

Program Qualifications

The proprietary loan program offers a fixed rate loan that requires the borrower draw all available proceeds at the time of funding.

Eligibility Requirements

Appraisal

Appraisal Ordering

The appraisal must be ordered from the designated AMC: Mortgage Information Systems (MIS). Appraisers will be selected by the AMC. The use of FHA approved appraisers is suggested, but not required.

Appraisal Requirements

- Use of Fannie Mae Form 1004
- A new appraisal is required for both purchase and refinance transactions
- No Broker Price Opinion, drive-by, or other limited appraisals are allowed
- For purchase transactions, appraiser must address current MLS listing price and history in the report.
- For purchase transactions, if transaction includes seller concessions, the appraiser must include comps that had seller concessions.
- A minimum of 3 comparable sales (actual closed sales) must be included in the report.
- Appraisal should not include a comparable greater than six months old.
- Interior photos must be provided. At a minimum, they must include photos of the kitchen, bedrooms, bathrooms, and living/family room.
- Appraiser must analyze and report in reasonable detail the sales history for the past 36 months for the subject property and the last 12 months for any comparable sales used in the report.
- The appraisal must analyze any current purchase agreement, option or listing for the subject property within the last 12 months.
- Properties with values significantly in excess of the predominant value of the subject's market area will be closely reviewed and may be ineligible.
- A PUD project requires at least one comparable sale from outside the PUD project.
- Condo projects with less than 10 units must be typical for the area and the appraisal must show similar comparables (i.e. within similar size projects).

Appraisal Validity

Appraisals must be dated within 120 days of closing. After the 120 day period has expired, a new appraisal must be ordered. No update/completion reports or recertifications of value are allowed. The loan need not start over based on the appraisal expiration.

Declining Markets

Properties identified as being located in a declining market will be subject to additional scrutiny to ensure value is supported by the most recent sales and market data.

Properties Listed for Sale in Prior 6 Months

Properties that have been listed for sale in the last 6 months prior to application date are ineligible for refinance transactions. Properties must be de-listed for at least 6 months prior to application to be eligible for refinance.

Note: All Products Revised on 09/18/2017.

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Eligibility Requirements

Appraisal

Properties Purchased Prior 12 Months

Properties that were purchased in the prior 12 months will be capped at the lesser of the appraised value or original purchase price.

Repairs

Required repairs will follow HUD guidelines; however, exceptions will be considered.

Transferred appraisals

Transferred/Assigned appraisals are ineligible. Appraisals must be ordered through the designated AMC and show American Lending as the lender/client (unless shown in the principal-agent/lender's name, if applicable).

Value over \$1,000,000

Value	Appraisal Requirement
≤ \$1,000,000	One Full Appraisal
> \$1,000,000	Two Full Appraisals
For Sale By Owner Properties	Two Full Appraisals

Properties valued over \$1,000,000 will require a second appraisal. American Lending will order the 2nd appraisal once the loan is submitted and will cover the expense of that report. The second appraisal may be ordered through the same AMC, but must be appraised by a separate appraiser.

The underwriter must review both appraisals and address any inconsistencies between the two appraisals. All discrepancies must be reconciled.

The underwriter will use the **lower** of the two appraised values to determine the loan to value.

Borrower Eligibility

All borrowers must be 62 years or older at the time the loan is closed. Additionally, borrowers must meet one of the below eligibility requirements:

- U.S. Citizens
- Permanent Resident Aliens - Permanent Resident Aliens must provide evidence of lawful residency and must meet all the same credit standards as U.S. citizens. A copy of the front and back of the Permanent Resident Alien card indicating permanent residency must be supplied in the loan package.
- Non-Permanent Resident Aliens – Non-Permanent Resident Aliens must provide proof the property is the borrower's principal residence, have a valid SSN, and provide proof the borrower is eligible to work in the United States.

Note: An Employment Authorization Document (EAD) issued by the US Citizenship and Immigration Services (USCIS) is acceptable proof of eligibility to work. Social Security Cards alone are NOT valid proof of eligibility to work.

