

DU Underwriting Findings

SUMMARY

| | | | |
|------------------------------|-------------------------|---------------------|----------------------|
| Recommendation | Approve/Eligible | &nbsp; | &nbsp; |
| Primary Borrower | Alice Firstimer | Co-Borrower | |
| Lender Loan Number | W2018031791 | Casefile ID | 1367076068 |
| Submission Date | 03/31/2018 07:48PM | Submitted By | p4b28bna |
| First Submission Date | 03/31/2018 10:28AM | DU Version | 10.2 |
| Submission Number | 2 | | |

Mortgage Information

| | | | |
|---|--------------------------|--------------------------|--------------|
| LTV/CLTV/HCLTV | 87.00% / 87.00% / 87.00% | Note Rate | 5.000% |
| Housing Expense Ratio | 26.13% | Loan Type | Conventional |
| Debt-to-Income Ratio | 29.06% | Loan Term | 360 |
| Total Loan Amount | \$217150.00 | Amortization Type | Fixed Rate |
| Sales Price | \$250000.00 | Loan Purpose | Purchase |
| Actual/Estimated Appraised Value | \$250000.00 | Refi Purpose | |

Property Information

| | | | |
|-------------------------|---|-------------------------|-------------------|
| Property Address | 3965 Freedom Circle, Suite #750 Santa Clara, CA 95054 | Number of Units | 1 |
| Property Type | Detached | Occupancy Status | Primary Residence |

RISK/ELIGIBILITY

- The risk profile of this loan casefile appears to meet Fannie Mae's guidelines.

- This loan casefile appears to meet Fannie Mae's eligibility requirements.

- Based on the qualifying income and HomeReady income guidelines for the area in which the property is located, this loan casefile may be eligible as a HomeReady mortgage loan. The lender may choose HomeReady as the Community Lending product in the online loan application and resubmit the loan casefile to DU.

- Funds in the amount of \$33423.03 are required for closing. Available funds are insufficient by \$33423.03. Assets sufficient to close the loan must be from eligible sources, and must be qualified and verified.

FINDINGS

- The following risk factors represent strengths in the borrower's loan application:
Loan Purpose
Debt-to-Income Ratio

VERIFICATION MESSAGES/APPROVAL CONDITIONS

- This loan is also subject to all other lender specified conditions and must comply with all applicable federal, state, and local laws and regulations.

- Based on the credit report obtained through Desktop Underwriter, this loan casefile must close on or before 07/01/2018. All credit documents must be no more than four months old on the note date. For

guidelines on the age of the appraisal or property inspection report, refer to the Fannie Mae Selling Guide.

- 8 If there is a home equity line of credit secured against the subject property the maximum allowable HCLTV is 97 percent and the terms of the home equity line of credit must be verified for compliance with the Fannie Mae Selling Guide. The HCLTV calculation is based on the maximum credit limit of the equity line.

- 9 According to the Social Security Administration (SSA), the Social Security number (SSN) for Alice Firsttimer either has not been issued, or was recently issued. The SSN accuracy must be confirmed, and if incorrect, the SSN must be updated and the loan casefile resubmitted to DU. If the SSN is determined to be correct, it must be validated directly with the SSA (direct validation by a third party is acceptable), and the loan must be delivered with SFC 162. If the SSN cannot be validated with the SSA, the loan is not eligible for delivery to Fannie Mae. If an Individual Taxpayer Identification Number (ITIN) has been entered as the Social Security number for the borrower, the borrower must be either a United States citizen or a lawful permanent or non-permanent resident of the United States in order for this loan to be eligible for delivery to Fannie Mae. Verify that any non-US Citizen borrower is legally present in the United States. An ITIN by itself is not evidence that a borrower is legally present.

- 10 Loan Level Price Adjustment may be applied when this loan is delivered to Fannie Mae. Refer to the Selling Guide and Loan-level Price Adjustment (LLPA) Matrix on fanniemae.com for specific details.

- 11 Mortgage insurance is required. The lender may either obtain mortgage insurance coverage of at least 12% with an MI loan-level price adjustment, or obtain mortgage insurance coverage of 25%. Refer to the Loan-level Price Adjustment Matrix on fanniemae.com for specific details. Verify the mortgage insurance premium is accurately reflected in the loan application.

 Employment and Income

- 12 Income from a second job is listed on the application for Alice Firsttimer. The income must be supported by the most recent paystub and W-2s covering the most recent two-year period, or a fully completed standard Verification of Employment (1005). For DU Refi Plus loan casefiles, the income must be supported by one paystub. For guidance on borrowers with less than a two-year history of receiving income from a second job, or for any additional information on the verification of second job income, refer to the Selling Guide. Direct verifications provided by a third party employment verification vendor are acceptable if completed in accordance with the Selling Guide.

