
- Interest, dividend, and trust income.

Disability Benefits

Disability benefits refer to benefits received from the Social Security Administration (SSA), Department of Veterans Affairs (VA), or a private disability insurance provider.

Lender to document the borrower's receipt of benefits from the SSA, VA, or private disability insurance provider. One of the following is required:

- A copy of the last Notice of Award Letter which states the SSA's or private disability insurer's determination on the borrower's eligibility for disability benefits, OR
- Equivalent documentation that establishes award benefits to the borrower.

Disability income that is due to expire within three (3) years from the date of mortgage application cannot be counted as effective income. If the Notice of Award or equivalent document does not have a defined expiration date, the Lender may consider the income effective and reasonably likely to continue.

Under no circumstances may a Lender inquire into or request documentation concerning the nature of the disability nor any medical condition of the borrower.

Social Security Disability Benefits

For Social Security Disability Income, including Supplemental Security Income (SSI), the Lender to document using one (1) of the following documents:

- SSA Benefit Verification Letter, also known as a "Budget Letter" or "Benefits Letter" or "Proof of Income Letter" or "Proof of Award Letter".
- Social Security Benefit Statement, Form SSA-1042S.
- Federal tax returns or 4506-C Transcripts; OR
- A recent bank statement showing a direct deposit.

Veterans Affairs Disability Benefits

We may use VA disability benefits as effective income when income is documented with Verification of VA Benefits also known as a "Benefit Letter" that evidences the amount of assistance the borrower will receive and the expiration date of the benefits, if any.

Private Disability Benefits

For private disability benefits, we must obtain documentation from the private disability insurance provider showing the amount of the assistance and the expiration date of the benefits, if any.

We can use the most recent amount of SSA, VA, or Private disability benefits received as effective income.

Alimony, Child Support, Maintenance Income

Alimony, Child Support, or Maintenance income refers to income received from a former spouse or partner or from a non-custodial parent of the borrower's minor dependent.

Document the income by obtaining one (1) of the following:

- Fully executed copy of the borrower's final divorce decree,
- Fully executed legal separation agreement,
- Court order, or
- Voluntary payment agreement with documented receipt.

AND

Document evidence of receipt of income for the most recent three (3) months by obtaining one (1) of the following:

- Deposits on bank statements.
- Cancelled checks; or
- Documentation from the county or state child support agency.

Child support income may be grossed up. The monthly child support received amount times 1.25 percent. For example, monthly support is $2,000 x 1.25 = $2,500 a month effective income.

Voluntary payment agreements to be documented with a copy of the fully executed agreement and 12 months of cancelled checks, deposits on bank statements or the most recent federal income tax return.

When using a final divorce decree, legal separation agreement or court order, if the borrower has received consistent alimony, child support, or other maintenance payments for the most recent three (3) months, the Lender may use the current payment amount to calculate effective income.

When using evidence of voluntary payments, if the borrower has received consistent alimony, child support, or other maintenance payments for the most recent six (6) months, the Lender may use the current payment amount to calculate effective income.

If the alimony, child support, or other maintenance payments have not been consistently received for the most recent six (6) months, the Lender is to calculate income by averaging over the previous two (2) years. If alimony, child support, or other maintenance income has been received for less than two (2) years, the Lender is to calculate income by averaging over the time of receipt (i.e., 3 months, 6, 9, 12, etc.).

Military Income

Military income refers to income received by military personnel during their period of Active, Reserve, or National Guard service, including:

- Base pay,
- Basic allowance for housing,
- Clothing allowances,
- Flight or hazard pay,
- Basic allowance for Subsistence, and
- Proficiency pay.

We may not include education benefits as effective income. Document the income by obtaining the following:

- Military Leave and Earnings Statement (LES).
- Verification of Expiration Term of the Service date of the LES. If the Expiration Term of Service date is within the first 12 months of the mortgage, military income may still be used if borrower presents his or her intent to continue military service.

We may use the current amount of military income received to calculate effective income.

Other Public Assistance

Public Assistance refers to income received from government assistance programs. We must document the income received from the government agency, and that the income is reasonably likely to continue for three (3) years.

Longbridge will use the current rate of public assistance received to calculate effective income.

Social Security Retirement Income

Social Security Retirement Income refers to income received from the Social Security Administration other than disability or supplemental income.

To document the SS Retirement income, obtain one (1) of the following:

- SSA Notice of Award also known as a "Benefits Letter".
- SSA Social Security Benefit Statement Form 1099.
- Most recent bank statement evidencing direct deposit from SSA; or
- Federal tax returns.

We will use the most recent gross monthly benefit amount as effective income.

Social Security Retirement income may be grossed up. Monthly social security benefit amount x 1.0375. For example, monthly benefit is $1500.00 x 1.0375 = $1,556.25 a month effective income.

Pension Income

Pension refers to income received from the borrower's former employer(s).

Documenting the borrower's receipt of periodic payment from the borrower's pension and that the payments are likely to continue for at least three (3) years is required.

Document the income by obtaining one (1) of the following:

- Pension Benefit Letter from former employer.
- Most recent bank statement evidencing direct deposit from former employer; or
- Federal tax returns.

We do not have to evidence 3-year continuance for a Federal, including Veterans Affairs (VA), state or municipal pension benefits. Evidence likely to continue for at least 3 years is required for any private pension income.

Longbridge will use the current gross amount of pension income received as effective income.

Individual Retirement Account (IRA) and 401(k) Income

An Individual Retirement Account (IRA/401(k)) Income refers to income received from an individual retirement account.

Document the borrower's receipt of recurring IRA/401(k) distribution income and that it is reasonably likely to continue for three (3) years. Obtain the one of the following:

- Most recent monthly/quarterly bank statement evidencing direct deposit; OR
- Federal tax returns.

We may use the current amount of IRA/401(K) received when the borrower has been and will continue to consistently receive. When borrowers have fluctuating IRA/401(k) income, use the average IRA/401(k) income received over the previous two (2) years. If the income has been received for less than two (2) years, then use the average over the time of receipt (i.e., 12, 15, 18, etc. months).

Rental Income from the Subject Property

Rental income from the Subject Property refers to income received when the subject property has 2-4 units.

Longbridge will consider rental income from existing and prospective tenants if documented in accordance with the following requirements.

Limited or No History of Rental Income

Where the borrower does not have a history of rental income form the subject property since the previous tax filing:

The underwriter must verify and document the proposed rental income by obtaining an appraisal showing fair market rent (use FNMA 1025 Small Residential Income Property Appraisal Report) and the prospective leases, if available.

History of Rental Income

Where the borrower has a history of rental income from the subject property since the previous tax filing, the underwriter must verify and document the existing rental income by obtaining the current lease, rental history over the previous 24 months that is free of unexplained gaps greater than three (3) months (such gaps could be explained by student, seasonal, or military renters or property rehabilitation) , and the borrower's most recent tax returns, including Schedule E, from the previous two (2) years.

For properties with less than two (2) years of rental income history, the underwriter must document the date of acquisition by providing a Deed, Settlement Statement, or other legal document.

Calculating Rental Income from the Subject Property

We may add the net subject property rental income to the borrower's gross income.

Limited or No History of Rental Income

To calculate the effective income from the subject property where the borrower does not have a history of rental income from the subject property since the previous tax filing, the underwriter must use the **LESSER** of:

- The monthly operating income reported on FNMA Form 216, OR
- 75% of the **LESSER** of:
  - Fair market rent reported by the appraiser; OR
  - The rent reflected in the lease or other rental agreement

History of Rental Income

The underwriter must calculate the rental income by averaging the amount shown on Schedule E.

Depreciation, mortgage interest, taxes, insurance, and any HOA dues shown on Schedule E may be added back to the net income or loss.

If the property has been owned for less than two (2) years, the underwriter must annualize the rental income from the length of time the property has been owned.

Rental Income – Other Real Estate Holdings

Rental income from other real estate holdings may be considered as effective income if the documentation requirements listed below are met.

Limited or No History of Rental Income

Where the borrower does not have a history of rental income since the previous tax filing, including property being vacated by the borrower the Lender must obtain an appraisal evidencing market rent AND that the borrower has at least 25% equity in the property. The appraisal is not required to be completed by an FHA Roster appraiser.

- Two to Four Units
  The Lender must document the proposed rental income by obtaining an appraisal showing fair market rent (use FNMA Form 1025, Small Residential Income Property Appraisal Report) and the prospective leases if available.

- One Unit
  The Lender must document the proposed rental income by obtaining a FNMA Form 1004, Uniform Residential Appraisal Report, FNMA Form 1007, Single Family Comparable Rent Schedule, and FNMA Form 216, Operating Income Statement, showing fair market rent and, if available, the prospective lease.

History of Rental Income

We must obtain the borrower's last two (2) years federal tax returns with all schedules or 4506-C Transcripts. Rental income is reported on Schedule E.

Calculating Rental Income from Other Real Estate Holdings

Limited or No History of Rental Income

To calculate the effective net rental income from other real estate holdings where the borrower does not have a history of rental income since the previous tax filing, we will deduct the principal, interest, taxes, and insurance payment (PITI) from the LESSER of:

- The monthly operating income reported on FNMA Form 216, OR
- 75% of the LESSER of:
    - Fair market rent reported by the appraiser; OR
    - The monthly rent in the lease or other rental agreement.

History of Rental Income

We will calculate the net rental income by averaging the amount shown on Schedule E provided the borrower continues to own all properties included on Schedule E.

Depreciation shown on Schedule E may be added back to the net income or loss.

If the property has been owned less than two (2) years, the Lender must annualize the rental income for the length of time the property has been owned.

For properties with less than two (2) years of rental income history, we must document the date of acquisition by providing the Deed, Settlement Statement or other legal document.

Positive net rental income must be added to the borrower's effective income. Negative net rental income must be included as debt/liability.

Income from Boarders of the Subject Property

Boarder refers to an individual renting space inside the borrower's dwelling unit.

A two (2) year history of receipt of rental income from boarders is required. Borrower(s) must be currently receiving boarder income.

Obtain two (2) years of federal tax returns and the current lease(s). Calculate the income by using the **lesser of** the two-year average or the current lease(s).

Investment Income

Investment income refers to interest and dividend income received from assets such as certificates of deposits, mutual funds, stocks, bonds, money markets, and savings and checking accounts.

Lender to document the income with previous two (2) years federal tax return and the most recent monthly/quarterly asset statement. Calculate the income by using the **lesser of**:

- Average investment income earned over the previous two (2) years, OR
- Average investment income earned over the previous one (1) year.

Longbridge will use 70.00% of the lesser of the 12 or 24-month average as effective income to qualify. Assets used as an income source may also not be used as source of funds to close.

Capital Gains and Losses

Capital gains refer to a profit that results from a disposition of a capital asset, such as stock, bond, or real estate, where the amount realized on the disposition exceeds the purchase price.

Capital losses refer to a loss that results from a disposition of a capital asset, such as stock, bond, or real estate, where the amount realized on the disposition is less than the purchase price.

Capital gains or losses must be considered when determining effective income, when the individual has a constant turnover of assets resulting in gains or losses.

Three (3) years' tax returns are required to evaluate an earnings trend. If the trend:

- Results in a gain, it may be added as effective income, OR
- Consistently shows a loss, it must be deducted from the total income.

Capital gain income must continue for the first three (3) years of the mortgage. Depending upon what asset type the gain is being made on may require the most recent monthly/quarterly statement or other evidence of currently owned assets. For capital gains, Longbridge will use 70.00% of the 36-month average as effective income to qualify.

Expected Income

Expected Income refers to income from cost-of-living adjustments, performance raises, a new job or retirement that has not been, but will be received with 60 days of mortgage closing. Expected income from a family-owned business is not permitted.

To document the existence and amount of expected income with written verification of employment and it's guaranteed to begin within 60 days of loan closing. For expected retirement income, we must document the amount of monthly income and that is guaranteed to begin within 60 days of loan closing.

Expected income is calculated in accordance with the standards for the type of income being received. We must verify that the borrower will have sufficient income to meet his or her financial obligations between loan closing and when the expected income will be received.

Future Expected Retirement or Social Security Retirement Income

For borrowers who have access to a retirement account and/or social security retirement income, but have chosen to not collect it yet, we can use the current value he/she would be eligible for as a compensating factor to offset residual income. For expected retirement, e.g., annuity payment, provide an estimated benefit letter from the trustee. If unable to obtain an estimated benefit from the Trustee, then use 85% of the current cash value of the account and dissipate based on the life expectancy of the youngest borrower. For borrowers who are 62 and older, for future Social Security Retirement income provide an estimated benefit letter from the Social Security Administration. We will use the estimate monthly benefit amount based on borrower current age.

Trust Accounts Income

Trust income refers to income that is regularly distributed to a borrower from a trust.

Lender to document the existence of the Trust Agreement or other trustee statement and the frequency, duration, and amount of the distribution by obtaining a bank statement or transaction history from the bank. Document that regular payments will continue for at least the first three (3) years of the mortgage.

The monthly amount to be used is based on the terms and conditions in the Trust Agreement or other trustee statement.

Annuities or Similar Income

Annuity income refers to a fixed sum of money periodically paid to the borrower from a source other than employment.

Document the legal agreement establishing the annuity and guaranteeing the continuation of the annuity for the first three (3) years of the mortgage and a bank statement or a transaction history from a bank evidencing receipt of the annuity.

Use the current rate of the annuity to calculate effective income. Assets used as an income source may also not be used as source of funds to close.

Notes Receivable Income

Notes receivable income refers to income received by the borrower as payee or holder in due course of a note.

Document the existence of the note and that the payments have been consistently received for the previous 12 months by obtaining tax returns, bank statement with the deposit or cancelled checks, and that such payments will continue for the first three (3) years of the mortgage.

Calculating Notes Receivable Income

For borrowers who have been and will be receiving a consistent monthly amount of notes receivable income, the Lender may use the current rate of income to calculate effective income. For borrowers whose notes receivable income fluctuates, the Lender must use an average of the income received over the previous one (1) year to calculate effective income.

Government Assistance Non-Cash Benefits

We may count as income non-cash benefits being received by the borrower through Federal, state or local government programs, e.g., Supplemental Nutritional Assistance Program (SNAP), energy assistance, etc. In determining whether such benefits may be counted as income the Lender must:

- Verify that the benefits are being received at the time of loan application, or that an Award letter has been issued, and benefits will begin to be received within 60 days. Lender may not count benefits for which the borrower is potentially eligible and intends to apply.
- Verify that the benefits are not subject to any specific termination date other than one related to the death of the borrower or the sale of the property; AND
- Verify that approval of the reverse mortgage will not jeopardize continued eligibility for the benefits, e.g., Borrower receiving reverse mortgage proceeds would not trigger disqualification based on the assistance program income or asset requirements.

Some benefit programs may result in a reduction in the borrower's expenses rather than increasing their income (e.g., the borrower is charged a lower rate for homeowners' insurance). In these cases, the reduced amount may be used in calculating expenses and must not be treated as income.

Imputed Income from Asset Dissipation

Regular income from interest, dividends, or other returns from the borrower's investments may be included in the calculation of residual income provided that such income is properly documented. Alternatively, Lender may include imputed income from dissipation of reverse mortgage proceeds, liquid assets, defined as assets that can be converted to cash within one-year without payment of an IRS penalty, and other assets that are subject to federal tax by using the applicable discount in the table below.

Liquid asset sources from which imputed income may be calculated include, but are not limited to the following:

Asset Source	% To Be Counted
Savings and Checking Accounts, Certificates of Deposits, Roth IRAs, reverse mortgage proceeds and any other assets that **are not** subject to Federal taxes	100%
Other assets that are subject to Federal taxes	85%*

*We may use the borrower's actual tax rate based on Federal tax returns from the prior year if tax rate is lower than 15% or no discount if borrower does not have a federal tax obligation.

Calculate the combined value of assets and calculate income from these sources by dividing the total adjusted value by the remaining life expectancy (in months) of the youngest borrower.

If the asset is jointly held with an Eligible Non-Borrowing Spouse or other party not obligated on the mortgage, the asset may be counted provided that the borrower provides documentation that the borrower has unrestricted access to that asset.

Asset Dissipation Calculation Table

Use the table below as a guide to calculating imputed income from liquid assets. The resulting monthly amount should be entered on the financial assessment worksheet to calculate residual income.

Asset Type	Account Value		Discount Rate		Discounted Value
Checking/Savings/Certificate of Deposit/Roth IRA and other assets not subject to Federal taxes if dissipated	$	x	100%	=	$
Assets subject to Federal taxes if dissipated	$	x	100% minus 15% or when known the borrower(s) actual federal tax rate if its greater than 15%	=	$
Reverse Mortgage Proceeds	$	x	100%	=	$
Total Discounted Value					$

Minus Borrower Funds Needed to Close	-
Adjusted Discounted Value	$
Life Expectancy of Youngest Borrower in Months Life Expectancy in Years _____ x 12 =	Mos.
Adjusted Discounted Value / Life Expectancy in months= **Total Monthly Income from Assets**	$

Where monthly income from asset dissipation is included in the residual income analysis the assets must be documented in the file.

Assets – Checking and Savings Accounts

Checking and savings accounts refer to funds from borrower-held accounts.

If the borrower does not hold the deposit account solely, all non-borrower parties on the account must provide a written statement that the borrower has full access to and use of the funds.

Obtain a written Verification of Deposit (VOD) and the borrower's most recent statement for each account.

If a VOD is not obtained, a statement showing the previous month's ending balance and current month's ending balance for the most recent month is required. If the previous month's balance is not shown, then the most recent two (2) months statements are required.

We may also obtain Verification of Assets from a Third-Party Verification service.

Assets – Retirement Accounts

Retirement accounts refer to assets accumulated by the borrower for the purpose of retirement, e.g. IRA, 401(k) 403(b), etc.

Obtain the most recent monthly or quarterly statement to verify and document the existence and amounts in the borrower's retirement accounts, the borrower's eligibility for withdrawals, and the terms and conditions for withdrawal from any retirement account.

Assets- Stocks and Bonds

Stocks and bonds are investment assets accumulated by the borrower.

We must document the existence of the borrower's stocks and bonds by obtaining a brokerage statement(s) for each account for the most recent two (2) months. Accounts do not have to be liquidated.

If the stocks and bonds are not held in a brokerage account, we must determine the current value of the stocks and bonds through third party verification. Government-issued savings bonds are valued at the original purchase price, unless the Lender documents that the bonds are eligible for redemption.

For stocks and bonds not held in a brokerage account we must obtain a copy of each stock or bond certificate.

Assets- Private Savings Clubs

Private Savings Clubs refer to a non-traditional method of savings by making deposits into a member-arranged resource pool. We can consider private savings club funds that are distributed to and received by the borrower as an acceptable source of funds.

We must document the establishment and duration of the club, and the borrower's receipt of funds from the club, and determine that the received funds were reasonably accumulated and not borrowed.

We must obtain the club's account ledgers and receipts, and verification from the club treasurer that the club is still active.

Expenses Analysis

Using the credit report, 1009, Part VI of URLA or equivalent, most recent Federal and state income tax returns, and other documents that may be available to the Lender to identify all secured and unsecured debts. The Lender must calculate:

- Federal and State Income Taxes.
- FICA tax (Social Security & Medicare Tax).
- Property charges for the subject property.
- Estimated utility and maintenance expenses.
- Installment account payments.
- Any other owned property mortgage obligations (debt and property charges);
- Revolving credit account payments.
- Alimony and child support payments; AND
- Other obligations described in this guide

Where the borrower benefits from Federal, state or local benefit programs that reduce borrower expenses, the reduced amounts may be used to calculate expenses provided that we comply with the requirements of Government Assistance Non-Cash Benefits.