Ineligible Borrowers include, but are not limited to:

- Persons who are not U.S. Citizens, Permanent or Non-Permanent Aliens
- Irrevocable or Blind Trusts
- Businesses, including Limited Partnerships, general partnerships or corporations
- Non-occupant co-borrowers
- Non-arms-length transactions when there is a relationship or business affiliation between the buyer,

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Eligibility Requirements	
	<p>seller, loan agent, or originator and include, but not limited to:</p> <ul style="list-style-type: none"> ○ Applicants related by blood or marriage to the seller ○ Builder/developers ○ Owners, employees or family members of originating broker ○ Renters buying from landlord ○ Trading properties with seller
Co-Borrowers	<p>Non-occupant co-borrowers are ineligible. See Non-borrower section for rules around non-borrowing parties.</p>
Condominium Approval	<p>Condos with values less than \$500,000 must be located in a project that is actively approved by FHA. Individual condominium units valued at \$500k or above will be reviewed on a spot loan basis in alignment with the below. All condo loans, regardless of value, will have a haircut to LTV.</p> <p>The following documentation must be submitted for review for spot approval:</p> <ul style="list-style-type: none"> • Completed American Lending Condo Questionnaire • Condo legal documents and amendments thereto • Recorded plat map indicating legal description • Recorded covenants, conditions, and restrictions (CC&Rs)/Declaration/Master Deed • Recorded condominium site plans • Current year's budget • Previous year's actual year-end results (Income and Expense statement) • Current balance sheet (dated within 90 days) to support adequacy of budget <p>Note: Reserve study required if budget deemed inadequate</p> <ul style="list-style-type: none"> • FEMA Flood Map – must identify location of project on FEMA Flood Map • LOMA, LOMR, or Elevation Certificate (if applicable) • Master Hazard policy (minimum \$1mm in coverage) • Master Flood policy (if applicable) • Liability Insurance • Fidelity Bond Insurance • Any documentation regarding pending litigation <p>Condominium units will be reviewed for approval based on answers to the American Lending condo questionnaire and review of the additional documentation. Any “yes” answers on the condo questionnaire must be reviewed and approved by the Underwriting Manager.</p> <p>Condominiums will be reviewed for marketability, financial stability and future ability to remain solvent.</p>
Counseling	<p>Due to independent state regulations in CA around reverse mortgage counseling, borrowers who opt for the Home Safe product in this state must follow a slightly different protocol in order to maintain compliance with these rules. The counseling requirements for CA and non-CA loans are as follows:</p> <p>CA Home Safe Counseling Process:</p> <ul style="list-style-type: none"> • Borrowers will be required to go through an upfront HECM counseling session from an agency of their choosing from the list of 10 available counselors. No processing activity may begin until a signed and

Eligibility Requirements

**Condominium
Approval**

- dated copy of the certificate is received.
- Once the loan has gone through an initial underwrite and it is determined that the loan will likely be eligible for closing, the borrower is required to partake in a 2nd counseling session that is more tailored to the Home Safe product. The Underwriter will provide the contact information for the counseling agency as part of the conditions sheet.
 - Due to state regulations prohibiting lender payments of counseling, the borrower is required to pay for this 2nd session out of pocket at the time of the session.
 - Copies of both counseling certificates, as long as they are signed and dated by all required parties, are acceptable. American Lending will not require originals.

All Other States Counseling Process:

- Borrowers should contact Springboard Counseling Agency for their initial Home Safe counseling session. A specific number for Springboard is provided in the counseling document in the proposal package.
- The counseling session must be completed and the certificate must be signed and dated before the processing of the loan begins. ****In the state of Hawaii, it is required that the counseling be completed, signed and dated BEFORE an application is taken. Therefore, for any Home Safe loan in Hawaii, American Lending will require a copy of the completed counseling certificate before an application will be released for signature.**
- A copy of the counseling certificate, as long as it is signed and dated by all required parties, is acceptable. American Lending will not require an original.
- If the borrower later decides to flip to a HECM loan, the borrower will have to undergo HECM counseling and start the process from the beginning in alignment with HECM rules.

The borrower is required to obtain non-steered HECM counseling upfront **BEFORE** incurring any processing charges. **All Hawaii borrowers must be counseled prior to application.**

Credit

A tri-merge credit report for all borrowers is required on every file. Credit will be reviewed for the following:

- Bankruptcy
- Borrower's information
- Credit Score (See Financial Assessment section)
- Federal debts outstanding
- Fraud Alerts
- Mortgage late payments or foreclosures (See Financial Assessment section)
- OFAC results
- Any other potential concerns

Bankruptcy

If the borrower's credit report indicates an active or recently closed bankruptcy, refer to the following bankruptcy guidelines. These guidelines mirror those set forth by HUD for qualification for the HECM loan.

Eligibility Requirements

Credit

Chapter 7 Bankruptcies

Chapter 7 bankruptcies must be dismissed or discharged prior to closing:

If the credit report says the bankruptcy was dismissed or discharged over one year ago, no additional documentation is required.

If the bankruptcy was dismissed less than one year ago, or if the credit report does not show anything, the borrower must provide a court order signed by the judge as proof of the discharge or dismissal along with the discharge schedule.