- 13 Perform and document a verbal verification of employment for each borrower within 10 business days prior to the note date for all borrowers not using self-employment income for qualifying, and within 120 calendar days prior to the note date for all borrowers using self-employment income for qualifying. Direct verification by a third party employment verification vendor is acceptable if complete within the same timeframes, though the information may not be more than 35 days old (120 days old if self-employed) as of the note date. For borrowers with military income, a military Leave and Earnings Statement (LES) dated within 31 calendar days prior to the note date is acceptable in lieu of a verbal verification of employment. Lenders also have the option of obtaining the verbal verification of employment after the note date (and prior to delivery of the loan to Fannie Mae), but when using this option must ensure compliance with the Selling Guide.

- 14 Obtain a completed and signed Form 4506-T for each borrower at or before closing. If all of a borrower's income has been validated through the DU validation service, a completed and signed Form 4506-T is not required for that borrower. Form 4506, Form 4506T-EZ, or Form 8821 may be used in lieu of Form 4506-T. Refer to the Fannie Mae Selling Guide for additional information.

- 15 Alice Firstimer's income, including commission income, must be supported by a paystub and W-2s covering the most recent two-year period, or by a standard Verification of Employment (1005). The paystub must be dated no earlier than 30 days prior to the initial loan application date and it must include all year-to-date earnings. Additionally, the paystub must include sufficient information to appropriately calculate income; otherwise, additional documentation must be obtained. If a standard Verification of Employment (1005) will be obtained it must include all year-to-date earnings, as well as prior year earnings if a W-2 is not being provided. For guidance on borrowers with less than a two-year history of receiving commission income, or for any additional information on the verification of commission income, refer to the Selling Guide. Direct verifications provided by a third party employment verification vendor are acceptable if completed in accordance with the Selling Guide.

- 16 Alice Firstimer's income, including bonus and/or overtime income, must be supported by a paystub and W-2s covering the most recent two-year period, or by a standard Verification of Employment (1005). The paystub must be dated no earlier than 30 days prior to the initial loan application date and it must include all year-to-date earnings. Additionally, the paystub must include sufficient information to appropriately calculate income; otherwise, additional documentation must be obtained. If a standard Verification of Employment (1005) will be obtained it must include all year-to-date earnings, as well as prior year earnings if a W-2 is not being provided. For guidance on borrowers with less than a two-year history of receiving bonus income, or for any additional information on the verification of bonus income, refer to the Selling Guide. Direct verifications provided by a third party employment verification vendor are acceptable if completed in accordance with the Selling Guide.

Assets

- 17 Assets totaling \$33423 must be verified. From the liquid assets listed on the 1003, at a minimum verify those accounts that are needed to satisfy this amount. Based on the transaction, there may be additional reserve requirements that must be manually applied by the lender. Refer to the Fannie Mae Selling Guide for additional information.

Property and Appraisal Information

- 18 Desktop Underwriter returned the following standardized address and census tract for the subject property: 3965 FREEDOM CIR STE 750, SANTA CLARA, CA 95054-1285, 505001. This is the address that Desktop Underwriter used in its property valuation and fieldwork recommendation. Regardless of the property fieldwork required by Desktop Underwriter, if this address is not valid for the subject property, an appraisal based on an interior and exterior property inspection reported on Form 1004 is required for this transaction. If the subject property is located in a condominium project, the appraisal must be reported on Form 1073.

- 19 An appraisal based on an interior and exterior property inspection reported on Form 1004 is required for this transaction.

- 20 Form 1004MC must be completed for any transaction on which an appraisal is obtained. Refer to the Fannie Mae Selling Guide for additional information.

- 21 Based on the Actual vs. Estimated Appraised Value Indicator on the online loan application, the loan casefile was underwritten using an estimated value. When an appraisal for the transaction is obtained (if applicable), the appraised value on the online loan application must be updated with the value from the appraisal, and the loan casefile resubmitted to DU.

OBSERVATIONS

- 22 This case was submitted to Desktop Underwriter version 10.2 by Newfi Lending. The following information is associated with this loan: Casefile ID is 1367076068 and Submission number is 2. If the loan is delivered to Fannie Mae, the Casefile ID must be provided at delivery.