30 Day Accounts

30-day accounts refer to a credit arrangement that requires the borrower to pay the outstanding balance on the account every month.

We must verify the borrower pays the outstanding balance in full on every 30-day account each month for the past 12 months. 30-day accounts that are paid off monthly do not have to be included in the expense analysis. If the credit report reflects any late payments in the last 12 months, we must utilize 5% of the outstanding balance as the borrower's monthly payment amount and include it in the expense analysis.

We must document the borrower(s) verified funds to pay the current monthly balance in full. Reverse mortgage proceeds may be used as verified funds.

Alimony, Child Support and Maintenance

Alimony, child support, and other maintenance are court-ordered or otherwise agreed upon payments.

For alimony, if the borrower's income was not reduced by the amount of the monthly alimony obligation in the calculation of the borrower's gross monthly income, then we must document and include the monthly obligation in the expense analysis.

Child support and other maintenance are to be treated as a recurring liability, and we must include the monthly obligation in the expense analysis.

Obtain the signed final divorce decree, legal separation agreement, maintenance agreement, or other legal/court order. For a borrower who is employed document the most recent 30 days consecutive pay stubs to evidence if any wage garnishment.

Calculate the borrower's monthly obligation from the **GREATER** of:

- The amount shown on the final decree or agreement establishing the borrower's payment obligation; OR
- The monthly amount of a wage garnishment.

Business Debt in Borrower's Name

Business debt in the borrower's name refers to liabilities reported on the borrower's personal credit report, but payment for the debt is attributed to the borrower's business.

When business debt is report on the borrower's personal credit report, the debt must be included in the expense analysis, unless we document that the debt is being paid by the borrower's business, and the debt was considered in the cash-flow analysis of the borrower's business.

When a self-employed borrower states that debt appearing on their personal credit report is being paid by their business, document that the debt is paid out of company funds **AND** that the debt was considered in the cash-flow analysis of the borrower's business.

Charge Off Accounts

A charge off account refers to a borrower's loan or debt that has been written off by the creditor.

Charge off accounts do not need to be included in the expense analysis.

Collection Accounts

A collection account is a borrower's loan or debt that has been submitted to a collection agency by a creditor.

If the credit report used in the analysis shows cumulative outstanding collection account balances of $2,000 or GREATER, we will use 5% of the outstanding balance on each account as monthly payment and include in the expense analysis.

Contingent Liabilities

Contingent liability is a liability that may result in the obligation to repay only where a specific event occurs. For example, contingent liability exists when an individual can be held responsible for the repayment of a debt if another party defaults on the payment. Contingent liabilities may include cosigned liabilities and liabilities resulting from a mortgage assumption without a release of liability.

Include monthly payments on contingent liabilities in the expense analysis unless we can verify that there is no possibility that the debt holder will pursue debt collection against the borrower should the other party default, **OR** the other party has made 12 months of timely payments.

We must calculate the monthly payment on the contingent liability based on the repayment terms (loan or account agreement) for the contingent liability.

Mortgage Assumptions

Obtain the agreement creating the contingent liability or assumption agreement, and the recorded deed showing transfer of title out of the borrower(s) name.

Cosigned Liabilities

If the cosigned liability is not included in the monthly obligations, document that the other party to the debt has been making regular on-time payments during the previous 12 months and does not have a history of delinquent payments on the loan.

Court Ordered Divorce Decree

Obtain a copy of the divorce decree ordering the spouse to make payments.

Deferred Obligations (excluding student loans)

Refers to liabilities that have been incurred, but where payment is deferred or has not yet commenced, including accounts in forbearance. We must verify and include deferred obligations in the expense analysis. If the actual monthly payment is not on the credit report, we must document the monthly payment with the payment agreement OR use 5% of the outstanding balance as the payment amount.

Obtain written documentation of the deferral of the liability from the creditor and evidence of the outstanding balance and terms of the deferred liability. We must obtain evidence of the anticipated monthly payment obligation, if available. If the credit report reflects the account to be deferred or forbearance status, then obtaining documentation from the creditor for same is not required.

Deferred/Forbearance Student Loans

Refers to liabilities incurred for educational purposes. The Underwriter must include all student loan debt in the expense analysis, regardless of payment type or status of payments. We must obtain written documentation of the actual monthly payment, the payment status, and evidence of the outstanding balance and terms from the creditor. We must use the greater of .50% of the outstanding balance on the loan or the monthly payment reported on the credit report or the actual documented payment.

Disputed Derogatory Accounts

Disputed derogatory credit accounts refer to disputed charge off accounts, disputed collection accounts, and disputed accounts with late payments in the last 24 months.

If the borrower has $1,000 or more collectively in disputed derogatory credit accounts, then we must include a monthly payment in the expense analysis. Do not have to include disputed medical accounts OR disputed derogatory credit resulting from Identity Theft, credit card theft or unauthorized use.

Federal Debt

Federal debts refer to non-delinquent debt owed to the federal government for which regular payments are being made.

Document from the federal agency the repayment agreement terms and conditions and include the monthly payment in the expense analysis.

Federal and State Income Taxes

We must use current pay stubs, tax tables, or federal, state and local tax returns from the most recent tax year, to document federal, state and local taxes.

If the borrower's most recent tax return is more than two (2) years old, we must estimate the taxes using available guidance and tax tables.

FICA Tax

The Federal Insurance Contributions Act (FICA) is the federal law that requires withholding of two (2) separate (Social Security and Medicare) taxes from earned wages. We may use the amount reflected on the borrower(s) pay stub to determine the monthly expense.

General Liabilities and Debts

Determine the borrower's monthly liabilities by reviewing all debts listed on the credit report, Part VI or URLA or equivalent, tax returns, bank statements, and pay stubs, and document the reasons for exclusion of any debt listed on these documents.

All applicable monthly liabilities must be included in the expense analysis. Installment debts do not have to be included if they will be paid off within 10 months and the cumulative payments of all such debts are less than or equal to 5% of the borrower(s) gross monthly income. Paying down the balance to meet the 10-month requirement may be permissible, see Compensating Factors Debt Consolidation to Pass Residual Income.

Accounts for which the borrower is an authorized user must be included in an expense analysis unless the Lender documents that the borrower(s) are not making payments on the account.

We will subtract negative income from the borrower's gross monthly income and not treat it as a recurring monthly liability unless otherwise noted.

Loans secured against deposited funds, where repayment may be obtained through extinguishing the asset (i.e., 401(k), life insurance, etc.) and these funds are not included in calculating the borrower's verified assets, do not require consideration in the expense analysis.

Installment Loans

Installment loans refer to loans, not secured by real estate, that require the periodic payment of principal and interest. A loan secured by an interest in a timeshare must be considered an installment loan. Monthly payment amounts must be included in the expense analysis.

Installment debts do not have to be included in the expense if they will be paid off within 10 months and the cumulative payments of all such debts are less than or equal to 5% of the borrower's gross monthly income. The balance Paying down the balance to meet the 10-month requirement may be permissible, see Compensating Factors Debt Consolidation to Pass Residual Income.

If the credit report does not include a monthly payment amount, then use the monthly amount from the loan agreement or account statement.

Maintenance and Utility Charges

We will take the square footage from page 1 of the appraisal report under square feet of gross living area above grade to calculate the monthly charges to be included in the expenses. i.e., 1250 sq. feet x .14 = $175.00.

Private Savings Club

Private Savings Clubs refers to non-traditional methods of saving by making deposits into a member-managed resource pool.

IF the borrower is obligated to continue making ongoing contributions under the pooled savings agreement, this obligation must be included in the expense analysis.

Document the establishment and duration of the borrower's membership in the club and the amount of the borrower's required contribution to the club.

Revolving Charge Accounts

Revolving charge accounts refers to a credit arrangement that requires the borrower to make periodic payments but does not require the full repayment by a specified point of time.

We must include in the expense analysis the payment shown on the credit report for each revolving account with a balance. Where the credit report does not include a payment, then we must use the payment shown on the current account statement or 5% of the outstanding balance.

Undisclosed Debts and Inquiries

When a debt or obligation is revealed during the application process that was not listed on the application and/or credit report, we must document the actual monthly payment and include it in the expense analysis.

We must obtain an explanation from the borrower for all inquiries shown on the credit report that were made in the last 90 days. We must document all undisclosed debt and support its analysis of the borrower's debt.

Residual Income Requirements

We will determine the borrower(s) residual income by summing the monthly effective income from all eligible sources and subtracting the total monthly expenses. We must document the Underwriter's analysis with a Financial Assessment Worksheet that has been signed and dated by the Underwriter.

The residual income requirement will be based on the household/family size, appraised value, and geographic region. For borrower(s) that do not meet the residual income requirement in this guide then compensating factors identified in this guide may be applied. Upon compensating factors being applied and residual income requirements are not met then a Tax and Insurance Set Aside (TISA) is required.

Note: Any boarders residing in the home must be included in the household/family size. We will include a boarder regardless of use of boarder rental income to qualify nor the relationship between the borrower(s) and the boarder(s). A boarder can be a family member or non-family member. Boarder(s) to be counted even if boarder income cannot be used to qualify.

Debt Consolidation to Pass Residual Income Test

Loan proceeds that have not been dissipated as effective income may be utilized to pay off or pay down, as noted below, debts to meet Residual Income requirements in this guide.

- Credit accounts, e.g., credit cards, installment loans, can be paid off via the reverse mortgage proceeds to pass the Residual Income Test.
- Installment accounts can be paid down to 10 payments or less to exclude the payment from the Residual Income calculation.
- Auto lease accounts cannot be paid off nor paid down to less than 10 months.

In all cases the Platinum reverse mortgage must provide a sustainable solution to the borrower(s) even if the loan will close with a TISA. The Underwriter will apply his/her best judgment by looking at an entire picture when determining a sustainable solution. Things to be considered include but are not limited to; funds available to the borrower(s) at time of closing that were not dissipated as effective income, residual income percentage fulfilled, credit history, property charge payment history, borrower(s) have direct experience paying property charges, and compensating factors. When a TISA is required, the Underwriter can hypothetically remove the property taxes, homeowners and flood insurance, as applicable, from the monthly expenses to determine if Platinum provides a sustainable solution.

Tables of Residual Income by Region

Appraised Value ≤ $1,209,750				
Household/Family Size	Northeast	Midwest	South	West
1	$540	$529	$529	$589
2	$906	$886	$886	$998
3	$946	$927	$927	$1031
4 or more	$1066	$1041	$1041	$1160

Appraised Value >$1,209,750 - $2mm				
Household/Family Size	Northeast	Midwest	South	West
1	$702	$688*	$688*	$766*
2	$1,178*	$1,152*	$1,152*	$1,297*
3	$1,230*	$1,205*	$1,205*	$1,340*
4 or more	$1,386*	$1,353*	$1,353*	$1,508

***Rounded to nearest whole dollar**

Appraised Value > $2mm				
Household/Family Size	Northeast	Midwest	South	West
1	$945	$926*	$926*	$1,031*
2	$1,586*	$1,551*	$1,551*	$1,747*
3	$1,656*	$1,622*	$1,622*	$1,804*
4 or more	$1,866*	$1,822*	$1,822*	$2,030

***Rounded to nearest whole dollar**

States Included in Regions

The regions on the Table of Residual Income include the following states:

Region	States
Northeast	CT, MA, ME, NH, NJ, NY, PA, RI, VT
Midwest	IA, IL, IN, KS, MI, MN, MO, ND, NE, OH, SD, WI
South	AL, AR, DC, DE, FL, GA, KY, LA, MD, MS, NC, OK, PR, SC, TN, TX, VA, VI, WV
West	AK, AZ, CA, CO, HI, ID, MT, NM, NV, OR, UT, WA, WY

Compensating Factors (CFs) – Residual Income Shortfall

Where the borrower(s) residual income does not meet the applicable standard compensating factors may be cited. We may only cite CFs from the list(s) that are found in these guidelines and document all requirements of a CF have been met, as applicable.

If one (1) or more of the permissible compensating factors identified above are applicable and properly documented, then the loan is eligible without a TISA.

In all cases the reverse mortgage must provide a sustainable solution to the borrower(s) so they may responsibly age in place. The Underwriter must document his or her analysis on the FA Worksheet.

Income from the sources described below may be cited as a CF where the borrower's residual income, combined with documented income from 1 or more of these sources, equals or exceeds the residual income required, and we document that the specific criteria for the individual CF has been met.

- **Occupying/Eligible Non-borrowing spouse.**
- **Overtime, Seasonal, Part-time or Bonus income** – Borrower(s) have documented overtime, bonus, part-time or seasonal income that the borrower has received for at least 6 months, and it will likely continue; or
- **Expected Social Security or Pension Income** – Borrower(s) has received an Award letter stating that the borrower will begin receiving Pension or Social Security income within the next 12 months.

We may apply one of the following Compensating Factors (CFs) when the **Baseline % of RI fulfilled is 80-99%** without any compensating factors being cited. We are required to document CF specific criteria was met.

Property Charge Payment History, the borrower(s) meet all the following:

- Borrower(s) have paid the property charges directly for at least the last 24 months (i.e., T & I not paid by a lender from an escrow account or by another party).
- Borrower(s) have made all property charge payments without incurring penalties during the last 24 months; and
- Borrower(s) current income is not less than income during the previous 24 months.

Assets equal to life expectancy property charges – Borrower(s) have assets (**excluding** reverse mortgage proceeds) equivalent to the anticipated property charge payments for the life expectancy of the youngest borrower that were not dissipated or considered in the residual income calculation.

Proceeds sufficient to pay off debts – Proceeds remaining after closing that were not dissipated and counted as income, are sufficient to pay off revolving & installment debt, including revolving and installment accounts in collection status, that would reduce monthly payments to the extent that the residual income would meet or exceed the applicable standard; AND

Access to other credit – Borrower(s) have access to revolving credit that provides the borrower(s) with financial liquidity that would enhance his/her ability to endure a financial hardship. The credit report shows established credit lines, other than his or her housing payment, in the borrower(s) name, open for at least 6 months; and we can document that these accounts have been paid off in full monthly for at least the past 6 months.

Borrowers who have no established credit other than their housing payment, no other credit lines in their own name open for at least 6 months, or who cannot document that all other accounts are paid off in full monthly for at least the past 6 months, do not qualify under this criterion. Credit lines not in the borrower's name, but for which he or she is an authorized user do not qualify under this criterion.

Insurance Requirements

Flood Insurance

Flood Insurance refers to insurance provided by an NFIP or Private Flood Insurance (PFI) policy that covers physical damage by floods.

A National Flood Insurance Program (NFIP) policy refers to insurance managed by FEMA that covers physical damage by floods.

A Private Flood Insurance (PFI) policy refers to insurance provided by a private insurance carrier that covers physical damage by floods.

When the property improvements, dwelling and related structures/equipment essential to the value of the property and subject to flood damage, are in an area designated by FEMA as a SFHA, and located in a participating community, the borrower must obtain and maintain flood insurance.

Flood insurance is required if the Flood Determination Certificate shows the property is in one of the following flood zones: A, AO, AH, A1-A30, AE, 99, AR, AR/AE, AR/AO, AR/A1-A30, AR/A, V, VE, and V1-V30.

Private Flood Insurance

When private flood insurance is obtained in lieu of an NFIP policy the following requirements must be met. A policy issued by a private insurer, provided:

- The terms and amount of coverage are at least equal to the coverage provided under an NFIP policy based on a review of the full policy issued by a private insurer,
- The deductible must not exceed the maximum deductible amount of $10,000 currently offered by NFIP for one-to four-unit properties insured under an NFIP dwelling form, and
- The insurer meets one of the following rating categories:
    - Rating by the A.M. Best Company, Inc. with either:
        - A "B" or better financial strength rating in Best's Insurance Reports, or
        - An "A" or better Financial Strength rating, <u>and</u> a Financial Size Category of "VII" or greater in Best's Insurance Reports non-US edition.

- Rating with Demotech of an "A" or better in Demotech's Hazard Insurance Financial Stability Rating.
- Rating with Standard and Poor of a "BBB" or better Insurer Financial Strength Rating in Standard and Poor's.
- Rating Direction Insurance Service.

Amount of Coverage

Coverage for a 1- 4 family dwelling must be maintained during such time as the mortgage is in effect in an amount at least equal to the **lowest of**:

- Maximum Claim Amount; or
- Appraised value minus site value; or
- Total estimate of cost new from the cost approach section on the appraisal; or
- Maximum amount of the NFIP insurance available with respect to the property type. Presently $250,000.00

Coverage for a **condominium unit** must be maintained during such time as the mortgage is in effect in that amount of at least equal to the lowest of:

- Maximum Claim Amount; or
- The replacement cost of the building; or
- The maximum amount of insurance available under the National Flood Insurance program. Presently $250,000.00.

Connecticut

A Lender may not require any prospective borrower to obtain by purchase or otherwise a flood insurance policy more than the replacement value of the Property.

Deductible

The maximum allowed deductible may be no greater than the maximum deductible available from the NFIP (i.e., $10,000).

The maximum deductible is $10,000 unless a higher maximum amount is required by state law. A higher deductible may be permitted on a case-by-case basis escalate to Underwriting Manager for review.

For new policies and renewals that are effective on or after June 1, 2014, the NFIP minimum deductibles will be as follows:

- If the building coverage is $100,000 or less, the minimum deductible will be $1,000 for building coverage and $1,000 for contents coverage.
- If the building coverage exceeds $100,000, the minimum deductible will be $1,250 for building coverage and $1,250 for contents coverage.

Evidence of Flood Insurance

Acceptable evidence of flood insurance includes any of the following:

- Flood insurance application and proof of premium payment; OR
- Flood binder or declaration page and proof of premium payment; OR
- Refinance transaction only, a Certificate of Insurance including all critical information (e.g., state that the policy is in force, the insurer(s), the effective date of the policy, the name(s) and address of insured(s), types of coverage, dwelling limit purchased, deductibles, and signature of certificate provider).

Any acceptable evidence of insurance provided must have accurate Loan/Borrower information:

- Borrower(s) Name(s) should match title vesting but can accept a nickname, William vs Bill, Samuel vs Sam, Robert vs Bob. Does not need to include middle name/initial for the borrower(s).
- Location address is the same as the property address reflected on the USPS.
- The flood zone reflected on the evidence of flood insurance **MUST** match the flood zone reflected on the Flood Determination Certificate.

Note: For new policies, full premium is to be collected at closing, we can accept written confirmation from the Insurer that the policy effective dates will not change upon receipt of the annual premium, however if the policy is NOT in effect at the time of closing without full premium payment, then the full premium **must** be paid in full prior to closing, and **must** be documented.

Policy Effective Period

A policy must have 30 days remaining before renewal at closing for a refinance and 12 months for a Purchase.

- Policy must have at least 30 days coverage remaining as of the closing date.
- If the policy is expiring within 30 days of the closing date, evidence of renewal is required.
- If the borrower has not had a flood policy in place for the prior 12 months on the borrower(s) primary residence, then the full annual premium must be paid in full at closing.

Policy Premium

- Evidence premium paid in full or collect balance due.
- Renewal policy, collect balance due unless a payment schedule is obtained.
- If the payments are being paid by the lender we are paying off, we must collect the full balance due.
- If the policy is on a payment plan, we do not have to collect unless it is a NEW policy. Evidence it's on a payment plan is required.
- When a TISA is mandated the balance due must be paid in full at closing.

