

Asset Based Income (June 2019)

Loan Parameters	Fannie	Freddie
Loan Purpose	Purchase and Limited Cash Out Only	Purchase and Limited Cash out Only
Occupancy	Primary and 2nd Homes Only	Primary and 2nd Homes Only
# Units	As permitted by Occupancy Type	1 or 2 unit Only
Credit Score	620 with AUS approval/ Manual: Higher of 620 or minimum credit score per Manual Underwriting Guidelines	As per AUS/ No Manual Underwrite
Max LTV/CLTV/HCLTV	70% or 80% if all owners of the asset are at least 62 years of age @ the time of the loan closing.	80%
Asset Types ₁	<ul style="list-style-type: none"> -A non-self-employed severance package -A non-self-employed lump sum retirement package (a lump sum distribution) -Vested portion of 401(k) or IRA, SEP, Keogh retirement accounts – the borrower must have unrestricted access to the funds in the accounts and can only use the accounts if distribution is not already set up or the distribution amount is not enough to qualify. 	<ul style="list-style-type: none"> -Vested portion of retirement assets recognized by the Internal Revenue Service (e.g., 401(k), IRA) and not subject to early withdrawal penalty. (typically age 59 1/2) -Lump sum distributions from an eligible retirement account noted above and NOT be subject to penalty or early distribution tax. -Depository accounts and securities <ul style="list-style-type: none"> a. At least one on borrower on the account is 62 years of age or older. b. The borrower must have unrestricted access to withdraw the funds in their entirety without being subject to a penalty. c. Accounts funds must be located in the US or state regulated financial institution and must be in US dollars. - Assets from the sale of the Borrower's business if he or she is the sole owner of the proceeds from the sale and funds must be deposited into a depository or eligible retirement account.
Ineligible Asset Types	<ul style="list-style-type: none"> - Non-employment-related assets including but not limited to: <ul style="list-style-type: none"> - Securities not in a retirement account - Proceeds from lawsuits - Lottery winnings - Proceeds from the sale of real estate - Inheritance - Divorce proceeds - 529 college savings accounts - Checking and savings accounts, unless the source of the balance was from an eligible employment-related asset (for example, a severance package or lump sum retirement distribution). 	Any Retirement Account subject to a withdrawal penalty
Income Calculation ₂	Total asset balance minus 10% penalty (if applicable per asset type) minus funds required for closing/reserves Subtotal minus 30% (if held in securities) divided by the term of the loan Equals net qualifying income	Total assets balance minus required for closing/reserves minus any gift funds/borrowed funds minus any portion of asset pledged as collateral for any loan Divided by 240 regardless of the term of the loan Equals Net Qualifying Income
Example	Total IRA balance:.....\$500,000 (in securities) Minus 10% penalty:.....\$50,000 Minus Cash to Close:.....\$100,000 Subtotal:.....\$350,000 Minus 30%:.....\$105,000 Net eligible assets:.....\$245,000 Divided by Loan Term:.....360 Net Qualifying Income:.....\$680.56/Mo.	Total IRA balance:.....\$500,000 Minus Cash to Close:.....\$100,000 Subtotal:.....\$400,000 Net eligible assets:.....\$400,000 Divided by :.....240 Net Qualifying Income:.....\$1,666.67/ Mo.

1 All accounts must be solely owned by the borrower(s) and all owners of the account(s) must be a borrower on the loan	All accounts must be solely owned by the borrower(s) and all owners of the account(s) must be a borrower on the loan or on title
2 Income Based Assets may be used for only one income type. For example, Retirement distributions or interest/dividends cannot be also used with assets dissipation.	