Chapter 13 Bankruptcies

For a Chapter 13 bankruptcy:

- The borrower pays the bankruptcy in full at closing. Obtain a payoff letter from the trustee;
- Or,
- The borrower continues with the bankruptcy and the reverse mortgage with court approval:
 - The borrower must pay off any liens against the property and any federal debt.
 - The court must provide written permission signed by the judge indicating that the borrower does not need to pay off the bankruptcy to proceed with the reverse mortgage. This permission must specify that the mortgage may be an adjustable rate mortgage, if applicable.

Chapter 11 Bankruptcies

Chapter 11 bankruptcy is most prominently used by businesses, whether a corporation or sole proprietorship. Borrowers who have filed Chapter 11 bankruptcy must:

- Pay off any liens against the property and any federal debt.
- Receive court approval signed by the judge indicating that the borrower does not need to pay off the bankruptcy to proceed with the reverse mortgage. This permission must specify that the mortgage may be an adjustable rate mortgage, if applicable.

Borrower's Information

The borrower's information must match the information supplied on the 1009 and identification exhibits.

Credit Score

The underwriter will review the credit score in conjunction with the Financial Assessment guidelines, if applicable.

Eligibility Requirements

	<p>Federal debts outstanding The borrower must have no outstanding federal debts, or must be in a satisfactory repayment plan. Any outstanding federal debts secured by the subject property must be satisfied through closing or acceptably subordinated.</p> <p>Fraud Alerts Any fraud alerts must be investigated and cleared prior to closing with the credit agency.</p> <p>Mortgage late payments or foreclosures The underwriter will review the borrower’s mortgage payment history in conjunction with the Financial Assessment guidelines.</p> <p>OFAC results Any borrowers with a positive OFAC hit are ineligible.</p> <p>Other Credit History Other credit history will be reviewed but not used to make an underwriting decision, unless significant derogatory credit exists, or to the extent discussed in the Financial Assessment section.</p>
<p>Documentation</p>	<p>All loans must be submitted with the following documentation:</p> <ul style="list-style-type: none"> • Initial application package fully executed within appropriate time frames • Verification of Date of Birth and Social Security Number • Federal Tax Returns or 4506T Authorization to pull Tax Returns • Social Security Awards letter (to document any SS income received) • Documentation for any “Other” Income sources (i.e. alimony, child support, annuity, interest/dividend, military benefits, disability, pension, trust income, rental income, etc.) <p>Note: If borrower passes income test with income documented by tax returns and SSA statement alone, no further documentation is required.</p> <ul style="list-style-type: none"> • Hazard and Flood Insurance (if applicable) Declaration Page • Tri-merge Credit Report • Title Commitment (including tax certificate showing 24 month tax history) • Appraisal (For properties > \$1mm, two complete appraisals) • Purchase agreement, sales contract, inspections, as applicable <p>At loan closing, all documentation may be up to 120 days old, unless a shorter time frame is specified by the document OR the nature of the documents is such that their validity for underwriting purposes is not affected by the prescribed time-frame (i.e. divorce decrees or tax returns).</p>
<p>Eligibility</p>	<p>Home Safe is only available when borrower has requested loan proceeds in excess of the HECM limit or when borrower does not qualify for the HECM but does qualify for the Home Safe. The underwriter will document the file with the reason why the loan is proceeding on the HECM.</p>
<p>Financing Types</p>	<p>Purchase and Refinance transactions are eligible, subject to all other requirements.</p>
<p>Geographic Locations/ Restrictions</p>	<p>Product will be launched initially in California with additional states to follow. Please check licensing map for a current list of approved states.</p>

Eligibility Requirements

<p>Ineligible Property Types</p>	<p>The following property types are ineligible:</p> <ul style="list-style-type: none"> • 2-4 unit • Agricultural zoned properties • Acreage > 20 acres • Bed and Breakfast properties • Boarding houses • Condo hotel • Cooperative Units “Co-ops” • Hobby farms • Income producing properties with acreage • Leaseholds • Log homes • Manufactured Homes • Mixed use properties (any business use in the home) • Modular homes • Properties subject to oil and gas leases • Title held in a business name • Working farms, ranches, or orchards
<p>Financial Assessment (FA)</p>	<p>All borrowers will go through a review of income and asset verification.</p> <p>Income Documentation: The following income documents must be submitted in the loan package and will be reviewed on all borrowers:</p> <ul style="list-style-type: none"> • Two years tax returns • 4506T authorization for American Lending to verify tax returns • Social Security Awards letter to verify SS Income • Documentation of any “Other” income sources <p>Note: Other income includes alimony, child support, annuity, interest/dividend, military benefits, disability, pension, trust income, rental income, etc. that can be properly documented.</p> <p>Expenses Expenses include monthly obligations, property charges, and utilities.</p> <p>Monthly obligations are any recurring debts shown on the credit report that will not be paid off through the loan. Debt against the property that is to be paid through closing with a permitted use of the proceeds need not be included in the residual income calculation.</p> <p>Property charges consist of taxes, hazard insurance, flood insurance, ground rents, home ownership association dues and assessments. Utilities will be calculated based on the square footage shown on the appraisal multiplied by a rate of 0.14.</p> <p>Residual Income Residual income is calculated by calculating the total monthly income from all sources and subtracting from that amount the total monthly expenses.</p> <p>The resulting residual income must exceed the residual income based on 1-4 borrowers and the geographic region.</p>