Mortgagee Clause

Retail & Broker Originations to be listed as:

Longbridge Financial, LLC ISAOA

P.O. Box 39457

Solon, OH 44139-0457

PAA Originations to be listed as the lender on the 1009 and include ISAOA.

Required Documentation

A flood calculation worksheet and source documentation must be in the file to indicate if the value of improvements or the replacement cost was used to calculate coverage, e.g., appraisal or an insurance document showing replacement cost. If such document is not available, the method used (value or replacement) should be clearly notated in the file.

- Flood Calculation Worksheet - 1- 4 Family
- Flood Calculation Worksheet – Condominium

Requirements for a Unit in a Condominium or PUD

When a mortgage loan is secured by a unit in an attached condo project and any part of the building improvements are in an SFHA, we must verify that the HOA maintains a master policy of flood insurance.

The premiums must be paid as a common expense, unless indicated otherwise in the table below.

The following table provides additional requirements based on the project type.

Project Type	Coverage Requirements
Condo	We must verify that the HOA maintains a Residential Condominium Building Association Policy or equivalent private flood insurance coverage for a condo building consisting of attached units located in an SFHA. The only building that must be verified is the subject unit's building. LBF does not require evidence of a master flood insurance policy, provided the unit owner maintains an individual flood dwelling policy that meets the coverage requirements of this Guide for the following mortgage loans or project types: • units in a two- to four-unit project, and • detached condo properties. A master flood insurance policy maintained by the project must cover the subject units. • entire building including each of the individual units in the building; and • all the common elements and property, including machinery and equipment that are part of the building. The coverage amount for the building must be at least equal to the lesser of: • 80% of the replacement cost, or • the maximum insurance available from NFIP per unit (which is currently $250,000). If the master flood insurance policy meets the minimum coverage requirement of 80% replacement cost, but the per unit coverage amount does not meet the requirement for mortgage loans secured by one- to four-unit properties, as described above, the unit owner must maintain a supplemental policy for the difference. The contents coverage must equal the lesser of 100% of the insurable value of all contents owned in common by the association members or the maximum amount available through the NFIP.

PUD	The same flood insurance that is required for one- to four-unit properties is required for an attached or detached individual PUD unit. See above for the required amount of coverage. A stand-alone flood insurance dwelling policy must be maintained to meet these requirements.

Determining the Amount of Required Flood Insurance Coverage

The minimum amount of flood insurance required is the lowest of:

- 100% of the replacement cost of the insurable value of the improvements.
- the maximum insurance available from the NFIP; or
- the unpaid principal balance of the mortgage loan.

Homeowner's Insurance (HOI)

Evidence of hazard/fire insurance for all properties (SFR, Condominium, Site Condominium PUD, or 2-4 family) must be included in every file.

Amount of Coverage

The hazard insurance policy must cover 100% of the insurable value of the improvements, unless the policy contains an endorsement for Guaranteed Replacement Cost. The amount of coverage must be either:

- The appraiser's evaluation of "total estimate of cost new,"; **OR**
- The total appraised value minus the land value; **OR**
- Guaranteed Replacement Cost.

When there is a discrepancy between the total estimate of cost new in the appraisal report to the homeowner's insurance company replacement cost then we must obtain the Replacement Cost Estimator from the homeowner's insurance company. The minimum dwelling coverage must equal the amount on the replacement cost estimator.

Arizona

For any loan that is secured by real property, a lender shall not require as a condition of the loan that the borrower obtain property insurance coverage in an amount that exceeds the replacement cost of the improvements as established by the property insurer.

California

A lender may not require hazard insurance in an amount that exceeds the replacement value of the improvements on the property. We must provide a borrower with notice of this prohibition as soon as possible, but in any case, the notice must be provided before the borrower signs a promissory note or any security documents.

We must accept written binders as proof of insurance at closing if the period specified in the binder is not more than 90 days from the date of issuance. We can refuse to accept the binder for reasonable cause.

Colorado

We may not require a borrower to obtain hazard insurance in an amount that exceeds the replacement value of the improvements to real property.

Connecticut

We cannot require any prospective borrower to obtain by purchase or otherwise a fire insurance policy, flood insurance policy, other extended coverage policy, or any combination thereof, more than the replacement value of the Property.

Florida

We must not, in connection with any application for a mortgage loan which is secured by a mortgage on residential real estate, require any prospective mortgagor to obtain by purchase or otherwise a property insurance policy in excess of the replacement value of the covered premises as a condition for granting such a mortgage.

Hawaii

We cannot require the borrower to obtain property insurance coverage in an amount that exceeds the replacement cost of the improvements **as established by the property insurer**.

Idaho

A lender may not require a borrower to obtain or maintain fire insurance or other hazard insurance in an amount that exceeds the replacement value of the improvements as established by the property insurer.

Illinois

No lender may require a borrower, as a condition of receiving or maintaining a loan secured by real property, to provide hazard insurance coverage against risks to the improvements on that real property in an amount exceeding the replacement value of the improvements on the property.

Massachusetts

A lender may not cause or require a borrower to obtain property insurance coverage in an amount that exceeds the replacement cost of the improvements as established by the property insurer.

Michigan

A lender may not require the amount of insurance to exceed the replacement cost of the mortgaged building improvements.

Mississippi

A lender may not cause or require a borrower to obtain property insurance coverage in an amount that exceeds the replacement cost of the improvements as established by the property insurer.

Missouri

A lender may not cause or require a borrower to obtain property insurance coverage in an amount that exceeds the replacement cost of the improvements as established by the property insurer.

Montana

The borrower(s) may not be required to obtain property insurance coverage in an amount that exceeds the replacement cost of the improvements as established by the property insurer.

New Hampshire

The borrower(s) may not be required to obtain property insurance coverage in an amount that exceeds the replacement cost of the improvements as established by the property insurer.

New Mexico

A lender may not cause or require a borrower to obtain property insurance coverage in an amount that exceeds the replacement cost of the improvements as established by the property insurer.

New York

A lender may not require any borrower(s) to obtain a hazard insurance policy more than the replacement cost of the improvements on the property.

Ohio

A lender is prohibited from requiring a borrower to purchase homeowners insurance coverage or other residential property insurance coverage in an amount that exceeds the replacement value of the dwelling and its contents, regardless of the amount of mortgage or other financing arrangement entered into by the borrower. The fair market value of the land on which the dwelling is located must not be included in the replacement value of the dwelling and its contents.

Oklahoma

We cannot require a borrower as a condition of financing a residential mortgage or providing other financing arrangements for residential property (including a mobile or manufactured home) to purchase homeowner insurance coverage, mobile or manufactured home insurance coverage, dwelling fire coverage, or other residential property coverage in an amount that exceeds the replacement value of the dwelling and its contents.

In determining replacement value for purposes of insurance, we cannot include the fair market value of the land on which a dwelling is located.

We may accept the replacement value of the dwelling determined by the insurer, or use the value placed on the dwelling that is determined by an appraisal of the real property.

Oregon

We cannot cause or require a borrower to obtain property insurance in an amount that exceeds the replacement cost of the property subject to the residential mortgage loan.

Pennsylvania

We cannot require a borrower to obtain property insurance coverage which exceeds the replacement value of buildings and structures situated on the land used to secure the loan. In addition, a borrower on a loan secured by real property may not be required to insure the value of the land.

Rhode Island

The borrower(s) may not be required to obtain property insurance coverage in an amount that exceeds the replacement cost of the improvements **as established by the property insurer**.

South Carolina

We cannot require as a condition or term of the mortgage that the borrower purchase casualty insurance in an amount more than the replacement cost of the buildings or appurtenances on the mortgaged premises.

Texas

We cannot cause or require a borrower to obtain property insurance coverage in an amount that exceeds the replacement cost of the improvements as established by the property insurer.

Virginia

We cannot require a borrower to provide or purchase property insurance coverage or flood insurance coverage against risks to any improvements on any real property in an amount exceeding the replacement value of the improvements on the real property. In determining the replacement value of the improvements on any real property, the lender may:
(1) accept the value placed on the improvements by the insurer; or
(2) use the value placed on the improvements that is determined by the lender's appraisal of the real property.
A violation of the above requirements will not affect the validity of the mortgage or deed of trust securing the loan.

Policy Effective Period

An HOI policy must have 30 days remaining before renewal at closing for a refinance and 12 months for a Purchase.

- Policy must have at least 30 days coverage remaining as of the closing date.
- If the policy is expiring within 30 days of the closing date, evidence of renewal is required.
- If the borrower has not had a flood policy in place for the prior 12 months on the borrower(s) primary residence, then the full annual premium must be paid in full at closing.

Policy Premium

- Evidence premium paid in full or collect balance due.
- Renewal policy, collect balance due unless a payment schedule is obtained.
- If the payments are being paid by the lender we are paying off, we must collect the full balance due.
- If the policy is on a payment plan, we do not have to collect unless it is a NEW policy. Evidence it's on a payment plan is required.
- When a TISA is mandated the balance due must be paid in full at closing.

Mortgagee Clause

Retail & Broker Originations

Longbridge Financial, LLC ISAOA
P.O. Box 39457
Solon, OH 44139-0457

PAA Originations to be listed as the lender on the 1009 and include ISAOA.

Deductible Amount

The maximum deductible is 5.00% of the dwelling coverage amount unless a lower amount is required by state law.

Evidence of Insurance

- Policy or declaration page; or
- Binder and application are acceptable unless prohibited by law. The binder/application must contain the following information:

    - Agent certification that all inspections have been made, and state there is no chance for cancellation except for non-payment of premium; and
    - Terms cannot exceed 60 days, unless otherwise addressed by state law.
- All requirements for the standard declaration page must be shown.
- The policy is properly countersigned.
- All Borrower(s) must be an insured, and only borrower(s) can be listed as an insured; and
- Location address is the same as the property address reflected on the USPS.

Required Coverage

- Standard Extended Coverage Endorsement is required.
- For properties located in designated zones (landslides, cliffs, seismic, hurricane (wind/hail), coastal county,) the policy must include coverage. A separate policy or endorsement that provides adequate coverage is also acceptable. Land subsidence (Sinkhole) coverage is required if the property previously experienced damage from a sink hole OR the appraisal, title, public record, or Contract of sale (if applicable) notes that the subject property is subject to damage.
- Declaration page must specifically state the policy includes wind/hail/hurricane coverage in coastal areas.
- Coastal areas are areas surrounded by or that meet the sea or water. See our list of Coastal County Zip Codes. **Note**: If there are multiple policies than the annual premium for each policy must be included in monthly expenses.

Condominium and PUD

Condominium Requirements

Longbridge must review the entire condo project insurance policy to ensure the HOA maintains a master or blanket type of insurance policy, with premiums being paid as a common expense. The insurance requirements vary based on the type of HOA master or blanket insurance policy as follows:

- "Single Entity" policy: The policy must cover all the general and limited common elements that are normally included in coverage. These include fixtures, building service equipment, and common personal property and supplies belonging to the HOA. The policy also must cover fixtures, equipment, and replacement of improvements and betterments that have been made inside the individual unit being financed. The amount of coverage must be sufficient to restore the condo unit to its condition prior to a loss claim event. If the unit interior improvements are not included under the terms of this policy type, the borrower is required to have an HO-6 policy with coverage of 20.00% of the appraised value. Policy must be sufficient to repair the condo unit to its condition prior to a loss claim event.
- "All-In" (sometimes known as an "all-inclusive") policy: The policy must cover all the general and limited common elements that are normally included in coverage. These include fixtures, building service equipment, and common personal property and supplies belonging to the HOA. The policy also must cover fixtures, equipment, and replacement of improvements and betterments that have been made inside the individual unit being financed. If the unit interior improvements are not included under the terms of this policy type, the borrower is required to have an HO-6 policy with coverage of 20.00% of the appraised value. Policy must be sufficient to repair the condo unit to its condition prior to a loss claim event.
- "Bare Walls" policy: This policy typically provides no coverage for the unit interior, which includes fixtures, equipment, and replacement of interior improvements and betterments. As a result, the borrower is required to have an HO-6 policy

with coverage of 20.00% of the appraised value. Policy must be sufficient to repair the condo unit to its condition prior to a loss claim event.

Condominium: HO-6 coverage at 20.00% of appraised value is required for all condominiums where the blanket policy does not include "walls-in" coverage. If a Master policy has Walls In coverage, but it does not cover upgrades or betterments made by the Unit Owner then a HO-6 policy must be obtained.

Planned Unit Development (PUD) Requirements

The HOA must maintain a property insurance policy, with premiums being paid as a common expense. The policy must cover all the common elements except for those that are normally excluded from coverage, such as land, foundation, and excavations. Fixtures and building service equipment that are considered part of the common elements, as well as common personal property and supplies, should be covered.

Individual insurance policies are also required for each unit in a PUD project. If the project's legal documents allow for blanket insurance policies to cover both the individual units and the common elements, Longbridge will accept the blanket policies in satisfaction of its insurance requirements for the units.

Planned Unit Development (PUD): When an HOA carries a Master insurance policy a HO-6 policy with coverage of at least 20.00% of the appraised value is required for any PUD where the blanket policy does not include "walls-in" coverage. If a Master policy has Walls In coverage, but it does not cover upgrades or betterments made by the Unit Owner then a HO-6 policy must be obtained.

Gap insurance is not permitted.

Amount of Coverage Condominium or PUD

Insurance must cover 100% of the insurable replacement cost of the project improvements, including the individual units in the project. An insurance policy that includes any of the following coverage, either in the policy language or in a specific endorsement to the policy, is acceptable:

- Guaranteed Replacement Cost–the insurer agrees to replace the insurable property regardless of the cost.

Maximum Deductible Amounts

For policies covering the common elements in a PUD project and for policies covering condo projects, the maximum deductible amount must be no greater than 5% of the face amount of the policy.

For losses related to individual units in a co-op project or for individual PUD units that are covered by the blanket policy for the project, the maximum deductible amount related to the individual unit should be no greater than 5% of the replacement cost of the unit. If, however, the policy provides for a wind-loss deductible (either in the policy itself or in a separate endorsement), that deductible must be no greater than 5% of the face amount of the policy.

For blanket insurance policies that cover both the individual units and the common elements, the maximum deductible amount related to the individual unit should be no greater than 5% of the replacement cost of the unit.

Special Requirements for Condo Projects

Additional insurance policy requirements for condo projects are as follows:

- The policy must be primary, even if a unit owner has other insurance that covers the same loss.

Named Insured

The policy must show the HOA as the named insured and note the individual unit owner's name, and address (including Unit # if applicable).

Co-Insurance

LBF does not allow Co-Insurance as an acceptable form of hazard/fire insurance. Co-Insurance is the joint assumption of risk between the insurer and the insured, it is a penalty imposed on the insured by the insurance carrier for under reporting/declaring/insuring the value of tangible property or business income. The penalty is based on a percentage stated within the policy and the amount under reported.

Example: A building valued at $1,000,000 has an 80% coinsurance clause but is insured for only $750,000. Since its insured value is less than 80% of its actual value, when it suffers a loss, the insurance payout will be subject to the underreporting penalty. For example: It suffers a $200,000 loss. The insured would recover $750,000 / (.80 x 1,000,000) x 200,000 = $187,500 (less any deductible). In this example the underreporting penalty would be $12,500.

Title Report

A title commitment (preliminary title report) and 24-month chain of title/deed history is required for every loan. The title to the subject property must be good and merchantable, and free and clear of all liens and encumbrances. The title policy must be written on the 2006 ALTA standard form or the ALTA short form.

All title commitments must include:

- Mortgage and lien searches,
- Judgment search,
- Bankruptcy search,
- 24-month tax payment history,
- Covenants, Conditions & Restrictions, if applicable,
- Easements,
- Encroachments, and
- Endorsements as identified in this guide.

Coverage Amount

The minimum amount of loan policy coverage required is the maximum claim amount.

Proposed Insured

- Longbridge Financial, LLC, ISAOA (Retail & Broker Originations)
- **PAA originations** – Lender listed on 1009 and include ISAOA

Vested Interest

Only an eligible reverse mortgage borrower or eligible Trust may hold a vested interest in the subject property at time of closing. No other person(s) may have a vested interest in the subject property after loan closing. A new Deed must be executed prior to or at the time of loan closing that removes all other vested owner(s).

Any borrower is required to be on title to the property which serves as collateral for the reverse mortgage, and all borrower(s) must collectively hold title to the entire property which is security for the mortgage.

Death Certificate

A death certificate is required when a deceased person is being removed from title. This includes any person named in a Trust.

An affidavit of death may also be required based on state requirements as determined by the title company.

The title company or settlement agent must state in writing that the deceased party can be removed from title at closing without probate.

Legal Description

- The legal description must match the most recent recorded Deed and the appraisal report.
- Any discrepancy in the legal description from the title to the appraisal must be resolved.
- If the property has been recently subdivided the following are required:
    - Copy of the recent Survey.
    - New Legal Description.
    - Evidence of subdivision approval from the local municipality/county having jurisdiction over the subject property; and
    - Proposed Deed.

Taxes/Liens

- All outstanding liens, judgments, or other debts appearing in title or public record must be satisfied/released or omitted.
- Tax Certificate/Bill must be current, indicate correct name/address, Tax ID#/SBL (Section, Block, Lot)/Legal Description and indicate all tax data.
- All taxes coming due within 60 days of closing must be collected at time of loan closing; and
- Any UCC filing or exception in title for Solar lease, Power Purchase Agreement must be terminated. Final title policy may not have exceptions for leased equipment or power purchase agreements.
  Note: For taxes coming due within 60 days of closing but the taxing authority has not yet issued a tax bill then the Lender will collect an estimated annual tax amount up to 20% higher than the prior year tax bill. The estimated tax amount will be based on the prior 24 months (year-to-year) increases. For example, from 2019 to 2020 taxes increased 3%, from 2020 to 2021 taxes increased 3% then add 3% to last year's tax amount.

State Specific Requirements

New York

The following municipal/departmental searches are required for all Purchase loans with properties located within the New York City 5 Boroughs (Brooklyn, Bronx, Manhattan, Queens, Staten Island):

- Housing & Building,
- Environment Control Board (ECB),
- Emergency Repair,
- Fire,
- Judgments/Liens,
- Parking Bureau Violations, and
- Street Report.

The following additional searches are also required for ALL properties located in the State of New York

- Patriot Search(s), and
- Bankruptcy Search(s).

Texas

- Review of the Title and closing package are required by an Attorney that is licensed in the state of Texas; and
- **Cannot** close with an Eligible Non-Borrowing Spouse.

Easements

The following easements under the General Waiver Guidelines will not cause the property to be ineligible. An easement grants rights to access or use the real property of another person without possessing it. Customary easements in general will not cause the property to be ineligible.

- Customary easements for public utilities, party walls, driveways, and other purposes.
- Easements for public utilities along one or more of the property lines and extending not more than 100 feet from and for drainage or irrigation ditches along the rear 10 feet of the property – provided the exercise of the rights there does not interfere with any of the buildings or improvements located on the subject property.
- Easements for underground conduits which are in place and do not extend under any buildings on the subject property; or
- Mutual easements for joint driveways constructed partly on the subject property and partly on adjoining property – provided the agreements creating such easements are of record.

Encroachments

Property encroachment occurs when one property's home or other property owned by the homeowners, such as a pool or driveway, extends from one property onto another. Generally, a property with an encroachment is ineligible.

An encroachment may be acceptable if the adjoining landowner or the local governing authority provide a perpetual encroachment easement filed in the County Clerk and Recorder's Office.