&nbsp;

- 23** The following list of special feature codes is provided to assist you in determining which codes may be associated with this loan. Other codes may be required. Refer to the Special Feature Codes list on fanniemae.com for a comprehensive list.

| Special Feature Code | Description |
|----------------------|-------------|
| 127 | DU Loan |

&nbsp;

- 24** Based on the data entered, this loan casefile has been identified as a First Time Homebuyer case. The First Time Homebuyer indicator must be completed at delivery. Refer to the Selling Guide for additional information on the identification of a first time homebuyer.

&nbsp;

- 25** The following Credit Report information is associated with this submission:

| Borrower Name | Credit Agency | Credit Report ID | Credit Report Date |
|-----------------|------------------------|------------------|--------------------|
| Alice Firstimer | 200-TEST CREDIT AGENCY | 500446 | 03/01/2018 |

&nbsp;

- 26** This loan casefile may be eligible towards Fannie Mae's Low-Income Purchase Goal. This goal includes owner-occupied, purchase, conventional mortgages where the total qualifying income is equal to or less than 80% of AMI where the property is located.

&nbsp;

- 27** The following credit scores were obtained by the credit agency selected by the user and are included in the credit report:

| Borrower | Credit Scores |
|-----------------|---------------|
| Alice Firstimer | 703 710 715 |

&nbsp;

- 28** The following sources of income were used in the underwriting analysis:

| Borrower | Income Type | Amount |
|-----------------|------------------------|---------|
| Alice Firstimer | Commissions | 500.00 |
| Alice Firstimer | Bonuses | 100.00 |
| Alice Firstimer | Overtime income | 100.00 |
| Alice Firstimer | Base employment income | 5000.00 |

&nbsp;

Underwriting Analysis Report

| | | | |
|---------------------------|-------------------------|---------------------|----------------------|
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MORTGAGE INFORMATION

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|--------------------------|--------------|-----------------------|-----------------------------|
| Loan Type | Conventional | LTV/CLTV/HCLTV | 87.00% / 87.00% / 87.00% |
| Amortization Type | Fixed Rate | Loan Amount | \$217150.00 |

| | | | |
|------------------------------|----------------|---|-------------|
| Balloon | No | Financed MI Amount | \$0.00 |
| Community Lending | No | Total Loan Amount | \$217150.00 |
| Payment Frequency | Monthly | Sales Price | \$250000.00 |
| Lien Type | First Mortgage | Actual/Estimated Appraised Value | \$250000.00 |
| Amt. Subordinate Fin. | \$0.00 | P&I | \$1165.71 |
| Loan Purpose | Purchase | Note Rate | 5.000% |
| Refi Purpose | | Qualifying Rate | 5.000% |
| Owner Existing Mtg. | | Bought Down Rate | 0.00% |
| Buydown | No | Term (Months) | 360 |

INCOME

| | |
|-----------------------------|-----------|
| Base | \$5000.00 |
| Commission | \$500.00 |
| Bonus | \$100.00 |
| Overtime | \$100.00 |
| Other | \$0.00 |
| Positive Net Rental | \$0.00 |
| Subj. Pos. Cash Flow | \$0.00 |
| Total | \$5700.00 |

QUALIFYING RATIOS

| | |
|------------------------|--------|
| Housing Expense | 26.13% |
| Debt-to-Income | 29.06% |

EXPENSE RATIOS

| | |
|-----------------------------------|--------|
| Including &lt; 10 Mos. | 29.06% |
| With Undisclosed Debt | 29.06% |

PROPOSED MONTHLY PAYMENT

| | | | |
|-----------------------------------|-----------|--|-----------|
| First P&I (Qualifying) | \$1165.71 | Negative Net Rental | \$0.00 |
| Second P&I | \$0.00 | Subj. Neg. Cash Flow | \$0.00 |
| Hazard Insurance | \$63.34 | All Other Payments | \$167.00 |
| Taxes | \$260.42 | Total Expense Payment | \$1656.47 |
| Mortgage Insurance | \$0.00 | | |
| HOA Fees | \$0.00 | Present/Principal Housing Payment | \$0.00 |
| Other | \$0.00 | | |
| Total Housing Payment | \$1489.47 | | |

FUNDS

| | | | |
|---|------------|---|------------|
| Total Available Assets | \$0.00 | Cash Back | \$0.00 |
| Funds Required to Close | \$33423.03 | Shortage | \$33423.03 |
| Reserves Required to be Verified | \$0.00 | Excess Available Assets, not required to be verified by DU | \$0.00 |
| Total Funds to be Verified | \$33423.03 | | |

The recommendation for this case is: Approve/Eligible