Eligibility Requirements

Residual Income

Monthly Income	-	Monthly Obligations	-	Property Charges	-	Utilities	=	Residual Cash Flow
4506T & SSA Results		Credit Report Obligations		Dec. Page, Appraisal, Tax Bill, etc.		Utility Calculator (.14 x S.F)		> RCF Pass < RCF Fail

Regional Residual Income Table

Family Size	Northeast	Midwest	South	West
1	\$540	\$529	\$529	\$589
2	\$906	\$886	\$866	\$998
3	\$946	\$927	\$927	\$1,031
4+	\$1,066	\$1,041	\$1,041	\$1,160

Geographic Regions

Northeast	CT, ME, MA, NH, NJ, NY, PA, RI, VT
Midwest	IL, IN, IA, KS, MI, MN, MO, NE, ND, OH, SD, WI
South	AL, AR, DE, DC, FL, GA, KY, LA, MD, MS, NC, OK, PR, SC, TN, TX, VI, WV
West	AK, AZ, CA, CO, HI, ID, MT, NV, NM, OR, UT, WA, WY

Financial Assessment (FA)

Credit Underwrite

All loan files will be reviewed for:

- Tax defaults in prior 24 months
- Insurance effective dates less than 90 days prior to application
- A satisfactory payment history on revolving credit, installment accounts, and mortgages.
- Credit score, if applicable

Once the above is determined, the underwriter will follow the below chart:

Fail RI	Delinquent T&I Payment*	Derogatory Credit**	Credit Score	Haircut to LTV	Set-Aside
Yes	No	No	Above 700	Cut LTV	N/A
			Below 700	Cut LTV	Lifetime
Yes	No	Yes	N/A	Cut LTV	Lifetime
Yes	Yes	No	Above 550	Cut LTV	Lifetime
			Below 550	Denial ++	Denial ++
Yes	Yes	Yes	N/A	Denial ++	Denial ++
No	Yes	No	N/A	N/A	Lifetime†

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Eligibility Requirements

Fail RI	Delinquent T&I Payment*	Derogatory Credit**	Credit Score	Haircut to LTV	Set-Aside
No	Yes	Yes	Above 550	Cut LTV	Lifetime
			Below 550	Denial ††	Denial ††
No	No	No	N/A	N/A	None
No	No	Yes	N/A	N/A	Lifetime

*24 month look back for taxes and 90 day look back from application for HOI. Any non-payment results in a “No” answer for this column. If client was not required to have HOI and no delinquency in 24 month period, then history considered “good”.

**Within past 24 months

†If no delinquent tax & HOI nonpayment is due to client not having policy in place b/c one was not required, this is 2 years set aside

††Exceptions can be considered in denial situations when derogatory history can be tied to a one-time event based on the criteria from handbook 4155.1: death of main earner or uninsured illness where the borrower has since re-established good credit or chosen not to incur new debt.

Set-asides

If a borrower fails Financial Assessment tests, American Lending will establish a Life Expectancy Set-aside. The length of the set-aside will be a lifetime set-aside based on results of Financial Assessment. A borrower’s lifetime is calculated based on actuarial tables.

Funds to Close

All funds that will be brought to closing must be fully documented, regardless of the amount. Acceptable sources of funds vary, but can include anything in the following sections. Exceptions to this policy may be considered.

Savings or Checking accounts

The accounts must have a sufficient balances and account history to support the amount of funds to close. The borrower must provide the following:

- Verification of Deposit (VOD), and all pages of the most recent bank statement showing that the current balance over the previous two months is sufficient to cover the amount of the funds being brought to closing. Or,
- Bank statements covering the most recent three-month period. Two statements are acceptable if the older statement reflects the balance for the prior month.

Large Balance Increases

If the borrower’s account balance reflects large increases over the most recent three-month period, we may require information about the source of the funds to verify that they are not borrowed funds.

Eligibility Requirements

Business Bank Statements

Bank statements must be from the borrower's personal account. Business bank statements require additional verification including, but not limited to proof the borrower is:

- The owner of the business, and the sole signor on the account. Or,
- Acknowledgement of the withdrawal by all signors on the account.