The following encroachments under the General Waiver guidelines may be allowed and would not cause the property to be ineligible:

- Encroachments on the subject property by improvements on adjoining property where such encroachment do not exceed one (1) foot – provided such encroachments do not touch any buildings or interfere with the use of any improvements on the subject property
- Encroachments on adjoining property by eaves and overhanging projections attached to improvements on the subject property, where such encroachments do not exceed one (1) foot.
- Encroachments on adjoining property by hedges, wooden or wire fences belonging to the subject property
- Encroachments on adjoining property by driveways belonging to subject property where such encroachments do not exceed one (1) foot – provided there exists a clearance of at least eight (8) feet between the buildings on the subject property and the property line affected by the encroachment.
- Encroachments by garages or improvements other than those which are attached to or a portion of the main dwelling structure over easements for public utilities – provide such encroachment does not interfere with the use of the easement or the exercise of the rights of repair and maintenance.

Endorsements

The following endorsements are required for all Final Title policies:

- Restrictions, Encroachments, Minerals (Alta 9, CLTA 100, or T-19). Exceptions by management on a case-by-case basis. The Residential Mortgage Endorsement and deletion of all survey exceptions are required when an Alta 9 exception is made.
- Reverse Mortgage (Alta 14.3-06, CLTA 111.14.3, or T-43)
- Location (Street Address) (Alta 22 or CLTA 116). Not required in Florida, New York, Pennsylvania or Texas.
- Environmental Protection Endorsement (Alta 8.1, CLTA 110.9 or T-36)
- Survey endorsement – required if the title company will not remove all survey exceptions.
- New Jersey – No Survey, Survey Endorsement

Endorsements, as Applicable

- PUD (Planned Unit Development) (Alta 5, CLTA 115.2, or T-17)
- Condominium (Alta 4 or CLTA 115.1).
- Leasehold – Leasehold Lender's endorsement or equivalent.

Restrictions

Restrictions are general limitations as to the use or placement of real estate. The following restrictions are General Waiver guideline.

Customary building and use restrictions which:

- Are coupled with a reversionary clause – provided there has been no violation prior to the date of the deed to the Commissioner; or
- Are not coupled with a reversionary clause and have not been violated to a material extend

If the restrictions set forth is being violated, the following are allowable exceptions:

- Violations or cost or set back restrictions which do not provide a penalty of reversion or forfeiture of title, or lien for liquidated damages which may be superior to the lien of the insured mortgage
- Violations of such restrictions which do not provide for such penalties- provided such penalty rights have been duly released or subordinated to the lien of the insured mortgage, or provided a policy of title insurance is furnished expressly insuring against loss by reason of such penalties
- Violations of such restrictions based on race, color, or creed: even where such restrictions provide for a penalty or reversion or forfeiture of title or a lien for liquidated damages.

Appraisal

Appraisal Expiration

An appraisal is valid for 180 days from the original appraisal effective date. Loan funding must occur prior to the appraisal expiration date for the appraisal being utilized for value.

Appraisal Update

An Appraisal Update, FNMA Form 1004D are now allowed in lieu of requiring a new appraisal when an appraisal will be more than 180 days as of the funding date.

An Appraisal Update may be ordered if (1) it is a Lender listed as an intended user of the original appraisal or (2) it has received permission from the original lender/client and the Appraiser. The Appraiser incorporates the original appraisal report being updated by attachment rather than by reference per Advisory Opinion 3 of the USPAP.

Longbridge will accept an appraisal update only if:

- It is performed by an Appraiser who is currently in good standing and properly licensed in the state the Property is located in.
    - If a substitute Appraiser is used due to the lack of the original Appraiser availability, the substitute Appraiser must state they concur with the analysis and conclusions in the original appraisal report, and we must document why the original Appraiser was not used.
- The Property has not declined in value.
- The building improvements that contribute value to the Property can be observed from the street or a public way.
- The Property meets Minimum Property Requirements (MPR) and Minimum Property Standards (MPS) based on the original appraisal conditions.
- The appraisal update was performed by the Appraiser within one year from the effective date of the initial appraisal being updated. And
- The appraisal update is performed before the disbursement date.
  Note: Building improvements that may contribute value include but are not limited to; detached garage(s), barn, other outbuildings, detached accessory dwelling unit(s). If they contribute to the appraised value, the appraiser must be able to view them from the street or a public way e.g., aerial photographs.

Appraisal Forms

Current version of:

- Uniform Residential Appraisal Report (Fannie Mae Form 1004 / Freddie Mac Form 70), Individual
- Condominium Unit Appraisal Report (Fannie Mae Form 1073 / Freddie Mac Form 465)
- Small Residential Income Property Appraisal Report (Fannie Mae Form 1025/Freddie Mac Form 72)
- Appraisal Update and/or Completion Report (Fannie Mae Form 1004D / Freddie Mac Form 442)

Appraisal Management Companies (AMC)

An appraisal from a Longbridge approved AMC is required. We may make an exception to allow for use of an appraisal from a non-approved AMC.

- On transferred loans LBF will accept an appraisal report that was completed by a Platinum approved AMC and lender/client does not need to be updated to reflect LBF. The appraisal in XML format is required, and if not available, then a CDA on the appraisal being used for value is required.

Longbridge will order the CDA through an approved provider.

If appraisal corrections are required and the AMC will not provide an updated report than a new appraisal report is required.

Appraisal Requirements

- One (1) appraisal with estimated value up to $2,000,000 plus an independent third-party Collateral Desktop Analysis; or
- Two (2) Appraisals with estimated value greater than $2,000,000. The lower of the two values will be used as the Maximum Claim Amount.

When the appraised value is greater than $2,000,000, the borrower may elect to close using $2,000,000 as the appraised value. In such cases, a second appraisal would not be required if the Collateral Desktop Analysis (CDA) supports at least the $2,000,000 value.

Appraisals must be completed by two (2) independent Appraisers though they can be ordered through the same AMC. Appraisers may not be from the same Appraisal company. When two (2) appraisal reports are required material discrepancies between the appraisals must be resolved. Material discrepancies include but are not limited to:

- Legal Description.
- Gross Living Area (GLA).
- Amenities or upgrades that affect value.
- Property condition.
- Property repairs; or
- Site area (lot size).

Collateral Desktop Analysis (CDA)

Longbridge will obtain a Collateral Desktop Analysis (CDA) as follows:

- Appraised value up to $2,000,000; or
- Rural property regardless of value; or
- Declining market regardless of value; or
- Appraised value above $2,000,000 **and** the UCDP score higher than 2.5 on the appraisal being used for value; or
- Transferred appraisal(s) and XML format is not available. The CDA to be obtained on the appraisal being used for value.

Longbridge will order the CDA through an approved provider.

Value will be determined as follows:

- If the CDA is below 5% of the appraised value, then the appraised value is accepted.
- If the CDA is at or above 5% up to 10%, then the lower of the CDA or the appraised value will be used.
- If the CDA is above 10%, then Longbridge will order a field review or an interior BPO
    - If the field review or interior BPO is within 5% tolerance of the appraised value, then the appraised value is accepted.
    - If the field review or interior BPO is greater than 5% of the appraised value, then the lower of the appraised value, BPO or CDA will be used

- At the underwriter's discretion, if the CDA, interior BPO or field review is below a 5% tolerance then the underwriter can decide to proceed with the lower value.

When a CDA is required to support the property value. If the CDA iAVM value is greater than the appraised value, then a field review or interior BPO is not required. However, the underwriter may always require such if in their judgement a field review or BPO is required.

The above requirements are applicable regardless of an appraisal being completed by a Longbridge approved AMC.

Photograph Requirements

Exterior

- Front and Rear at opposite angles to see all sides.
- Improvements with contributory value not captured in the front or rear photograph; and
- Street scene photograph to include a portion of the subject site.

Interior

- Kitchen.
- Main living area.
- Bathroom(s);
- Bedroom(s).
- Any other rooms representing overall condition.
- Basement, if applicable.
- Attic, if applicable.
- Crawl space, if applicable.
- Garage(s), as applicable.
- Photos for recent updates, such as restoration, remodeling & renovation.
- 2-4 family properties must also include photos of hallways, foyers, laundry rooms, and other common areas; and
- Condominiums must also include photos of amenities and/or common area(s), gate(s), clubhouse, pool, playgrounds, etc., as applicable.

Appraiser Requirements

- All USPAP, FIRREA, Appraiser Independence, Federal, and State requirements must be followed.
- Completed by a state licensed and geographically competent Appraiser.
- Include information/data to support conclusion of value.
- Include at least 3 closed sales that closed within the 12 months prior to the appraisal effective date.
- Inspect the interior and exterior of all property improvements (dwelling, garage(s), shed(s), barn(s), etc.
- Photos adequate to identify all interior & exterior improvements, the subject street, condition of the property, for any required repairs and/or inspections, and any noted external influences; and
- If the report is completed subject to repairs Appraiser to provide an itemized cost to cure estimate.

Minimum Appraised Value

Platinum fixed rate products, the minimum appraised value is $450,000.00.

Note, transactions eligible should continue to use the HECM program unless there is a benefit to the borrowers to use the Platinum program.

Our existing policy for Line of Credit product minimum appraised value is $1,209,750. When the property value is at or above $450,000 and is not eligible for the HECM program for one of the below reasons an exception without management approval is permitted.

- Borrower(s) less than 62 years of age, or
- Non-FHA approved condominium project, or
- Solar lease or power purchase agreement.

Property Guidelines

Property must be a single, marketable real estate entity, or consist of a primary plot with a secondary plot contributing to the use and marketability of the Property as a single marketable real estate entity.

Property rights must be held in either Fee Simple or Leasehold. Property held in Leasehold the lease must met the requirements described below.

Fee Simple refers to absolute ownership unencumbered by any other interest or estate.

Leasehold refers to the right to hold or use Property for a fixed period at a given price, without transfer of ownership, based on a lease contract.

A reverse mortgage secured by real estate under Leasehold requires a renewable lease for not less than 99 years, or a lease having a remaining period of not less than 50 years beyond the date of the 100th birthday of the youngest borrower. The Lease must be:

- Assignable or transferable,
- May not provide for termination of the lease in the event the borrower(s) default without written notice to the lender and a reasonable opportunity to cure the default,
- Permits the mortgaging of the subject property, and
- It protects the lender's interest in the event of a property condemnation.
  Note: Sub-Leasehold Estates are not eligible.

For any property requirements or guidelines not specifically addressed in this guide, then refer to HUD Handbook 4000.1 II.B.4, II.C.1-3, and II D.1-13.

Certificate of Occupancy (CO)

A loan application may be taken prior to a Certificate of Occupancy, or its equivalent being issued. We must obtain a permanent CO or its equivalent prior to closing. A CO is required for any property that is less than 12 months old.

Declining Market

Although there is no standard industry definition, for purposes of this guide a Declining Market refers to any neighborhood, market area or region that demonstrates a decline in prices or deterioration in other market conditions as evidenced by an oversupply of existing inventory and extended marketing times. Generally, a trend in the housing market is identifiable when it extends for a period of at least six (6) months or two (2) quarters prior to the effective date of the appraisal.

The appraisal should include an absorption rate analysis, and at least two (2) comparable sales that closed within 90 Days prior to the effective date of the appraisal and a minimum of two (2) pending sales or active listings, in addition to at least three (3) closed sales that closed within 6 months of the appraisal effective date but no more than 12 months prior to the appraisal effective date.

Pending Sales or active listings should be market tested and have reasonable market exposure to avoid the use of overpriced properties as comparable properties.

A Collateral Desktop Analysis supporting appraised value is required.

Eligible Properties

The following property types are eligible for a reverse mortgage:

- 1 – 4 family dwellings, including modular homes,
- Single family residence with up to 2 ADUs.
- Single family residence with Manufactured home ADU
- 1 Unit Leasehold,
- Condominiums that are FHA approved or Warrantable under FNMA Limited Review Process,
- Attached or detached PUD,
- New Construction with Certificate of Occupancy (CO) or its equivalent has been issued prior to closing,
- Log homes with log home comparable sale(s),
- Site Condominiums, including detached condominiums that meet the definition within this guide,
- Properties with Non-Residential Use that meet all requirements, or
- Legal non-conforming that can be re-built AS IS if destroyed.

State Requirements

Idaho

"Real property" means any right, title, interest and claim in and to real property owned by the grantor at the date of execution of the deed of trust or acquired thereafter by said grantor or his successors in interest. Provided, nevertheless, real property as so defined which may be transferred in trust under this act shall be limited to:

a) Any real property located within an incorporated city or village at the time of the transfer.
b) Any real property not exceeding eighty (80) acres, regardless of its location, provided that such real property is not principally used for the agricultural production of crops, livestock, dairy or aquatic goods; **or**
c) Any real property not exceeding forty (40) acres regardless of its use or location.

Montana

The Small Tract Financing Act of Montana limits the property size to 40 acres that can be encumbered by the reverse mortgage.

In-Eligible Properties

The following property types are not eligible for a reverse mortgage:

- Manufactured Home,
- New Construction, CO was issued less than 12 months prior to the appraisal order date and is located within a Special Flood Hazard Area (SFHA),
- Single family residence with more than 2 accessory dwelling units (ADUs),
- Homes located on Indian Tribal Land,
- 2 - 4 unit with leasehold interest,
- 3- 4 unit with an accessory dwelling unit,
- Property with illegal accessory unit(s),
- Investment properties,
- Vacation homes,

- Second homes,
- Geodesic, Earth, or Berm homes,
- Non-Residential use is more than 49% of the total floor area,
- Commercial properties (non-residential use is primary use),
- Boarding houses,
- Bed and Breakfast establishments,
- Co-Ops,
- Condotels,
- Properties located within Coastal Barrier Resources Act (CBRA) areas,
- Working farm, not including a documented "hobby farm", or
- Subject property that is listed for sale after the reverse mortgage application was taken.

Non-Residential Use of Property (a.k.a. Mixed Use)

The total floor area used for non-residential purposes may not exceed 49 percent (49%). Storage areas or similar spaces that are integral parts of the nonresidential portion must be included in the calculation of the non-residential area.

The Appraiser is to provide a building sketch including measurements and calculations of the building area to show what portion of the Property is allocated to residential use, and what portion is allocated to non-residential use.

Any non-residential use of the Property must be subordinate to its residential use, character and appearance. Non-residential use may not impair the residential character or marketability of the Property. The non-residential use of the Property must comply with the current local zoning requirements. Any non-residential use may not endanger the health and safety of the occupants of the residential Property.

Single Family residence with Manufactured Home Accessory Dwelling Unit

A single-family residence with a Manufactured home as an accessory dwelling unit, that meet requirements are now an eligible property type. We will reduce the value that the appraisal(s) ascribed to the MFH unit/ADU by 50 percent.

Manufactured Home requirements:

- A floor area of not less than 400 square feet.
- Be constructed on or after June 15, 1976, in compliance with the Federal Manufactured Home Construction and Safety standards as evidenced by the affixed HUD certification label. If each section, as applicable, does not have the HUD certification label (data plate) or the label(s) are not legible then an IBTS report is required.
- The manufactured home and site exist together as a real estate entity in accordance with state law.
- Be built and remain on a permanent chassis.
- Be designed to be used as a dwelling with a permanent foundation built in accordance with the Permanent Foundations Guide for Manufactured Housing (HUD Handbook 4930.3G).
- Have been directly transported from the manufacturer or dealership to the site.
- Be designed for occupancy as a primary residence by a single family.
- Axles, tires, and towing hitch have been removed.
- Skirting, when applicable, must extend from the bottom of the MFH to the permanent foundation, or to the perimeter enclosure, whichever is appropriate for the situation. This skirting must be permanently affixed to both the MFH and the foundation or perimeter enclosure, as appropriate.

- Appraiser must include enough sales to produce a credible value. At least two of the comparable sale properties must be manufactured homes in the sales comparison approach; and
- Leasehold interest is not permitted.

Existing and new construction Manufactured Home in Special Flood Hazard Area (SFHA)

The finished grade level beneath the Manufactured Home must be at or above the 100-year return frequency flood elevation. If any portion of the dwelling and related structures or equipment essential to the Property Value for both new and existing MFHs is locate in a SFHA, the property is not eligible unless:

- FEMA issued LOMA or LOMR that removes the property from the SFHA; or
- FEMA NFIP Elevation Certificate (FEMA Form FF-2060FY-22-152) showing that the finished grade beneath the MFH is at or above the 100-year return frequency flood elevation.
- Flood insurance is required when a FEMA NFIP Elevation Certificate documents that the Property remains located within a SFHA.

Engineer or Architect Report

A report from an engineer or architect, who is licensed/registered in the state that the Manufactured Home is in, has inspected the property and verifies:

- A permanent foundation built in accordance with the Permanent Foundations Guide for Manufactured Housing HUD Handbook 4930.3G.
- Any addition(s) e.g., porch, deck, sunroom, breezeway, carport, etc. do not have an adverse impact on the structural integrity of the Manufactured Home.
- If there is any evidence that the manufactured home was previously installed at another location, moved and re-installed at the subject property site.

Institute for Building Technology & Safety (IBTS) Report

A letter of label verification from IBTS is required when:

- HUD certification label (exterior data plate(s)) is missing or not legible, or
- Compliance Certificate (label located on the unit's interior may be in a kitchen cabinet, or next to the electric panel) is missing or not available, or
- Appraiser is unable to complete all fields in the HUD Data Plate section on Page 1 of the report.

Condition of the Property

A Property noted to be in Fair or Below Average condition as evidenced by the appraisal report will not be eligible until repairs have been completed and the Property is in at least C4, and Average condition at the time of loan closing. For any property where the cost of repairs to meet minimum property requirements or standards exceeds 15% of the appraised value the repairs must be completed prior to closing or the property is ineligible.

Presidentially Declared Major Disaster Area Declarations (PDMDA)

Property located in a FEMA published PDMDA where Individual Assistance is available requires a disaster re-inspection when the appraisal effective date is on or before the FEMA Incident Period end date.

Property Inspection and Condition Report

- The inspection report must be performed by a state licensed, geographically competent appraiser.

- When available the Appraiser that completed the appraisal report should complete the re-inspection report for the disaster. If the original Appraiser is not available than another Appraiser in good standing with geographic competence in the affected market may complete the re-inspection.
- A damage inspection report must identify and quantify any damage to the subject property improvements.
- The Appraiser is not required to ensure utilities are on at the time of the inspection if they have not yet been restored for the area.
- The damage inspection report must be completed even if the inspection shows no damage to the Property, and the report must be dated after the Incident Period (as defined by FEMA) or 14 Days from the Incident Period start date, whichever is earlier.

Loan not yet Closed and there is damage

- Property is habitable and there are no health/safety or structural conditions then repairs may be completed as a repair set aside permitting that the repair costs are within 15% of the Appraised Value.
- Property is not habitable the repairs must be completed prior to closing.
- All damages, regardless of amount, must be repaired and the Property restored to pre-loss condition with appropriate and applicable documentation.

Loan closed/funded and there is damage

- All damages, regardless of amount, must be repaired and the Property restored to pre-loss condition evidenced by a re-inspection report.

Pipeline Management

In Process

Loans scheduled to close just prior to, during or immediately after the disaster must be postponed.

A Property Inspection and Condition Report meeting the above requirements is required for loans with properties located in a disaster area.

Closed, Not Funded

Longbridge Funding Manager must review the file prior to disbursing funds on closed loans located in a disaster area.

To avoid re-closing

Fixed rate loans carrying over into the next month must fund within 7 business days of the original funding date.

Borrower(s) to provide additional funds to cover per diem interest that has accrued due to the funding delay. Borrower(s) will need to re-execute money documents (Loan Comparison, TALC, Amortization Schedule, and Loan Agreement Exhibit A), and contact Longbridge closing department for re-draw requests.