Gift Funds

Gift funds from a relative or close personal friend of the borrower are acceptable as a source of funds, provided the donor is not a person or entity with an interest in the refinance, and no payment is expected or implied.

Required documentation includes ALL of the following:

- A fully-completed gift letter that shows the donor's name, address, telephone number and relationship to the borrower, as well as the dollar amount of the gift. The gift letter must state that no repayment is expected or implied.
- Evidence, such as a bank statement or VOD, that the funds are the donor's own funds.
- Documentation of the transfer of funds between the donor and the borrower, or between the donor and escrow.

Stocks, Bonds and Mutual Funds

Funds from a borrower's stocks, bonds or mutual funds are acceptable sources, as long as their value can be verified. Acceptable documentation includes the most recent monthly or quarterly statement provided by the financial institution, as well as proof of the withdrawal from the source, and deposit into the borrower's own account.

Retirement Accounts/IRAs/401Ks

Vested funds from retirement accounts or retirement savings accounts are acceptable as a source of funds to close. Required documentation includes ALL of the following:

- The most recent monthly or quarterly statement provided by the financial institution, indicating the current value less any federal income tax and withdrawal penalties.
- Evidence of liquidation of the amount required for closing.
- Evidence of the deposit into the bank account from which funds will be withdrawn, AND evidence the funds were not borrowed against the account.

Real Estate Sale Proceeds

Net proceeds from a recent arms-length sale of real estate owned by the borrower are acceptable, provided that we receive the final HUD-1 Settlement Statement from the sale of the property and evidence of the funds transfer.

Sale of Personal Property

The sale of personal property, such as a car, recreational vehicle, stamps, coins, baseball card collections, and so forth, is an acceptable source of funds to close. Required documentation includes ALL of the following:

- Conclusive evidence the item or items were sold.

Funds to Close

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Eligibility Requirements

Funds to Close

- Acceptable documentations from an uninterested third-party expert that provides a satisfactory estimate of worth from a published value estimate. The estimated worth of the items being sold may be in the form of:
 - A published value estimate issued by an organization, such as an automobile dealer, 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 sale price is the amount considered to be “assets to close.”

Life Insurance Policies

We can accept life insurance policies as a source of funds to close, provided the borrower submits the following:

- Proof of net worth when the policy is cashed in.
- Proof that the proceeds were deposited into the borrower’s account.
- Proof that the funds to close were drawn from that account, AND evidence the funds were not borrowed against the life insurance.

Cash Saved at Home

Borrowers who have saved cash at home and are able to adequately demonstrate how they were able to do this can include this money as an acceptable source of funds. To include cash saved at home when assessing the borrower’s cash assets:

- The money must be verified, whether deposited in a financial institution or held by the escrow or title company.
- The borrower must provide satisfactory evidence that he or she was able to accumulate those savings.

Borrower

Required documentation includes a written explanation from the borrower stating:

- How the funds were accumulated.
- How long it took to accumulate the funds.

Underwriter

The underwriter must determine that the accumulation of funds is reasonable based on the time period during which funds were saved and the borrower’s:

- Income stream
- Spending habits
- Documented expenses
- History of using financial institution

Note: Borrowers with checking and savings accounts are less likely to save money at home than individuals with no history of such accounts.

**High-Cost
Mortgage Loans**


Reverse mortgage loans are exempt from 12 CFR 1026.32.


**Higher-Priced
Mortgage Loans**

Reverse mortgage loans are exempt from 12 CFR 1026.35.

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Eligibility Requirements	
Loan to Value	<p>Different factors will influence the final LTV applied to each loan. Factors include:</p> <ul style="list-style-type: none"> • Age of the youngest borrower • Property type • Haircut requirements due to risk factors (i.e. Financial Assessment outcomes) • The lowest of the following: <ul style="list-style-type: none"> ○ Appraised value ○ Sales price ○ American Lending Adjusted Value <p>LTV Limitations Any underwriting outcome requiring a haircut will reduce the LTV.</p> <p>Maximum Loan Amounts There is a maximum loan amount of \$2,250,000. There are also caps on value ranges for the amount of value that can contribute to determining the final loan amount. American Lending refers to this as the Adjusted Value.</p>
Mortgage Insurance	None
Multiple FHA Loans	One additional FHA loan on a vacated property will not preclude a borrower from eligibility if appropriately documented. Only one HECM may be outstanding at any given time.
Multiple Loans	The borrower may have only one proprietary reverse mortgage outstanding at any given time.
Multiple Owned Properties	The borrowers may own up to 4 other financed properties. If more than 4 other financed properties are owned, the borrower is ineligible.
New Construction	All new construction properties must have a certificate of occupancy issued by the local jurisdiction prior to closing.
Non-Borrowers	<p>A maturity event occurs on American Lending's proprietary reverse mortgage loan program when the last surviving borrower (defined as owner /occupants that sign the Note and/or Loan Agreement) no longer lives in the home as their primary residence. As such, short of paying off the loan from separate proceeds, there is no protection for non-borrower parties to maintain an interest in the home or continue residing in the home past this maturity event. Because the HECM program has protections in place for certain non-borrowing parties, a reverse mortgage applicant with certain non-borrowing parties should strongly consider a FHA-insured HECM loan.</p> <p>The following underwriting requirements apply for all proprietary loans with non-borrowers:</p> <ul style="list-style-type: none"> • Applicant is required to disclose to American Lending information on any non-borrowers living in the home, on title to the home, or having community property interest in the home. Unless one of the following exceptions are met, American Lending will recommend the borrower opt for the HECM program: <ul style="list-style-type: none"> ○ The non-borrower has never been on the title to the home, and does not have any community property rights to the property.