The following types of loans **must** fund in the same month they close:

- Purchase transactions

Funded, Not Purchased

Funded loans that are not yet purchased, and the property is located within a disaster area require a Property Inspection and Condition Report meeting the above requirements. Property inspection report may not be dated less than 14 days from the Incident Period start date as defined by FEMA.

Disaster Emergency Declaration for Potentially Impacted Areas

When an Emergency Declaration is issued by a state or federal government, Longbridge will place a moratorium on CTCs (clear to close), loan closings, fundings and purchases. A Disaster Alert will be issued that includes the list of potentially impacted counties. Declarations will be monitored and updates provided when available. Upon a Major Disaster area being declared current underwriting guidelines for disaster inspection reports remain in effect.

Property Listed for Sale

If the subject property is or has been listed for sale in the last 12 months the following will be required:

- Proof of MLS Listing Cancellation/expiration; AND
- Explanation/documentation from the borrower(s) verifying that the intent is to occupy the property after refinancing and no longer wants/needs to sell the property; AND
- Borrower(s) to execute the Verification of Occupancy disclosure.
  Note: If the subject property is listed for sale after the loan application the loan is ineligible.

Rural Property

A Collateral Desktop Analysis supporting the appraised value is required. A 5% PLF reduction may be required, see PLF reduction section of this guide.

Site Conditions

Safe pedestrian and adequate vehicular access from a public or private road to the subject property is required.

Utility Services

Utility Services refer to those services consumed by the public such as individual electricity, water, natural gas, sewage, and telephone.

For an attached or detached Single Family dwelling the utilities must be independent for each living unit. This does not apply to a property with accessory dwelling unit(s).

The utilities of the property must meet community standards. If public sewer and/or water facilities, those that are supplied and regulated by the local government are not available, community or private well and septic facilities must be available and utilized by the subject property. Community or private well and septic systems must be readily accepted in the Property market area.

The owners of the subject property must have the right to access community or private facilities, which must be viable on an ongoing basis as evidenced by an adequate, legally binding agreement. Private well or septic facilities must be located on the subject site, unless the subject property has the right to access off-site private facilities and there is an adequate, legally binding agreement for access and maintenance.

If the appraisal report notes that the water to a property is supplied by dug wells, cisterns or holding tanks used in conjunction with potable water purchased and hauled to the site than the appraisal must include commentary that such systems are readily accepted within the subject property market area.

The Appraiser must note any readily observable deficiencies regarding the water source and require test and/or inspection if the water supply relies upon a water purification system or there is an unusually objectionable taste, smell, or appearance of the water.

If water testing is required than the water quality must meet the requirements of the health authority with

jurisdiction. If there are no local (or state) water quality standards, then water quality must meet the standards set by the Environmental Protection Agency (EPA).

For any market resistance to an area because of environmental hazards or any other conditions that affect well, septic, or public water facilities the effect of the hazards on the value and marketability of the subject property must be addressed within the appraisal report. A similar closed comparable sale is required to establish marketability of the property.

Note: Any property served only by private utilities i.e. solar energy, must also be connected to a public energy source.

Solar Panels

The ownership and debt financing commonly found with solar panels are key to determining whether the panels are third-party owned, personal property of the homeowner, or a fixture to the real estate. Common ownership or financing include:

- Borrower-owned panels,
- Leasing agreements
- Separately financed solar panels (the panels serve as collateral for debt distinct from any existing mortgage); or
- Power purchase agreements.

Longbridge will originate or purchase a Platinum loan on a property with solar panels. If the borrower is, or will be, the owner of the solar panels, (meaning the panels were a cash purchase, were included in the home purchase price, were otherwise financed and repaid in full, or are secured by the existing first mortgage), our standard requirements apply (for example, appraisal, insurance, and title).

Properties with solar panels and other energy efficient items financed with a PACE loan are not eligible unless the PACE loan is paid in full prior to or at closing.

Longbridge will determine the ownership and any financing structure of the subject property's solar panels to properly underwrite the loan and maintain first lien position of the mortgage. When financing is involved, we may be able to make this determination by evaluating the borrower's credit report for solar-related debt and by asking the borrower for a copy of all related documentation for the loan. We must also review the title report to determine if the related debt is reflected in the land records associated with the Property. For panels/systems that are owned by the borrower (not subject to a lease, power purchase agreement, or other similar agreement), no value for the panels may be attributed to the appraised value unless we obtain a UCC "personal property" search that confirms the solar panels are not claimed as collateral by any non-mortgage lender.

A Uniform Commercial Code (UCC) financing statement that covers personal property and is not intended as a "fixture filing" must be filed in the office identified in the relevant state's adopted version of the UCC.

A UCC lien is commonly filed using a UCC1 or Financing Statement Form, and a UCC fixture filing is commonly filed using the UCC Financing Statement Addendum (Form UCC1Ad).

The Lender is responsible for ensuring the Appraiser has accurate information about the ownership structure of the solar panels and that the appraisal appropriately addresses any impact to the property's value. Separately financed solar panels must not contribute to the value of the property unless the related documents indicate the panels cannot be

repossessed in the event of default on the associated financing. Any contributory value for owned or financed solar panels assigned by the Appraiser must be supported by the comparable sales.

The following table summarizes some of the specific underwriting criteria that must be applied depending on the details of any non-mortgage financing for the solar panels.

If the solar panels are…	Then the Lender must…
Financed and collateralized – the solar panels are collateral for the separate debt used to purchase the panels, but they are a fixture to the real estate because of a UCC fixture filing* has been filed for the panels in the real estate records	• Obtain and review the credit report, title report, appraisal, and/or UCC fixture filing*, related promissory note and related security agreement that reflect the terms of the secured loan. • Include the debt obligation in the monthly expense analysis. • Provided that the panels cannot be repossessed for default on the financing terms, instruct the appraiser to consider the solar panels in the value of the property (based on standard appraisal requirements); and **Note:** If a UCC fixture filing* is in the land records it must be subordinated.
Financed and collateralized – the solar panels are reported to be collateral for separate (non-mortgage) debt used to purchase the panels, but do not appear on the title report	• Obtain and review documentation sufficient to confirm the terms of the secured loan (such as copies of the credit report, title report, any UCC financing statement, related promissory note or related security agreement). • Include the debt obligation in the monthly expense analysis. • Instruct the Appraiser not to provide contributory value of the solar panels towards the appraised value because the panels are collateral for another debt. • Treat the panels as personal property not affixed to the home.

*A fixture filing is a UCC-1 financing statement authorized and made in accordance with the UCC adopted in the state in which the related real property is located. It covers property that is, or will be, affixed to improvements to such real property. It contains both a description of the collateral that is, or is to be, affixed to that such property, and a description of such real property. It is filed in the same office that mortgages are recorded under the law of the state in which the real property is located. Filing in the land records provides notice to third parties, including title insurance companies, of the existence of and perfection of a security interest in the fixture. If properly filed, the security interest in the described fixture has priority over the lien of a subsequently recorded mortgage.

We will allow for power purchase and similar types of solar financing agreements in accordance with the guideline review, and the agreement must be subordinate to the Platinum mortgage.

If the solar panels are leased from or owned by a third party under a power purchase agreement or other similar lease arrangement, the following requirements apply (whether to the original agreement or as subsequently amended).

	Lender Requirements for Properties with Solar Panels that are Leased or Covered by a Power Purchase Agreement
	The lender must obtain and review copies of the lease or power purchase agreement.
	The monthly lease payment must be included in the expense analysis unless the lease is structured to • Provide delivery of a specific amount of energy at a fixed payment during a given period, and • Have a production guarantee that compensates the borrower on a prorated basis in the event the solar panels fail to meet the energy output required for in the lease for that period. Payments under power purchase agreements where the payment is calculated solely based on the energy produced may be excluded from the expense analysis.
	The value of the solar panels **cannot be** included in the appraised value of the property.
	The value of the solar panels must not be included in the PLF calculation, even if a precautionary UCC filing is recorded because the documented lease or power purchase agreement status takes priority. Note: A "precautionary" UCC filing is one that lessors often file to provide third parties on notice of their claimed ownership interest in the property described in it. When the only property described in the UCC filing as collateral is the solar equipment covered by the lease or PPA, and not the home or underlying land, such a precautionary UCC filing is acceptable (and a minor impediment to title), if the loan is underwritten in accordance with this topic.

Energy Efficient Improvements

An energy-efficient property is one that uses resource-effective design, materials, building systems, and site orientation to conserve nonrenewable fuels.

Special energy saving items must be recognized in the appraisal process and noted on the appraisal report form. For example, when completing the appraisal report, special energy-efficient items are to be addressed in the Improvements section in the Additional features field. The Nature of these items and their contribution to value will vary throughout the country because of climatic conditions, difference in utility costs, and overall market reaction to the cost of feature. Some examples of special energy-efficient features may include, but are not limited to, energy efficient ratings or certifications, programmable thermostats, solar photovoltaic systems, solar panels, low-e windows, insulated ducts, and tank-less water heaters.

Appraisers must compare energy-efficient features of the subject property to those of comparable properties in the Sales Comparison Approach adjustment grid. Appraisers may augment the Sales Comparison Approach in evaluating any impact (either positive or negative) to the value of energy efficiency improvements with either the income or cost approach, however appraisers cannot adjust the value of the property

On a mechanical dollar for dollar basis based on equipment and installation costs, or the discounted present value of expected cost savings of the equipment over the useful life of the equipment; or

Solely based on the cost or income approach. The Appraiser must also analyze the market reaction to the energy efficient feature.

Solar panels that are leased from or owned by a third party under a power purchase agreement or other similar financing arrangement must be considered as personal property and **not be** included in the appraisal value of the property.

UCC Financing Statement

When there is a solar lease or Power Purchase Agreement (PPA) a UCC Financing Statement has been recorded and will be noted in the Title requirements or title exceptions. A UCC is a lien on solar equipment, it is a fixture filing, and will need to be terminated or subordinated. If the Solar company will not terminate the UCC then it must be subordinated to the Platinum lien.

California

Notice of Independent Solar Energy System Producer Contract is a recorded notice informing us that there is a contract between the homeowner and a solar company regarding leased solar equipment on the subject property. This Notice **may remain** as an open exception in the title **and** a Solar Endorsement is required. See above on requirements for a recorded UCC.

Zoning Compliance

The Property must comply with all applicable zoning ordinances. The following apply:

- Zoning compliance must be Legal, Legal Non-Conforming or No Zoning.
- No Zoning: Highest and best use must be as improved.
- Legal Non-Conforming Zoning: Property must be able to be re-built As Is; and
- Commercial or Agricultural zoning: Allowed if the subject property meets requirements for non-residential use, and the highest and best use is as improved.
- Illegal land or building use of any kind is prohibited.

Accessory Dwelling Unit (ADU)

An Accessory Dwelling Unit (ADU) refers to a habitable living unit added to, created within, or detached from a primary one-unit Single Family dwelling, which together constitutes a single interest in real estate.

It is a separate additional living unit, including kitchen with a stove, refrigerator, and sink (kitchenette is not considered a full kitchen), as well as sleeping and bathroom facilities. The borrower(s) may not reside in the ADU.

ADU must be subordinate in size, location, and appearance to the primary dwelling unit, and may or may not have separately metered utilities or separate means of ingress or egress.

A Single-Family Residential Property with an ADU is considered a one-unit Property.

A single-family residence with an accessory dwelling unit (ADU) and a junior accessory dwelling (JADU) unit OR a single-family residence with 2 accessory dwelling units (ADUs) are eligible property types if all the following are met:

- SFR w/ ADU and JADU or SFR w/ 2 ADUs are legal, permitted, and in compliance with all zoning regulations.
    - If rented, zoning regulations must allow rental of accessory dwelling unit(s). If rental is not permitted, then removal of ADU in accordance with local code is required.
- Property is appraised as legally permitted.
- Common and customary for the area, and marketable as supported by similar comparable sales in the appraisal.
- Rental income from only **1** ADU may be considered as effective income if documented with prior 2-year federal tax returns (with all schedules), and a current executed lease agreement.

A two-unit property with an ADU(s) is an eligible property if all the following are met:

- ADU(s) is (are) legal, permitted and in compliance with all zoning regulations.
    - If rented, zoning regulations must allow rental of accessory dwelling unit(s). If rental is not permitted, then removal of ADU in accordance with local code is required.
- Property is appraised as legally permitted.
- Common and customary for the area, and marketable as supported by similar comparable sales in the appraisal.

  Rental income from the 2nd unit and one (1) ADU may be considered as effective income if documented with prior 2-year federal tax returns (with all schedules), and a current executed lease agreement.

  Note: A two-unit property may have up to two ADUs, permitting all the above guidelines are met.

The living area of the ADU cannot be included in the calculation of the Gross Living Area (GLA) of the primary dwelling. It must be valued as a separate line item within the sales comparison grid.

If the existing property does not comply with all the current zoning regulations (use, lot size, improvement size, off street parking, etc.) but is accepted by the local zoning authority the property is Legal Non-Conforming and must be able to legally be rebuilt "as is" if destroyed.

Modular Housing

Modular Housing refers to structures constructed according to state and local codes off-site in a factory, transported to a building lot, and assembled by a contractor into a finished house. Although quality can vary, all of the materials for framing, roofing, plumbing and cabinetry, interior finish and electrical are identical to what is found in comparable quality conventional "stick-built" housing.

Modular Housing will be treated the same as stick-built housing, including using FNMA Form 1004 for the appraisal report. Appraisal to include appropriate comparable sales, which may include conventionally "stick" built housing or Modular Housing.

Required Repairs

Required repairs should be limited to those repairs necessary to:

- Maintain the safety, security and soundness of the Property;

- Preserve the continued marketability of the Property; and
- Protect the health and safety of the occupants.

Repairs Completed Prior to Closing

Any repairs determined to pose an immediate health or safety risk to the occupants or render the property to not be safe, sound, and secure are required to be completed prior to closing, and a repair set-aside for other required repairs is also permitted.

Property Deficiency Examples:

- No running water or no hot water.
- Leaking roof.
- No primary heating source.
- Inadequate electrical systems (including lighting).
- Inoperable doors and windows (inhibited ingress and egress).
- Inadequate direct exterior egress from bedroom(s).
- State or local code violations (i.e., smoke and/or carbon monoxide detectors, hot water heater double strapped, etc.).
- Structural issues such as foundation damage.
- Property was built prior to 1978 - Defective paint surfaces in the home, and there are children under the age of six (6) living in the home.
- Missing handrails on steps higher than 18 inches OR per local code. If there is secondary access to the home that is safe, and secure completion may be as repair set aside; or
- Missing railings on porches/patios/decks higher than 18 inches OR per local code. If there is secondary access to the home that is safe, and secure completion may be as repair set aside.

Property re-inspection must be completed prior to closing as evidenced by:

- An Appraisal Update and/or Completion Report Form 1004D, **OR**
- **L**etter signed by the borrower(s) affirming that the work was completed with further evidence of completion, which may include photographs of the completed work, paid invoice indicating completion, occupancy permits, or other substantially similar documentation. When photos are used to evidence completion, the Underwriter must be able to determine the photos are of the subject property as per a comparison to the photos in the appraisal report.
  Note: The alternate evidence of repairs **is not** permitted on new construction and a 1004D is required.
  Note: The alternate evidence of repairs is permitted in all Platinum approved states.

Repair Set-Aside

Required repairs that do not pose a health or safety risk can be withheld from the reverse mortgage proceeds (repair set-aside) and then disbursed when repairs are completed as evidenced by a Compliance Inspection Report Form HUD 92051. Repairs must be completed within 12 months of the loan closing.

The dollar amount of the set-aside cannot exceed 15% of the appraised value.

Total set-aside must be equal to 1.50 times (x) contractor estimate or appraiser cost to cure as determined by Longbridge.

Minor repairs, i.e., minor exterior scraping & painting, handrail or railing installation, etc. the appraiser's cost to cure may be used to calculate the repair set aside. For major repairs, i.e., roof repairs or replacement, heating system replacement, etc. a written estimate from a qualified contractor will be used to calculate the repair set aside.

Note: A Repair Set Aside **is not** permitted in New York.

Repair Admin Fee

A repair admin fee will be added to the loan balance by the Servicer and is independent of the fees paid for by the borrower(s) for compliance inspection reports. The fee may not exceed the greater of one and one-half (1.50%) percent of the funds used for repairs or $50 for the administration of this agreement.

Structural Integrity

The Property foundation and structure must be serviceable for the life of the mortgage and adequate to withstand all normal loads imposed. Any structural concerns require inspection by a licensed engineer. Structural repairs that pose an immediate threat or danger to the occupants must be corrected prior to closing.

Condominium Projects

A Condominium Project refers to a multi-unit Property in which people hold title to individual units and an undivided interest in common elements. Common elements (areas) include underlying land and buildings, driveways, parking areas, elevators, outside hallways, recreation and landscaped areas, and other elements described in the condominium declaration. Common areas are typically managed by a condominium association.

Condominiums create additional risk because the homeowner's association (HOA) has legal rights that could adversely impact the lender's rights. Depending on the financial management of the HOA, the value of the project (unit) can be adversely affected.

Often, a condominium development has commercial space for a restaurant, deli, hair salon, grocery store, etc. If this is the case, there should be no more than 25% non-residential space in the building.

Note: Investor reserves the right to limit its own concentration limit in any one project and in no case will Lender finance more than 50% of the units in any condo association through the Platinum program.

Condominium definition

A condominium unit is a single-family dwelling located in a condominium project.

A condominium project is real estate that includes separate ownership in fee, or a specified residential unit with an undivided interest in the real estate designated for common ownership solely by unit owners.

A condominium project is created according to local and state statutes.

- The structure is generally two (2) or more units with the interior airspace individually owned.
- The balance of the property (land and building) is owned in common by the individual unit owners.

For condominiums in the state of Massachusetts a Declaration of Condominium Trust is permitted.

Definition of an Established project

A project for which all the following are true:

- At least 90% of the total units in the project have been conveyed to unit purchasers;
- The project is 100% complete, including all units and common elements;

- The project is not subject to additional phasing or annexation; and
- Control of the HOA has been turned over to the unit owners.

A project may also be treated as an established project with less than 90% of the units sold to unit purchasers, provided the deficit is the result of the developer holding back units for rent. The following requirements must be met:

- Construction is 100% complete.
- The project is not subject to any additional phasing or annexation, and the HOA has been turned over to the unit owners.
- The developer's share of the units held back for rental is not more than 20% of the project's total units.
- HOA fees are paid current in developer-held units, and
- There are no active or pending special assessments in the project.

Definition of a Site Condominium

A detached condo is defined as any condo unit that is completely detached from other condo units in the project.

The unit may share no adjoining walls, ceilings, floors, or other attached architectural elements (such as breezeways or garages) with any neighboring unit.

A detached condo unit may be in a project consisting solely of detached units or in a development containing a mixture of attached and detached units.

Detached condos in which the unit owner owns the detached condo unit and the land upon which the unit is built are site condos.

The waiver of project review applies for new and established projects.

Definition of a Detached Condominium

A detached condo is defined as any condo unit that is completely detached from other condo units in the project. The unit may share no adjoining walls, ceilings, floors, or other attached architectural elements (such as breezeways or garages) with any neighboring unit.

Site condos in which the unit owner owns the detached condo unit and the land upon which the unit is built are a type of detached condo.

A detached condo unit may be in a project consisting solely of detached units or in a development containing a mixture of attached and detached units.