Eligibility Requirements	
Non-Borrowers	<ul style="list-style-type: none"> ○ The non-borrower does not reside in the subject property and does not have any community property rights to the property.
Occupancy	<p>The borrower must live in the subject property as a principal residence. A person may have only one principal residence at any one time. If the occupancy of the borrower is in question, the underwriter will request proof of the residency.</p> <p>This may include one or more of the following (this list is not all inclusive and UW may request additional documentation as necessary):</p> <ul style="list-style-type: none"> • A letter of explanation from the borrower • Utility statements (Electricity, Gas, Water) • Other monthly statements (Credit card or medical bills) • Owner Occupancy Affidavit • Full year's bank statements showing transaction detail <p>The underwriter must ensure that occupancy can be appropriately documented prior to approval.</p>
Origination Fee	There will be no Origination Fee charge.
Power of Attorney/ Guardianship	<p>Power of Attorney In order to use a Power of Attorney, the borrower must be either:</p> <ul style="list-style-type: none"> • Physically Incapacitated • Mentally Incompetent <p>Borrowers mentally and physically capable of signing must sign their own documents.</p> <p>Note: Borrowers who cannot sign their full names may execute documents with a mark, provided the mark is witnessed and notarized per state requirements. This includes persons who can sign their names, but have difficulty signing large volumes of closing documents.</p> <p>Borrower is Mentally Competent but Physically Incapable of Signing When the borrower is competent, but is physically incapacitated with a condition that makes signing difficult, such as arthritis or paralysis, he or she must meet the face-to-face requirement at application, counseling, or closing, OR be seen by their doctor during the time frame of the loan. The doctor must include this certification in the doctor's letter.</p> <p>In addition, we require:</p> <ul style="list-style-type: none"> • A doctor's letter that describes the borrower's physical incapacity, and certifies that he or she is mentally competent, but unable to sign. • The POA's signature on the Fannie Mae 1009 • The borrower's name on the top of the counseling certificate, with the POA's signature on behalf of the borrower. • A notarized copy of the fully-executed Durable POA. • Confirmation from the title company that the POA is acceptable to insure.

Eligibility Requirements

Power of Attorney/ Guardianship

Borrower is Mentally Incompetent

When the borrower is mentally incompetent with a condition such as dementia or Alzheimer's, he or she must meet the face-to-face requirement at application, counseling or closing.

In addition, we require:

- A doctor's letter certifying that the borrower is no longer capable of handling his or her own financial affairs. This letter must include the date the borrower became incapable of handling financial affairs. This date must be AFTER the POA was executed. If it was signed SHORTLY before the application was taken, the letter should verify that the borrower was capable of handling financial affairs on the date the POA was signed.
- Additional documentation required when property is vested in a Trust Agreement, as outlined in the Trust Agreement.
- The POA's signature on ALL application and closing documents.
- The person acting as POA to attend the counseling session on behalf of the borrower.
- A notarized copy of the fully executed Durable POA document.
- Confirmation from the title company that they reviewed the POA document, and determined it was acceptable to insure.

Guardianship

A guardian (called a "conservator" in some states) is appointed by a court to protect the borrower's interest because the borrower has become incompetent and has no durable Power of Attorney (POA), or has a POA that is void because it was not signed before the date the borrower became incompetent.

Documentation

- If the borrower has a guardian, the file must contain the following documents:
- A copy of the court order appointing the person as guardian or conservator.
- Limited Denial of Participation (LDP) and Excluded Parties List System (EPLS) printouts.
- A court order stating that the court approves the loan transaction for a reverse mortgage. The words "reverse mortgage" and "adjustable rate, negative amortized loan" must be included in the court order, as applicable.

This court order:

- Must be signed by a judge.
- Should not include any interest amount. If an interest rate does appear, the court order must state that it is an "initial rate", and note that it is an adjustable rate for a negative amortized loan, if applicable.
- Should not indicate a loan amount. If a loan amount does appear, it must not be less than the recorded deed amount, which equals one and one half times the maximum claim amount.
- Must authorize the trustee to act on behalf of the trust, if the property is in trust.

Application, Counseling and Competency

The guardian or conservator must attend the counseling session. The borrower does not need to attend.

The loan officer confirms the guardian or conservator's identity with:

- State or government-issued identification
- Customer Identification Certification (an application form)

Eligibility Requirements	
	<p>Document Signing The guardian’s or conservator’s signature must follow the guidelines in the guardianship documents.</p> <p>Example: [Borrower’s full name] by [guardian’s full name] as [Guardian/Conservator] “Jane Doe by John Smith as Guardian” or “John Jones by Jane Smith as Conservator”</p> <p>Temporary Guardianship or Conservatorship Temporary guardianships or conservatorships are not allowed. A guardianship or conservatorship must be valid, and in force with no expiration date so the borrower has a legal representative for the life of the loan.</p>
Prepayment Penalty	None
Purchase Transactions	<p>The following requirements apply to purchase transactions. Exceptions to the below will be considered with strong supporting documentation.</p> <p>Occupancy The borrower must occupy the property within 60 days of closing.</p> <p>Loan to Value The loan to value is based on the:</p> <ul style="list-style-type: none"> • Age of the youngest borrower • Current interest rates • The lowest of the following: <ul style="list-style-type: none"> ○ Appraised value ○ Sales price ○ Lending Limit <p>Sales Price The sales price can exceed the appraised value by the lesser of \$25,000 or 10%. In those cases, the borrower must write a letter acknowledging that the appraised value is less than the sales price, and express intent to proceed with the transaction.</p> <p>Flipping Guidelines Resale of the property may not occur 90 or fewer days from the last sale. If a resale occurs between 91 and 180 days, and the new sales price exceeds 100% of the previous sales price, a second appraisal is required.</p> <p>Non-Arms-Length Transactions Non-Arms-Length Transactions are ineligible.</p> <p>Borrower Qualification Borrowers must not qualify, unless they will be retaining a prior primary residence in addition to purchasing the subject property.</p> <p>Debt to Income Ratio If qualification is required, the borrower’s debt to income ratio must not exceed 43%, unless the borrower has mitigating factors.</p>

Eligibility Requirements

If the borrowers are retaining their current residence, they must document they have sufficient income to:

- Maintain the costs associated with the new home financed with the purchase transaction, including taxes, insurance, maintenance, and so forth.
- Provide sufficient acceptable funding to cover the purchase transaction.
- Continue to make the mortgage payment and tax and insurance payments on the existing mortgage.

Debts

The following debts are considered in the debt to income ratio:

- Mortgage payment on the property being retained.
- Taxes and Insurance on the property being retained AND the property being purchased.
- HOA dues on the property being retained AND the property being purchased, if applicable.

Income

Income must be verified in accordance with the Financial Assessment section.

Rental Units

If the borrower owns and rents out property other than the current residence, the mortgage for that property is not included in the debt portion of the qualification requirements if there is a documented history of the borrowers' ability to rent the property. The rental income must appear on Schedule E of the filed tax returns before the mortgage for that property may be excluded from the debt to income qualification calculation.

The borrower must provide tax returns for the past two years. American Lending also requires the 4506T Authorization to pull tax returns, and must be able to verify that their rental income was reported to the IRS.

Rental income that is currently or expected to be received on the current/future rental of the primary residence may not be included in the income calculation.

Funds to Close

Funds brought to closing or used for earnest money must be documented in accordance with the Funds to Close section of this policy.

Repairs:

Required repairs must be completed prior to closing and paid by the seller.

Power of Attorney or Guardianship

American Lending does not allow the use of POAs or Guardianships on purchase transactions.