If the property is a manufactured home or the project contains any manufactured homes, such property or project is not eligible for limited review.

FHA Approved Condominium Projects

FHA approval must be valid (unexpired) at the time of initial loan application and remain valid (unexpired) as of the note date. A HUD 9991 Condo Questionnaire Sections 1 – 3 completed and executed by HOA within 60 days of the underwriting date is required. Project must meet FHA loan level review requirements as determined by the Underwriter.

Loan level requirements are as follows:

The Underwriter verifies the Occupancy Requirements by construction Type, Individual Owner Concentration, Property Information, and Units in Arrears. The Underwriter must execute the HUD 9991 and upload it into LBF document management system.

ELIGIBLE PROJECT

- Minimum units: 2
- Right of First Refusal: Permitted unless it violates discrimination laws.
- Investor Ownership: Up to 50% on existing project >12 months old, or non-gut rehab conversion.
- Homeowners Association (HOA) Dues: No more than 15% of the total units may be in arrears (more than 60 days past due)
- Pre-sales: 30% must be sold prior to endorsement (not applicable to existing projects or non-gut rehab conversions)
- Owner Occupancy:

Project Status	**Owner Occupancy Requirement**
Existing (projects fully completed and over one year old of non-gut rehab conversions)	At least 50 percent of the units of a project must be owner-occupied or sold to owners who intend to occupy the unit(s).
Proposed, Under Construction (including existing projects less than 12 months old or gut rehab conversions	A minimum owner-occupancy percentage of 30 percent of the declared units. Legally phased projects must meet 30 percent presale and 30 percent owner-occupancy requirements.

FNMA Limited Review Process

To be eligible for a Limited Review, the unit securing the mortgage must be:

- An attached unit in an established condo project.
- Project is not an ineligible project. See Ineligible Condominium Considerations below.
- The project does not consist of manufactured homes.
  NOTE: Attached condo units in a new or newly converted project are not eligible for the limited review process.
- Project (including all common areas) is fully completed, and the common areas are insured;
- The HOA is controlled by unit owners (as opposed to the developer);
- Fifty percent (50%) or more units are owner-occupied. Exception on Owner Occupancy down to 35% is permitted.
- No single entity (the same individual, investor group, partnership, or corporation) owns more than the following total number of units in the project:
  - Projects with 2 to 4 units – 1 unit
  - Projects with 5 to 20 units – 2 units

    - Projects with 21 or more units – 10%.

- Projects not meeting the Limited Review criteria are not eligible for the program unless they are an FHA or FNMA approved project as of the loan application date, and
- Project does not have restrictions that may have an adverse impact on a note owner's ability to enforce its rights under the Note and/or Security Instrument. When a unit has such restrictions, an additional review will be required to ensure that the project is eligible for financing by Longbridge.

Restrictions include but are not limited to:

- Resale restrictions, e.g., preemptive rights or option related to unit owners' efforts to convey.,
- Condominium Board approval required for new unit owners.,
- Be subject to limits on the amount of sales proceeds retainable by the Seller.

  Note: An HOA holding a right of first refusal, or an age restriction within the project for unit owner's age e.g., 55+ is permitted.

In the event Lender becomes aware of a circumstance that would cause the project or transaction to be ineligible under a Limited Review then the loan is not eligible for the program unless the project obtains FNMA approval. Longbridge does not provide full review and approval process of projects for FNMA nor FHA.

All Condominiums Required Documentation

- Completed Condominium Questionnaire. The applicable questionnaire will vary for FHA Approved Project or FNMA Limited Review. The applicable questionnaire must have been completed, signed & dated within 120 days of the funding date.
- Master Insurance Policy including general liability coverage of $1,000,000. See the Insurance section of this guide for additional condominium insurance requirements.
- Walls in (HO-6 policy) required when master insurance policy does not include walls in coverage. Condominium: HO-6 coverage at 20.00% of appraised value is required for all condominiums where the blanket policy does not include "walls-in" coverage. If a Master policy has Walls In coverage, but it does not cover upgrades or betterments made by the Unit Owner then a HO-6 policy must be obtained.

Ineligible condominium considerations:

- Projects that are managed as a hotel or motel, even if the units are individually owned.
- Projects that have timeshare, fractional or segmented ownership.
- Subject cannot be new construction where the Seller is offering sale or financing structures more than FNMA's eligibility policies for individual mortgage loans. This includes but is not limited to; builder/developer contributions, sales concessions, HOA assessments, or principal & interest payment abatements, and/or contributions not disclosed on the settlement statement.
- Projects with mandatory upfront or periodic membership fees for the use of recreational amenities, such as country club facilities and golf courses, owned by an outside party (including the developer or builder). Fees paid for the use of recreational amenities owned exclusively by the HOA or Master Association are acceptable.
- Projects cannot have multi-dwelling units or non-real estate/non-real property.
- Projects that are a continuing care facility.
- Projects in which HOA is named as a party to pending litigation or for which the project sponsor or developer is

named as a party to pending litigation that relates to the safety, structural soundness, habitability, or functional use of the project.

- Projects with a single entity (the same individual, investor group, partnership, or corporation) owns more than the following total number of units in the project:
    - Projects with 2 to 4 units – 1 unit
    - Projects with 5 to 20 units – 2 units
    - Projects with 21 or more units – 10%
- Projects containing manufactured housing.
- Projects that represent a legal, but non-conforming use of the land, if zoning regulations prohibit rebuilding the improvements to current density in the event of their partial or full destruction.
- Any project that permits a priority lien for unpaid common expenses in excess of FNMA's priority lien limitations.
- Project with Covenants, Conditions, & Restrictions that split the ownership of the property or curtail an individual unit owner's ability to utilize the property.
- Projects that have documents on file with the Securities and Exchange Commission (SEC) or where unit ownership is characterized or promoted as an investment opportunity.

Note: LBF's investor reserves its right to limit its own lending concentration limit in any one project and in no case will Lender finance more than 50% of the units in any condo association through the program.

Projects that Operate as Hotels or Motels

A project may not be operated or managed as a hotel, motel, or similar commercial entity as evidenced by meeting one or more of the following criteria:

- The HOA is licensed as a hotel, motel, resort, or hospitality entity.
- The HOA or project's legal documents restrict owners' ability to occupy the unit during any part of the year.
- The HOA or project's legal documents require owners to make their unit available for rental pooling (daily or otherwise).
- The HOA or the project's legal documents require unit owners to share profits from the rental of units with the HOA, management company, or resort, or hotel rental company.

Projects Subject to Split Ownership Arrangements

Projects with covenants, conditions, and restrictions that split ownership of the property or curtail an individual borrower's ability to utilize the property are not eligible for delivery. These types of properties include, but are not limited to, the following:

- "Common interest" apartments or community apartment projects that are projects or buildings owned by several owners as tenants-in-common or by an association in which individuals have an undivided interest in a residential apartment building and land, and have the right of exclusive occupancy of a specific apartment in the building;
- Projects that restrict the owner's ability to occupy the unit, even if the project is not being operated as a motel or hotel; and
- Projects with mandatory rental pooling agreements that require unit owners to either rent their units or give a management firm control over the occupancy of the units.

These are formal agreements between the developer, association, and/or the individual unit owners that obligate the unit owner to rent the property on a seasonal, monthly, weekly, or daily basis. In many cases, the agreements include blackout dates, continuous occupancy limitations, and other such use restrictions. In return, the unit owner receives a share of the revenue generated from the rental of the unit.

Projects that Contain Multi-Dwelling Unit Condos

Projects that contain multi-dwelling units are not permitted. These projects allow an owner to hold title (or share ownership and the accompanying occupancy rights) to a single legal unit that is sub-divided into multiple residential dwellings within the single legal unit, with ownership of the unit (or shares) evidenced by a single deed and financed by a single mortgage (or share loan). The sub-divided units are not separate legal units. This restriction applies regardless if the unit owner maintains one or more of the sub-divided units as rental units or uses one or more of the sub-divided units as accessory or lock-out units.

This provision does not apply to condo projects that allow an individual to buy two or more individual legal units with the intent of structurally and legally combining the units for occupancy as a single-unit dwelling. Mortgages secured by units in these types of projects are eligible provided all the following requirements are met:

- The unit securing the mortgage represents a single legal unit under a single deed.
- Any construction or renovation to structurally combine units has no material impact on the structural or mechanical integrity of the project's buildings or the subject property unit.
- The individual units must be fully described in the legal description in the mortgage and under a single deed.
- The project's legal documents must have been amended to reclassify the combined units as a single unit in the project.
- All structural renovation to physically combine the units must be completed.

Projects with Property that is not Real Estate

The marketability and value of individual units in a project may be adversely impacted by the inclusion of non-real estate property such as houseboats, timeshares, and other forms and structures that are not real estate. As such, projects containing these other non-real estate forms of property are not eligible.

Boat slips, cabanas, and other amenities are permitted when owned in common by the unit owners as part of the HOA.

Projects that Operate as a Continuing Care Community or Facility

Mortgages secured by units in a project that operates, either wholly or partially, as a continuing care community are ineligible. These communities or facilities are residential projects designed to meet specialized health and housing needs and typically require residents to enter a lifetime contract with the facility to meet all future health, housing, or care needs. These communities may also be known by other names such as life-care facilities.

Projects that make continuing care services available to residents are eligible only if the continuing care facilities or services are not owned or operated by the HOA and residential unit owners are not obligated to purchase or utilize the services through a mandatory membership, contract, or other arrangement.

Continuing care communities are not the same as age-restricted projects. Age-restricted projects that restrict the age of residents but do not require residents to enter a long-term or lifetime contract for healthcare and housing as the residents' age are eligible.

Commercial Space and Mixed-Use Allocation

No more than 35% of a condo project or 35% of the building in which the project is located can be commercial space or allocated to mixed-use. This includes commercial space that is above and below grade. Note that projects located in Special Flood Hazard Areas with commercial space greater than 25% of the project's square footage, including any commercial parking facilities, may need supplemental or private flood insurance policies to meet LBF's requirements for flood insurance. Coverage under the National Flood Insurance Program may provide inadequate coverage for projects with commercial space more than 25%.

Any commercial space in the project or in the building in which the residential project is located must be compatible with the overall residential nature of the project.

Note: Rental apartments and hotels located within the project must be classified as commercial space even though these may be considered "residential" in nature. Commercial parking facilities can be excluded from the commercial space calculation.

Calculation of Commercial Space. Commercial space allocation is calculated by dividing the total non-residential square footage by the total square footage of the project or building. Lenders are responsible for determining the total square footage of the project, the square footage of the non-residential space, and the residential space square footage. This calculation includes the total square footage of commercial space even if the residential and commercial owners are represented by separate associations.

Non-residential square footage includes:

- retail and commercial space, and
- space that is non-residential in nature and owned by a private individual or entity outside of the HOA structure.

Examples include, but are not limited to:

- rental apartments,
- hotels,
- restaurants, and
- private membership-based fitness facilities.

Non-residential square footage excludes amenities that are:

- residential in nature.
- designated for the exclusive use of the residential unit owners (such as, but not limited to, a fitness facility, pool, community room, and laundry facility); and
- owned by the unit owners or the HOA.

The following table shows which commercial or mixed-use space must be included in the calculation of the percentage of commercial space.

If the commercial or mixed-use space is…	Then its square footage is included in the calculation of commercial space percentage
owned, controlled, or operated by the subject property's HOA that is unrelated to the project-specific amenities offered for the exclusive use and enjoyment by the HOA members	Yes
owned by the subject property's HOA but controlled or operated by a separate private entity **Example:** Office space owned by the HOA but leased to a private business.	Yes
owned and controlled by a project HOA other than the subject property's HOA that shares the same master HOA with the subject property's HOA AND the commercial space is co-located in the project's building(s) that contain(s) the residential units	Yes
owned, controlled, or operated by a private entity that is co-located in the building(s) that contain(s) the project's residential units **Example:** • floors 1 to 4 consist of hotel and retail, • floors 5 to 7 consist of privately-owned and -managed rental apartments, and • the remaining floors consist of the condo project units.	Yes
owned, controlled, or operated by a private entity that is NOT co-located in the building(s) or common elements as declared in the project legal documents that contain(s) the project's residential units	No
owned and controlled by a project HOA other than the subject property's HOA that shares the same master HOA with the subject property's HOA BUT the commercial space is located in a building that is separate from the building(s) containing the project's residential units	No

Live-Work Projects

Live-work projects are projects that permit individual residential unit owners to operate and run a small business from their residential unit. Units in projects that permit live-work arrangements are ineligible.

Litigation

Projects in which the HOA or co-op corporation is named as a party to pending litigation, or for which the project sponsor or developer is named as a party to pending litigation that relates to the safety, structural soundness, habitability, or functional use of the project are ineligible.

If the lender determines that pending litigation involves minor matters with no impact on the safety, structural soundness, habitability, or functional use of the project, the project is eligible provided the litigation meets one or more of the following:

- non-monetary litigation including but not limited to neighbor disputes or rights of quiet enjoyment.
- litigation for which the insurance carrier has agreed to provide the defense, and the amount is covered by the HOA's or co-op corporation's insurance.
- The HOA or co-op corporation is the plaintiff in the litigation and upon investigation and analysis the lender has reasonably determined the matter is minor and will result in an insignificant impact to the financial stability of the project.
- the reasonably anticipated or known damages and legal expenses are not expected to exceed 10% of the project's funded reserves.
- The HOA or co-op corporation is seeking recovery of funds for issues that have already been remediated, repaired, or replaced and there is no anticipated material adverse impact to the HOA or co-op corporation if funds are not recovered.
- litigation concerning localized damage to a unit in the project that does not impact the overall safety, structural soundness, habitability, or functional use of the project; or
- The HOA or co-op corporation is named as the plaintiff in a foreclosure action, or as a plaintiff in an action for past due HOA or co-op assessments.

Litigation that involves personal injury or death does not meet the criteria for minor litigation unless:

- the claim amount is reasonably anticipated or known,
- the insurance carrier has agreed to provide the defense, and
- the reasonably anticipated or known damages are covered by the HOA's or co-op corporation's insurance.

Construction defect litigation in which the HOA is the plaintiff is not considered a minor matter unless the HOA is seeking recovery of funds for issues that have already been remediated, repaired, or replaced. In addition, there is no anticipated material adverse impact to the HOA or co-op if the funds are not recovered.

The lender must obtain documentation to support its analysis that the litigation meets the criteria for minor litigation as described above.

Delinquent HOA Dues/Superior Lien

When the subject property is a condominium or PUD unit located in a jurisdiction in which delinquent HOA dues and assessments may become a lien that is superior to the first mortgage, confirmation that the dues and assessments are current at the time of loan funding isrequired.

In cases where there are delinquent dues or assessments, the past due amount must be brought current prior to or at closing and the borrower must provide a written explanation for the delinquency and confirmation that the dues will be paid in a timely manner.

Priority of Common Expense Assessments

A limited amount of regular common expense assessments (typically known as HOA fees) to have priority over the mortgage lien for mortgage loans secured by units in a Condo project is permissible. This applies if the condo project is located within a jurisdiction that has enacted:

- The Uniform Condominium Act,
- The Uniform Common Interest Ownership Act, or
- A similar statue that provides for unpaid assessments to have priority over first mortgage liens.

The table below describes the permitted priority of common expense assessments for purposes of determining the eligibility of a mortgage loan secured by a unit in a condo project for closing or purchase by LBF.

If the Condominium project…	Then...
Is located within a jurisdiction that enacted a law on or before January 14, 2014 that provides that regular common expense assessments (HOA/Condo dues) will have priority over the Lender's Reverse mortgage lien for a maximum amount greater than six months,	The maximum number of months of regular common expense assessments permitted under the applicable jurisdiction's law as of January 14, 2014, may have priority over the Lender's mortgage lien provided that if the applicable jurisdiction's law as of that date referenced an exception for Fannie Mae's requirements, then no more than six (6) months of regular common expense assessments may have priority over the Lender's mortgage lien.
Is located within any other jurisdiction,	No more than six (6) moths or regular common expense assessments may have priority over the Lender's mortgage lien, even if applicable law provides for a longer priority period.

Notwithstanding any provisions to the contrary, which do not require the lender to represent or warrant compliance with project legal document requirements, the condo project legal documents must evidence compliance with the above priority of common expense assessment requirements.

Documentation Requirements

A Platinum Condominium Questionnaire (FNMA Questionnaire Short Form, FNMA Limited Review or FHA Approved) must be completed, signed & dated by an authorized HOA representative. Must be completed within 60 days of the Underwriting date. We must not accept or use a completed questionnaire that has been handled by or transmitted from or through any interested party (i.e., Seller(s) or Realtor(s), etc.) or the borrower(s).

- Blanket/Master Insurance Policy in the amount of $1,000,000 comprehensive general liability coverage
- HO-6 coverage: the unit owner is required to obtain a "walls-in" coverage policy if the master or blanket policy does not include interior unit coverage, including replacement of interior improvements and betterment coverage to insure improvements that the borrower may have made to the unit. **Coverage must be at least 20% of the appraised value.**
- Flood Insurance Policy, if applicable. See flood insurance

- Pending legal action documentation, if applicable

Planned Unit Development (PUD)

Definition of Planned Unit Development

A PUD is a project or subdivision that consists of common property and improvements that are owned and maintained by an HOA for the benefit and use of the individual PUD units. For a project to qualify as a PUD all of the following requirements must be met:

- Each unit owner's membership in the HOA must be automatic and non-severable,
- The payment of assessments related to the unit must be mandatory,
- Common property and improvements must be owned and maintained by an HOA for the benefit and use of the unit owners, and
- the subject unit must not be part of a condo or co-op project.

Zoning is not a basis for classifying a project or subdivision as a PUD. Units in projects or subdivisions simply zoned as PUDs that include the following characteristics are not defined as PUD projects. These projects

- have no common property and improvements,
- do not require the establishment of and membership in an HOA, and
- do not require the payment of assessments.

Note: PUD projects that have single-wide manufactured housing are not eligible for the program unless the project has been reviewed and approved under Fannie Mae PERS process. Any unit located in a condo or co-op project within a larger PUD project or master association must meet the applicable requirements for condo projects.

Requirements

All mortgages secured by units in PUD project must comply with the following:

- Priority of common expense assessments (described below); and
- Insurance requirements.

Priority of Common Expense Assessments

Longbridge may allow a limited amount of regular common expense assessments (typically known as HOA fees) to have priority over the mortgage lien for mortgage loans secured by units in a PUD project. This applies if the PUD project is located in a jurisdiction that has enacted:

- the Uniform Condominium Act,
- the Uniform Common Interest Ownership Act, or
- a similar statue that provides for unpaid assessments to have priority over first mortgage liens.

The table below describes the permitted priority of common expense assessments for purposes of determining the eligibility of a mortgage loan secured by a unit in a PUD project for closing or purchase by LBF.

If the PUD project…	Then…

Is located within a jurisdiction that enacted a law on or before January 14, 2014 that provides that regular common expense assessments will have priority over the Lender's mortgage lien for a maximum amount greater than six (6) months,	The maximum number of months of regular common expense assessments permitted under the applicable jurisdiction's law as of January 14, 2014 may have priority of the Lender's mortgage lien provided that if the applicable jurisdictions' law as of that date referenced an exception to Fannie Mae's requirements, then no more than six (6) months of regular common expense assessments may have priority over the Lender's mortgage lien.
Is located within any other jurisdiction,	No more than six (6) months of regular common expense assessments may have priority over the Lender's mortgage lien even if applicable law provides for a longer priority period.

Notwithstanding any provisions to the contrary, which do not require the lender to represent or warrant compliance with project legal document requirements, the PUD project legal documents must evidence compliance with the above priority of common expense assessment requirements.

About the Manual

This manual is designed for the exclusive use of Longbridge Financial, LLC employees and business partners and is a source of reference for general information regarding reverse mortgages.

While every precaution has been taken in the preparation of this manual, Longbridge Financial, LLC assumes no responsibility for errors or omissions.

We expressly reserve the right to add, withdraw, or change any of the information at any time. Longbridge Financial, LLC reserves the right to interpret, apply, and make exceptions to policy and/or procedures as deemed necessary.

Revision History

Date	Version	Revision
2/14/19	1.0	Initial Creation
6/19/19	1.1	CT & TX approved states
7/16/19	1.2	NJ & MO approved states
8/6/19	1.3	Remove Hancock from Counseling Agencies, Refinance HECM/Reverse Mortgage to Platinum 2.0 24 month seasoning from closing date to closing date, LBF's Servicing Portfolio Retention Program HECM to Platinum 2.0 12 month seasoning from closing date to closing date.
8/9/19	1.4	AL approved state
8/19/19	1.5	ID approved state and remove Cascading AVM requirement

		and replace with CDA for value up to $2mm.
8/20/19	1.6	NM approved state
9/4/19	1.7	H2P or P2P refinance seasoning 18 months
9/11/19	1.8	OK approved state
10/14/19	1.9	LA approved state & Commitment Letter requirement
11/27/19	2.0	Addition of Adjustable Rate/Line of Credit.
2/27/20	2.1	FL approved state for LOC
3/5/20	2.2	CO approved state for LOC
4/27/20	2.3	Origination fee increase to $20k & SC cap of $6k, income documentation good for 60 days, LOC max draw 70.00%, max loan amount $3m loan amount above $2m 10% LTV reduction, Power of Attorney, Convenience POA, Signing with a Mark, credit history exceptions with limited delinquencies requires LOE, 12 months Taxes, Insurance, HOA dues reserves, minimum FICO increased to 680, remove allowed reserve requirement for PC payment history, Self employment income calculation and verification of self-employment during COVID-19, investment income use 70% of lesser of 12 or 24 month average, capital gains use 70% of 36 month avg, minimum appraised value increase to $450,000, Rural property requires 10% LTV reduction, added DC, NJ & NC approved states for LOC, DC LESA requirement & DC commitment/financing agreement, ADU borrower's may not occupy, counseling certificates, major diaster area delcarations damage inspection report must be dated after the Incident Period (as defined by FEMA) or 14 Days from the

		Incident Period start date, whichever is earlier,condo & PUD insurance requirements, condo & PUD flood insurance requirements, homeowner's insurance deductible
5/1/20	2.4	OR as approved state for LOC
5/4/20	2.5	SC as approved state for LOC, added a Testamentary Trust is not an acceptable Trust
6/1/20	2.6	AZ & CT as approved states for LOC, PA lifted suspension all counties in yellow phase as of 6/5/20.
6/2/20	2.7	State Fee caps
6/5/20	2.8	IL as approved state for LOC
6/11/20	2.9	UT as approved state for LOC, removed credit exceptions, removed employment/income from 120 day doc expiration, updated credit history no more than 2 x 30 in prior months 13 – 24
6/19/20	3.0	NV & MI as approved states for LOC, LOC max draw 70% to 75%
6/22/20	3.1	OH as approved state for LOC
6/24/20	3.2	ID & VA as approved states for LOC
7/7/20	3.3	General Parameters LOC max draw correct to 75%
7/24/20	3.4	TX as approved state for LOC
7/25/20	3.5	Title report – added title policy must be written on the 2006 ALTA standard form or the ALTA short form, additional title requirements, and state of WA application definition
7/30/20	3.6	Seasoning on H2P and P2P reduced to 12 months, removed LBF Servicing Portfolio Retention, credit exception possible for minor mortgage delinquencies, credit score exception possible down to 620, Alternate documentation in lieu of FNMA Form 1004D, Flood Zone D, Not

		Mapped/Undetermined, extended additional verification, requirements for Self-employed borrowers, added additional requirements for rental income (subject, other RE Holdings, boarder income), presidentially declared major diaster area declarations – property condition report
10/5/20	3.7	The Maximum Loan Amount is $4,000,000. A loan amount above $2,000,000 requires a 5% LTV reduction and above $3,000,000 requires a 15% LTV reduction.
10/9/20	3.8	Added (Principal Limit) next to Maximum Loan Amount, clarified mortgage history payment exceptions, added property charge exceptions.
10/20/20	3.9	Added State of WA to Fixed Rate products for Broker & Retail. Cannot do PAA in WA, removed 1 year LESA in DC
12/8/20	4.0	Update borrower eligibility age to 60 except in NC, TX & UT, update disbursement limit fixed rate – 12 months to refinance
12/30/20	4.1	Extended Self-Employed Borrower, and Rental Income for Subject Property or Other Real Estate Holdings Additional Verification requirements to 2/28/21, extended alternate documentation for completion of repairs to 2/28/21
2/22/21	4.2	Borrower Age 60 except in NC, TX & UT, LOC – max UPB 77.50%, max loan amount $4mm with 10% LTV reduction between $3-$4mm, Estimating property taxes when new bill not issued, HOI replacement cost estimator permitted when discrepancy on appraisal total cost new and HOI co

		replacement cost with dwelling cvg equal to RCE, exception for non-approved AMC may be combined with one other permissible exception listed in the guide, PC Payment history Property taxes paid >30 days past the due date but are paid by the taxing authority delinquency date will not be considered a late payment, FNMA Limited Review exception can be made for owner occupancy down to 35%, added Washington DC to Fixed Rate and 1 year LESA no longer required in DC, replace 4506-T with 4506-C.
9/30/21	4.3	**General Program Parameters – Property Value –** Minimum appraised value changed to $400,000.00 **Minimum Draw Amount –** LOC/ARM updated maximum initial draw to 90.00% **Appraisal Requirements –** Updated, Two (2) Appraisals with estimated value **greater than** $2,000,000. The lower of the two values will be used as the **Maximum Claim Amount**. **Minimum MID Credit Score –** Added Mandated TISA and **not** subject to Condo/PUD/HOA dues a mid FICO of 550 for each borrower is required. Mandated TISA and subject to Condo/PUD/HOA dues a mid FICO of 600 for each borrower is required. Borrower(s) with no FICO score are not eligible. **Minimum Appraised Value –** Changed to $400,000.00 **Disbursement Limits –** Changed Maximum Initial Draw to 90.00% **Age of Documentation – 180 Day Expiration –**

		Added Loans **may close** with an expired counseling certificate, except in Texas. **Note**: State of TX requires loan to close no later than the 180th day after counseling was completed. Closing date must be at least 5 days after re-counseling completion date. Counseling Certificate may not be expired at the time of application and no more than 180 days may have elapsed between counseling date and date of application. Closing date must be within 270 days of the date counseling was completed. **Financial Assessment - Credit Score Requirements –** Added For loans with a mandated Tax and Insurance Set Aside and where the property is **not** subject to Condo/PUD/HOA dues a **minimum mid FICO score is 550** for each borrower is required. For loans with a mandated Tax and Insurance Set Aside and where the property is subject to Condo/PUD/HOA dues a minimum mid FICO score is 600 for each borrower is required with no exceptions. **Tax and Insurance Set Aside (TISA) –** See section for details **Extenuating Circumstances –** See section for details **Extenuating Circumstances Unemployment –** See section for details **Documenting Extenuating Circumstances –** See section for details **TISA must be Fully Funded –** See section for details **TISA and Loan Decision –** See section for details **TISA Formula –**

		See section for details **Compensating Factors (CFs) – Residual Income Shortfall** Added when 1 or more permissible CFs identified and documented then loan is eligible **without a Fully Funded TISA** **Excess or Surplus Land – Encumber or Subdivide the Land -** Corrected to 10% **LTV** reduction will be applied. **Refinance – HECM or Proprietary to Platinum Exceptions –** Added if they are doing the refinance to add his or her spouse or other household member **Counseling Certificate –** Added that we will accept RMF Counseling cert for LOC product **Flood Insurance –** **Amount of Coverage –** Added Connecticut requirements **Added Policy Effective Period -** Added Policy must have 30 days remaining before renewal at closing for a refinance and 12 months for a Purchase. Added Policy must have at least 30 days coverage remaining as of the closing date. Added If the policy is expiring within 30 days of the closing date, evidence of renewal is required. Added If the borrower has not had a flood policy in place for the prior 12 months on the borrower(s) primary residence, then the full annual premium must be paid in full at closing. **Added Policy Premium -** Added Evidence premium paid in full or collect balance due.

		Added Renewal policy, collect balance due unless a payment schedule is obtained. Added If the payments are being paid by the lender we are paying off, we must collect the full balance due. Added If the policy is on a payment plan, we do not have to collect unless it is a NEW policy. Evidence it's on a payment plan is required. Added When a TISA is mandated the balance due must be paid in full at closing. **Homeowners Insurance – Amount of Coverage -** Added requirements for Connecticut & Idaho **Added Policy Effective Period -** Added Policy must have 30 days remaining before renewal at closing for a refinance and 12 months for a Purchase. Added Policy must have at least 30 days coverage remaining as of the closing date. Added If the policy is expiring within 30 days of the closing date, evidence of renewal is required. Added If the borrower has not had a flood policy in place for the prior 12 months on the borrower(s) primary residence, then the full annual premium must be paid in full at closing. **Added Policy Premium -** Added Evidence premium paid in full or collect balance due. Added Renewal policy, collect balance due unless a payment schedule is obtained. Added If the payments are being paid by the lender we are paying off, we must collect the full balance due. Added If the policy is on a payment plan, we do not have to collect unless it is a NEW

		policy. Evidence it's on a payment plan is required. Added When a TISA is mandated the balance due must be paid in full at closing.
12/14/21	4.4	**Borrower Eligibility –** Updated to borrower age of 55 except in LA, NJ & WA must be 60 years of age. **Reverse Mortgage Comparison –** Added that HECM products do not need to disclosed when borrower(s) are < 62 years old. **Removed references to Reverse Vision through out the guide -** Replaced with LOS (Loan Origination Software) **Repairs Completed Prior to Closing –** Alternate documentation to evidence completed repairs allowed until 6/30/22 **Counseling State Requirements –** Removed state of Connecticut requirement for counseling prior to application. **Appraisal Requirements –** Corrected Two appraisals required when estimated value greater than $2,000,000. **Excess and Surplus Land –** Added Idaho state requirements for property size to be encumbered by a reverse **POA for Convenience –** Clarified this is not to be used for borrower with limited ability to sign loan documents
5/20/22	4.5	**General Program Parameters –** Eligible States – Fixed Rate products added MA for Retail and Broker. ARM/LOC added GA for Retail, Broker & PAA. **Maximum Loan Amount –** Added maximum principal limit (loan amount) $2,000,000 state

		of MA, exceptions are not permitted. **Borrower Eligibility –** Added state of MA to borrower age of 60 **Commitment Letters –** Added state of MA. Cooling Off and Commitment Letter to be signed & dated. Cooling off period of 7- calendar days. **Counseling Agencies –** Added American Consumer Credit Counseling and noted that this agency + Cambridge Credit counseling & Debt Helper are the only agencies to provide Platinum counseling in MA. Added Hancock Community Development as approved agency. **Counseling Certificate –** Added state of MA upon receipt of fully executed counseling certificate we must send a Important Information for Elder Homeowners is a Reverse Mortgage Right for you? (aka MA Opt In Form) Disclosure must be signed & dated and in package at time of submission. Must have signed disclosure to issue loan approval **Counseling State Requirements –** Added state of MA requires face to face counseling. Temporary bill that permits phone or video conference until 7/14/22 will not be in guidelines. **Principal Limit –** Added the max PL is $4,000,000. Added state of MA max PL is $2,000,000 exceptions not permitted. **Tax and Insurance Set Aside –** Added not currently permitted in state of MA. **Past due accounts –** Added that this requirement applies to any account

		regardless of status (open account or closed account). **Self-Employment Income –** Additional Verification Requirements have been removed. **Rental Income –** **Subject Property –** **Other Real Estate Holdings –** **Boarder Income –** Additional verification requirements have been removed. **Trust Review & Approval –** Added Jay Resendez Attorney at Law for Revocable Trust. Paul Lovegrove & Maria Greco ONLY for Irrevocable Trust. **Form 4506T –** Updated to 4506C and added that electronic signature permitted when provided with DocuSign Completion Certificate **Condominium Projects–** Removed FNMA approved condominiums as an eligible condo type. No longer able to verify if project is FNMA approved. FNMA Limited Review continues to be available **Eligible Properties –** Removed FNMA approved condominiums as eligible. Not able to validate FNMA project approval **Counseling Policy –** Add counseling required for all borrower(s) and Ineligible NBS by Platinum approved agency. **Disclosures Required Prior to Counseling –** Added California requirements for disclosures prior to counseling. **Purchase -** **Notice of Right to Cancel -** Added for an ARM product where loan is over funded a NORTC is required.

		12 Month History on Housing Obligations – Added required for purchase and refinance transactions. Clarified when more than 1 principal residence in 12 months need to verify and document prior residence(s). Added for Mortgage free UW may review Interthinx report and include comments on FA Worksheet **Maximum Claim Amount –** Added when MCA is less than $970,800 loan is ineligible for Platinum. **Monetary Investment –** **Ineligible Funding Sources –** Added that Cryptocurrency is an ineligible source of funds to close on refinance or purchase transaction. **General Income Requirements –** Added Cryptocurrency, may not be used as effective income to qualify **Solar Panels –** Added **UCC Statement** and must be terminated or subordinated **California** Added Notice of Independent Solary Energy Producer Contract – can remain open exception and solar endorsement is required.
6/9/22	4.6	**Product Parameters –** Added Adjustable Rate definition, floor rate 6.25%, lifetime cap 5.00 percentage points, minimum draw 25%, maximum draw 90%, definition of draw period and draw period is for 10 years, added PL growth factor 1.50% compounded monthly but only for first 7 years Added Fixed Rate definition, minimum draw 80% and

		requirements when drawing less than 100% **Disbursement Limits –** Cleaned up language for when borrower(s) elects to take <100% of Principal Limit
7/5/22	4.7	**Document Title –** Changed to Platinum 4.0 Underwriting Guidelines **Product Parameters –** **Adjustable Rate –** Removed Principal Limit Growth factor
7/8/22	4.8	**Repairs Completed Prior to Closing –** Removed the alternate documentation to evidence completion of repairs prior to closing. Form 1004D Appraisal Update/Completion Report is required to evidence completed repairs. Added when original appraiser is not available to complete 1004D the most recent appraisal must be provided to the Appraiser that will complete the 1004D.
10/24/22	4.9	**General Program Parameters** **Eligible States –** Added NY for Retail and Broker and PAA noted NY not allowed **Property Value –** Minimum changed to $450,000.00 **Repairs –** RSA are permitted, ADDED except in NY **Maximum Loan Amount –** Reduced LTV/PLF reduction from 10 to 5% **Application –** Added CA specific requirements Added CA Cooling Off Period Added New York Added NY State Specific Disclosures **Added NY Cooling Off** **Commitment Letters –** Added New York

		Origination Fee and State Fee Caps – Added New York **Valid Change of Circumstance (VCC) –** Added New York **State Specific Disclosure Requirements –** Added New York **Borrower Eligibility –** Added NY to list of states with age of 60 **Age of Documentation –** **120 Day Expiration –** removed Appraisal **180 day Expiration –** added appraisal **Disclosures Required Prior to Counseling –** Added New York **Counseling Agencies –** Added 3 agencies for F2F in NY **Counseling State Requirements –** Added California Added CA Cooling Off Period Added New York **Maximum Claim Amount –** Changed to $450,000.00 **Maximum Loan Amount (Principal Limt (PL)) –** Reduced PLF reduction to 5% **Non-Borrowing Spouse –** Added Definitions Updated Application Requirements Updated Changes to PL Updated Credit report Added Evidence of DOB & SSN Updated Determination Updated Income Updated Other Requirements Updated Required Borrower, ENBS and INBS Certifications Added Qualitfying Attributes fo the Deferral Period for an ENBS Added Deferral Period Requirements Added Uneffected Terms **Principal Limit –**

		Added Principal Limit Factor Reductions – PLF reducted when PL $3mm-$4mm OR rural OR declining market and are not cumulative **Satisfactory credit –** Added Exception and Updated requirements - Exception may be made when the borrower(s) **mortgage** payment history for any mortgage does not meet 0x30 in prior 12 months and no more than 2x30 in prior months 13-24. **Credit Score Requirements –** • Minimum mid FICO is 550 for each borrower. • FICO 550-619 a TISA is required. • FICO at or above 620 up to 660 must close with either a TISA or 18 months reserves of taxes, insurance(s), and HOA dues, as applicable. Loan proceeds nor gift funds may be used for the 18-month reserve requirement. • In all cases for FICOs below 660 a letter of explanation is required acceptable to Longbridge must be provided. **Property Charge Payment History Exception –** Added Exception and updated requirements **Tax and Insurance Set Aside (TISA) –**

		Added New York is not eligible for TISA **Deferred/Forbearance Student Loans –** Updated requirement to calculate at .50% of balance for monthly payment calculation **Homeowner's Insurance - Amount of Coverage –** Added New York, cannot require coverage in excess of replacement cost **Title report –** **State specific Requirements –** Added New York, required searches for a Purchase and required searches for ALL properites **Appraisal Expiration –** Updated to 180 days and removed 30 day extension **Appraisal Requirements –** Removed notation of PLF reduction for rural and declining market. Now addressed in Principal Limit, PLF Reductions **Minimum Appraised Value –** Updated to $450,000.00 **Declining Market –** Removed notation of PLF reduction for declining market. Now addressed in Principal Limit, PLF Reductions **Rural Property –** Removed notation of PLF reduction for rural property. Now addressed in Principal Limit, PLF Reductions **Repairs Completed Prior to Closing –** **Completed Repairs -**

		Updated to Repairs completed prior to loan closing must be evidenced by: • An Appraisal Update and/or Completion Report Form 1004D, **OR** • **L**etter signed by the borrower(s) affirming that the work was completed with further evidence of completion, which may include photographs of the completed work, paid invoice indicating completion, occupancy permits, or other substantially similar documentation. When photos are used to evidence completion, the Underwriter must be able to determine the photos are of the subject property as per a comparison to the photos in the appraisal report. **Note:** The alternate evidence of repairs **is not** permitted on new construction and a 1004D is required. **Repair Set Aside –** Added that repair set aside is not permitted in NY.
11/28/22	4.10	**Residual Income Requirement –** Changed to household/family size, first tier based on appraised value <$970,800, 2nd tier appraised value $970,801 - $2mm and is 130% of tier 1, 3rd tier appraised value >$2mm and is 175% of tier 1 **Resicual Income requirements were effective 9/16/22 as per**