Derogatory Credit

The underwriter must review any of the following occurrences within the prior three years:

- Late payments and defaults
- Short sales

Purchase Transactions

Eligibility Requirements	
	<ul style="list-style-type: none"> Deed in lieu Foreclosures Bankruptcies <p>These events may make the borrower ineligible for a purchase transaction. The underwriter will request an explanation and documentation of the mitigating factors, along with evidence that the funds used for the purchase were not available at the time of the event. The underwriter will make the determination based on length of time since the event and mitigating factors presented.</p> <p>Closing Costs Closing costs may be paid by the buyer or seller as specified in the contract or common and customary in the market area.</p> <p>Lender Credits Lender credits may be offered not to exceed the actual amount of closing costs.</p>
Repair Set-Asides	Non-health, safety or structural integrity repairs may be set aside, not to exceed 15% of the loan amount. Exceptions may be considered. The minimum repair set-aside amount is \$500.
RESPA/TILA	All applicable RESPA and TILA time frame and disclosure requirements must be met.
Reverse Mortgage Refinance	Refinances of a prior HECM loan into a proprietary product will be reviewed on an exception basis to determine the benefit to borrower. As a general rule of thumb, American Lending will require a 24 month wait before refinancing a HECM to a HomeSafe and apply the National Reverse Mortgage Lenders Association (NRMLA) code of ethics 5:1 benefit-to-cost ratio. Exceptions may be approved by a VP level manager or higher.
Servicing Fee	There is a \$30 monthly servicing fee. This is added to the loan balance directly and not accounted for in a servicing fee set aside.
Survey	<p>If title work or the purchase agreement requires a survey, a copy must be in the loan file. Survey exceptions on title render a loan ineligible for purchase.</p> <p>Any encroachment or restriction violations mentioned in the title policy must have insuring language. If any survey includes an exception or encroachment, the final title policy must include an ALTA 9/ Survey endorsement.</p>
Tax and Insurance Set-Asides	When a tax and insurance set aside is required, the calculation will mirror the HUD proposal for HECM financial assessment.
Trusts	<p>Revocable Living Trusts will be considered, if the following guidelines are met (not eligible for Texas properties):</p> <ul style="list-style-type: none"> The trust is valid and enforceable. The trust provides a reasonable means to assure that American Lending is notified of any subsequent change of occupancy or transfer of beneficial interest. The trust ensures that each borrower/beneficiary has the legal right to occupy the property for the remainder of his or her life.

Eligibility Requirements

Trusts

- All borrowers on the loan are primary beneficiaries of the trust, and no new beneficiaries can be added to the trust during the life of the loan.
- The Trust holds legal title to the property.
- The borrowers/beneficiaries have the legal right to encumber the property with a mortgage.
- There are no spendthrift provisions that would prevent the subject property to be encumbered.
- The beneficiaries sign all documents.
- The trustees must sign the Note, security instruments and riders, Notice of Right to Cancel, and Truth in Lending statement.

An Attorney Opinion Letter certifying all of the above must be supplied from House Law Firm.

Irrevocable or Blind (Anonymous) Trusts are ineligible. Any transfer out of this type of trust must be reviewed and approved by the trust attorney for validity and compliance.

Underwriting

American Lending must underwrite all proprietary loans. We will not allow delivery of our proprietary product through the closed loan channel. American Lending will defer to HUD guidelines for underwriting issues not addressed in this matrix. Exceptions will be considered. All loans must also comply with applicable state and federal requirements, including RESPA and TILA time frames and disclosure requirements.

All loans must be manually underwritten by a designated American Lending underwriter. The underwriter must review all documentation required/submitted in the package. This includes, but is not limited to:

- Appraisal (For properties > \$1mm, two complete appraisals)
- Initial application package
- Borrower identification
- Credit and income documentation
- Federal tax returns
- Hazard and flood insurance (if applicable) declaration page
- Purchase agreement, sales contract, inspections, as applicable
- Title Commitment (including tax certificate showing 24 month tax history)
- Tri-merge Credit Report
- Any other documentation submitted

Business Use of Home

Any business use of the home renders the borrower ineligible. If borrowers are showing ANY business use home on a schedule C or showing rental income on the Schedule E for any part of the home (i.e. office being rented to the business) then the loan is ineligible. This includes outbuildings on the property as well. Simply using the home address as the address for the business, when there is no indication of business use of home on the tax returns, is acceptable.

Exceptions to Policy

All exceptions to policy (as noted in these guidelines) must be reviewed and approved by the Underwriting Manager.

Eligibility Requirements

Underwriting

Property Ownership History

The underwriter will take into consideration the number of properties owned and the length of time the property has been owned.

- Investors who demonstrate a rapid acquisition (acquired within the most recent 24-month period) of investment properties will be reviewed cautiously.
- Borrower may not own more than 4 financed properties.
- Borrower may not have more than 1 proprietary reverse mortgage product at any given time.
- Borrower may have 1 additional FHA insured loan that is secured by a prior residence which has since been vacated (with appropriate documentation).
- Buyers using the product for a purchase transaction must qualify, if prior residence being vacated will be retained.


Second Approvals


The following require second approval from the Underwriting Manager, Chief Appraiser, or other VP or higher level manager:

- Any policy exceptions to the guidelines listed in this manual.
- Condominiums submitted for approval with any “yes” answers indicated on the American Lending condominium checklist.

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