		Operations Alert Platinum Update 2022-10
12/22/22	4.11	**Appraisal Expiration –** Corrected to 180 days at time of closing.
2/2/23	4.12	**Residual Income Requirements –** **Tables of Residual Income by Region –** Updated appraised value requirements for Tables # 1 & 2 based on HECM Lending Limit for 2023 **Appraisal Expiration –** Updated to be within 180 days of funding to align with HECM
9/18/23	4.13	**General Program Parameters –** Eligible States: Added to Fixed; Retail – HI, MT, NH, & RI. Broker – HI, MT, NH, & RI. PAA – HI, MT, NH, & RI. ARM; Retail HI, MA, MT, NH, RI. Broker – HI, MA, MT, NH, RI. PAA – HI, MT, NH, & RI. **Borrower Counseling –** Updated for all borrower(s) and NBS, as applicable must receive counseling from approved agency. **Ineligible Borrowers –** Updated to remove Non-Borrowing Spouse **Minimum Draw Amount -** Updated to remove 90% max on ARM. **Application –** Updated 1009 is standard for reverse including 2 addendums. 1009 completion requirements including borrower demographic data when application face to face or video conference. **State Specific Disclosure Requirements –** Added Hawaii; Public Info Notice & Right to Choose Insurance Provider

		New York; Add NY 1st Cooling Off Period, Updated NY Specific Disclosures Added Rhode Island; right to choose title attorney or title insurance; Election of Owner's Policy of Title Insurance, Advisability of RM Counseling, Notice Regarding Non Refundability of Loan Fees, Appraisal Fee Disclosure, Right to Choose Insurance Provider, and Three-Day Notice of Right. **Good Faith Estimate –** Updated with requirements as per LBF Operations Alert 2023-01 NY Disclosure Clarifications REV 1 **Allowable Fees –** Added Montana per LBF Operations Alert 2023-13. Allowable fees include 3rd party services e.g., appraisal, credit. An application fee. A commitment fee if requirements listed in guide are met. All fees must have been disclosed in accordance with RESPA. Amounts collected cannot exceed actual cost and if so then refund to borrower. Fee refundability if commitment is not produced or loan doesn't close. Updated New York per LBF Operations Alert 2023-01 NY Disclosure Clarifications REV 1 Added Rhode Island **Valid Change of Circumstance (VCC) –** Updated New York, Loan Transfers per LBF Operations Alert 2023-01 NY Disclosure Clarifications REV 1 **Reverse Mortgage Comparison –** Added disclosure of Platinum products FX or ARM based on state availability. **Commitment Letters –**

		Illinois, added a lender certification is required. **Montana,** added that a commitment is not required unless a commitment fee is collected. Must be terms in allowable fees. **New York**, Updated per LBF Operations Alert 2023-01 NY Disclosure Clarifications REV 1 **Utah,** updated cooling off to 5 days and added day after borrower signature date is 1st day of the 5 calendar day cooling off. **Borrower Eligibility –** Updated states borrower aged 60 to LA, MA, NY & WA. Updated states borrower aged 62 to NH, NC & TX**.** **Age of Documentation –** **60 Day Expiration –** Added FNMA Limited Review Condominium Questionnaire. **Closing Cooling Off –** Section added for state of Rhode Island. Closing documents to be provided to borrower(s) and INBS no less than 3 business days prior to closing. **Conveyance Tax –** Section Added for state of Hawaii. **Counseling Policy –** Updated to include Non-Borrowing Spouse **Counseling Agencies –** Added Community Service Network. Removed Friends of the North Country Added that agencies with ** are likely to be closest for RI borrowers that want F2F **Disclosures Required Prior to Counseling –** Added Hawaii, borrowers to be provided with Platinum list of

		counselors prior to accepting a loan application. New York, updated per LBF Operations Alert 2023-01 NY Disclosure Clarifications REV 1 and removed Closing Attorney Selection Form as NY Real Property Law 280-b regulations do not apply to proprietary reverse mortgages. **Counseling State Requirements –** Added Hawaii per LBF Operations Alert 2022-14, and Rhode Island per LBF Operations Alert 2023-04. Added Rhode Island Cooling Off and Ordering of Services per LBF Operations Alert 2023-04. Utah, updated to add Ineligible NBS and counseling and application should not be completed on the same day. **Disbursement Limits –** ARM removed 90% maximum utilization. **High-Cost Test –** Updated to only require in UT on Fixed rate loans and for TPO LBF will complete test upon receipt of loan and at time of closing. **Holidays –** Added this section. Closing or funding cannot take place on a holiday and a holiday cannot be counted as a recission day. Added federal holidays; New Year's Day, Dr. Martin Luther King Day, President's Day, Memorial Day, Juneteenth, Independence Day, Labor Day, Columbus Day, Veteran's Day, Thanksgiving Day, Christmas Day. **New York State Legal Holidays –** Added this section; For NY term business day means any day

		except Saturday, Sunday, and any legal holidays. Added NY legal holidays; New Year's Day, Dr. Martin Luther King Day, Lincoln's Birthday, Washington's Birthday (President's Day), Memorial Day, Flag Day, Juneteenth, Independence Day, Labor Day, Columbus Day, General Election Day, Veteran's Day, Thanksgiving Day, Christmas Day, and any other day appointed by the governor of NY or US President. **Mortgage Recording –** Added this section. Mortgage to be recorded at 150% of Maximum Claim Amount. **Non-Borrowing Spouse –** Added "and the spouse resides in the subject property, and the" **Application Requirements –** Clarified INBS age, updated for NY loans an ENBS. **Credit Report –** Updated requirements for New York ENBS income and clarified ENBS to sign the NY Consumer Credit Report disclosure prior to credit being pulled. Income – Added New York Only and updated requirements. **Ordering of Services –** Added Rhode Island per LBF Operations Alert 2023-04 **Power of Attorney (POA) –** Added State Specific Requirements for Rhode Island. AIF Affidavit POA in full force and effect, not revoked or otherwise terminated and AIF acknowledges fiduciary obligations to the principal pursuant to the POA. **Incapacitated Borrower –** Updated doctor letter requirements to actively

		licensed medical professional (Physician, Physician's Assistant, Nurse Practitioner, or Registered Nurse). **Mentally Incompetent Borrower –** Updated doctor letter requirements to actively licensed medical professional (Physician, Physician's Assistant, Nurse Practitioner, or Registered Nurse). **Convenience Power of Attorney –** Updated requirements per LBF Operations Alert 2022-02. Letter from borrower to acknowledge use of the POA for the reverse mortgage transaction. **Signing with a Mark –** Changed from Subscribing Witness Affidavit to Signing with a Mark Statement. Added that a Signing with a Mark Statement must accompany each document (Note, Mortgage/Deed of Trust, Loan Agreement including Exhibits) must be accompanied by a Signing with a Mark Statement. **Principal Limit Growth –** Added this Section. Adjustable Rate (ARM), line of credit product, a Principal Limit growth factor of 1.50% annually (.125% monthly) will be applied to the Available PL for the 1st 7 years and will end on the last day of the month of the 7th anniversary. **Product Parameters –** **Adjustable Rate –** Clarified initial interest rate established at closing. Adjustable Rate (ARM), line of credit product, a Principal Limit growth factor of 1.50% annually (.125% monthly) will be applied to the Available PL for the 1st 7

		years and will end on the last day of the month of the 7th anniversary. Clarified draw period will end on the last day of the month of the 10th anniversary. **Purchase –** **Seller Concession/Contribution –** Clarified for Fixed rate product, a broker may not provide a credit towards borrower(s) closing costs. **Non-Arm's Length Transaction –** Added per investor requirements the definition of a non-arm's length transaction and that non-arm's length are not eligible. **Refinance – HECM to Platinum or Proprietary Reverse to Platinum –** **Exceptions –** Added and/or does not pass loan proceeds tests. Updated approval required by LBF SVP Compliance and legal or VP of Credit. **State Specific Requirements –** Added Hawaii; Conveyance Tax, Counseling, Cisterns and Catchment Systems, Hawaii Homeland, Homeowner's Insurance Coverage, Lava Zones, Leaseholds, Marital Status, Non-Borrowing Spouse, Permanent Heat Source, Recording Documents, and Title Endorsement. **Trusts –** **Attorney Review –** Added for Revocable Trust reviews, Jack Miller & Carrie House. **Unlicensed Practice of Law (UPOL) –** Added the section including definition of UPOL and closing documents and/or title

		insurance must be reviewed & approved by a state licensed attorney for the states of; HI, OH & TX. **Significant Derogatory Events –** Added this section per Investor requirements. Borrower(s) with history of following not eligible unless at least 2 years re-established clean credit; multiple bankruptcies (2 or more), or short sale, or deed in lieu of foreclosure. **Employment Income –** Added a re-verification of employment must be completed within 10 days prior to funding date. Verbal VOE is acceptable. **Residual Income Requirements –** Added that any boarders residing in the home must be included in household/family size even if boarder income not used to qualify, nor relationship to borrower (family or non-family member). **Debt Consolidation to Pass Residual Income Test –** Added that proceeds not dissipated as income may be used to pay off or pay down as noted below, debts to meet RI. Credit accounts e.g., credit cards, installment loans, can be paid off to pass RI, auto lease account cannot be paid off nor paid down to less than 10 months, installment accounts can be paid down to 10 payment or less to exclude from RI calculation. **Insurance Requirements – Flood Insurance –** Added Private Flood Insurance as per LBF Operations Alert 2023-10. **Deductible –**

		Updated to $10,000 max per NFIP. **Homeowner's Insurance – Amount of Coverage –** **Added Hawaii** specific requirement. Cannot require coverage that exceeds the replacement cost as established by the property insurer. **Added Montana** specific requirement. Cannot require coverage that exceeds the replacement cost as established by the property insurer. **Added New Hampshire** specific requirement. Cannot require coverage that exceeds the replacement cost as established by the property insurer. **Added Rhode Island** specific requirement. Cannot require coverage that exceeds the replacement cost as established by the property insurer. **Property Guidelines - State Requirements –** **Added Montana:** The Small Tract Financing Act of Montana limits the property size to 40 acres that can be encumbered by the reverse mortgage. **Ineligible Properties –** Updated SFR w/ more than 2 ADUs, updated 3-4 family w/ ADU. Accessory Dwelling Unit (ADU) – Updated definition: It's a separate additional living unit, including kitchen with a stove, refrigerator, and sink (kitchenette is not considered a full kitchen), as well as sleeping and bathroom facilities. A Single family with an ADU is considered a one-unit property. A SFR w/ and ADU and a Jr ADU or SFR w/ 2 ADUs are eligible if: SFR w/ ADU & JADU or SFR w/ 2 ADUs are legal, permitted, and in compliance with all zoning

		regulations. If rented, zoning regulations must allow rental of ADU. If rental is not permitted, then removal of ADU in accordance with local requirements. Appraised as permitted. Common and customary for the area and is marketable as supported by similar comparable sales. Rental income from only 1 ADU may be considered as effective income if documented with prior 2 year federal tax returns and current executed lease. A 2 unit with up to 2 ADUs is eligible if; are legal, permitted, and in compliance with all zoning regulations. If rented, zoning regulations must allow rental of ADU. If rental is not permitted, then removal of ADU in accordance with local requirements. Appraised as permitted. Common and customary for the area and is marketable as supported by similar comparable sales. Rental income from only 1 ADU may be considered as effective income if documented with prior 2-year federal tax returns and current executed lease. Living area of ADU not to be included in GLA and to be listed as separate line item in the appraisal. If legal non-conforming must be able to legally be rebuilt "As Is" if destroyed. **Condominium Definition –** Added for condos in state of MA Declaration of Condo Trust is permitted. **Site Condo Definition – Detached** condos in which the unit owner owns the detached condo unit and the land upon which the unit is built are **site** condos.

		FHA Approved Condo Projects – Updated required form to HUD 9991 Condo Questionnaire Sections 1-3. FNMA Limited Review – Updated requirements to include: Project does not have restrictions that may have an adverse impact on a note owner's ability to enforce its rights under the note and/or security instrument. When a unit has such restrictions, additional review is required. Restrictions include but are not limited to: resale restrictions, board approval for new unit owners, limit on the amount of sales proceeds retainable by seller. An HOA holding right of first refusal or an age restriction for unit owners are permitted. All Condos Required Docs: Completed condo questionnaire, master insurance policy w/ $1mm general liability, and walls in (HO-6) if master does not include "walls in" including unit upgrades or betterments. **Commercial Space and Mixed Use Allocation -** Clarified no more than 35% of condo project or 35% of the building in which the project is located can be commercial space or allocated to mixed use.
1/12/25	4.14	**General Program Parameters** – • Eligible Borrowers • Ineligible Borrowers • Minimum Property Value • Eligible Property types • Appraisal requirements • Maximum Loan Amount • Minimum Mid credit score

		Alternate Contact – updated relationship to borrower is preferred but not mandatory **Application – State Specific Requirements** – added AZ, NC & UT, updated HI & WA. **Application Completed Definition** – added CA & CT **Additional GFE Requirements –** added, A GFE must be delivered or placed in the mail no later than the 7th business day before loan closing **Origination Fee and State Fee Caps** Max Orig fee now $30,000 Removed max Orig fee for SC **Added State Fees, Florida –** Documentary stamp & intangible tax calculated based on Principal Limit. **TIL, Waiting Periods –** Clarified that for 7 day waiting period it cannot be reduced to 3 days based on borrower's execution **Reverse Mortgage Comparison** - updated with HECM products not required for non-approved FHA condo **Commitment Letters –** Updated per Ops Alert 2024-01 NY Expiration of Commitment Agreement and Setting of Prevailing Rate **Borrower Eligibility –** requirements when a borrower is temporarily in a health care facility **Date of Birth Verification –** updated must be verified for occupying or eligible NBS. Added if not valid photo id, then results of processed SSA-89 is required **Un-expired Photo ID requirements –** added required for borrower, NBS or POA. Added if not valid then results of processed SSA-89 is required.

		Principal Residence – added requirements when a borrower is temporarily in a health care facility **Social Security Number Requirements –** added Occupying NBS and Eligible NBS, stated only required for O or ENBS when his/her income is used to qualify. Added 1099 as acceptable verification, clarified processed SSA-89, clarified federal or state tax returns not acceptable. **Age of Documentation –** Removed 60-day expiration section, updates made to 180-day expiration **Counseling Agencies** – Ops Alert 2024-13, cleaned up Disclosures Required prior to Counseling **Counseling State Requirements** - updated for CA, & UT and added CT, HI, LA, MA, & WA. **Documentation Requirements** – added an Exception **Electronic Signatures –** Clarified it's any document not just application packages and completion certificate from provider utilized is required. **Flood Certificate –** SFHA & NFIP not available may request review for exception **Mapping & NFIP Participation –** updated insurance required to waive along w/ required documentation. **Holidays** – updated can close but not fund on a holiday. **Life Estate –** added Texas Ops Alert 2025-02 **Minimum Property Value** – per Ops Alert 2025-03 **Maximum Loan Amount (Principal Limit) –** per Ops Alert 2025-02 **CPL Lender Info –** update to LBF Paramus address

		Mortgage Recording – MCA typically value but Purchas use lesser of value or purchase price. FL record 150% of PL. **NMLS –** required for MLO on 1009 & any branch ID on 1009 **Non-Borrowing Spouse** – Ops Alert 2024-02 **Ordering of Services –** CA clarified it's permitted on the 8th day after counseling completed RI added NBS **Payoffs** – aligned to Longbridge HECM guidelines for consistency **POA –** removed incapacitated borrower **Conservator/Guardian –** add unless limited based on state law **Principal Limit Factor Reduction –** updated Ops Alert 2025-02 **Purchase –** Removed Real Estate Certification, For Your Protection Get a Home Inspection and the Buy & Bail section. **Occupancy Requirements –** updated when a borrower is temporarily in a hospital, etc. need written confirmation and at least 1 borrower must occupy w/in 60 days. **State Specific Requirements –** Add HI Allowable Fees, doc prep cannot be charged HI, added any deed must be prepared by an attorney HI, added NBS must be counseled **Survey Requirements –** Updated to align with Longbridge HECM guidelines **Trusts –** Added closing in Trust in Texas Ops Alert 2025-02 **UPOL –** HI was removed

		Form 4506C - added NBS as applicable **Fraud Alert –** updated to pended if checklist not completed prior to UW **Credit History, Exception –** Corrected to 18 months reserves **Credit Score Requirements –** Updated Ops Alert 2025-02 **Accelerate Process –** Ops Alert 2024-12 **Past Due Accounts –** Ops Alert 2025-02 **Significant Derogatory Events –** Ops Alert 2024-08 **12-month Housing payment history –** Ops Alert 2025-02 **TISA –** Ops Alert 2025-02 **TISA, NY –** with TISA not available scores below 660 w/ HOA dues not eligible. **TISA Formula –** HECM Life Expectancy Table **Grossing Up Non-Taxable Income –** Ops Alert 2024-17 **Alimony, Child Support, Maintenance Income –** Ops Alert 2024-17 grossing up child support. **Social Security Retirement Income –** Ops Alert 2024-17 **Pension Income –** align to HECM evidence 3-year continuance not required for federal, state or municipal pension. **History of Rental Income –** updated federal returns w/ all schedules **Future Expected Retirement or Social Security Retirement Income –** added per Ops Alert 2025-02 **General Liabilities & Debts –** updated paying down to 10 months may be permissible see Compensating Factors Debt Consolidation to Pass RI Test

		Installment Loans - updated paying down to 10 months may be permissible see Compensating Factors Debt Consolidation to Pass RI Test **Residual Income Requirements –** Ops Alert 2025-01 **Compensating Factors – Residual Income Shortfall –** added Occupying/Eligible NBS income Ops Alert 2024-02 **Homeowners Insurance Coverage, Amount of Coverage –** added state requirements to align to HECM guidelines for AZ, CA, CO, FL, IL, MA, MI, MS, MO, NM, OH, OK, OR, PA, SC, TX & VA **Title Insurance, State Specific Requirements,** TX removed can't close in Life Estate or Trust **Appraisal Update –** Ops Alert 2024-08 **Appraisal Management Companies –** Ops Alert 2024-07 **Appraisal Requirements –** Ops Alert 2025-02 **Collateral Desktop Analysis (CDA) –** Ops Alert 2024-07 **Minimum Appraised Value –** Ops Alert 2025-03 **Property guidelines –** added anything not specifically addressed then refer to HUD Handbook 4000.1 II.B.4, C.1-3 & II D.1-13 **Eligible Properties –** added SFR w/ up to 2 ADUs, added SFR w/ MFH ADU, added detached condominiums Single Family Residence with MFH ADU – Ops Alert 2025-02 **Presidentially Declared Major Disaster Areas, Funded, Not Purchased -** added DIR may not be dated w/in 14 days of incident period start state. **Disaster Emergency Declarations for Potentially**

		Impacted Areas – updated to Ops Alert 2025-04 **Rural Property –** removed the appraisal requirements, CDA is required and refer to PLF reduction **Solar Panels –** Ops Alert 2024-08 **Zoning Compliance, commercial or agricultural,** allowed if meets requirements for non-residential use and the highest & best use as improved **Definition of Detached Condominium –** Ops Alert 2024-10 **Incorporates Operations Alerts**: 2024-01 New York Disclosures, 2024-02 Occupying Non-Borrowing Spouse, 2024-07 Collateral Desktop Analysis, 2024-08 Appraisal Update, Solar and Power Purchase Agreement, Self Employment Re-verification, and Credit History Open Mortgages with Modifications, 2024-10 Detached Condominiums, 2024-11 Maximum Origination Fee, 2024-12 Financial Assessment Accelerate Process, 2024-13 Approved Counseling Agencies, 2024-16 South Carolina Max Origination Fee, 2024-17 Grossing Up Non-taxable income, 2025-01 Residual Income Tables, 2025-02 Platinum Enhancements, 2025-03 Minimum Appraised Value, 2025-04 Disaster Emergency Declaration, State Reg Update 2024-01 MA Counseling Requirement, 2024-02 FL Documentary Stamp Tax, 2024-03 FL Intangible Tax

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