

CONFORMING TEXAS A6 HOME EQUITY – PRODUCT DESCRIPTION

PRODUCT DESCRIPTION	- First lien, fully amortizing, Fannie Mae and Freddie Mac Conforming Fixed Rate; 10, 15, 20, 25 or 30 year term. - Product is specific to single family (1-unit) primary residences located in Texas and subject to the provisions of Texas Section 50(a)(6), Article XVI of the Texas Constitution. - See also the Product Descriptions for Agency Conforming Fixed Rate. Follow the applicable base Product Description(s) except for the Texas A (6) differences reflected herein. - DISCLAIMER: This is Gateways' interpretation of the Texas Homestead Act and should not be construed as legal or compliance advice. Clients are solely responsible for ensuring all legal compliance and must consult with their legal counsel on all compliance issues
PRODUCT CODES	FNMA – Desktop Underwriter (DU and DO) NOTE: SCO is Student Cash Out - CF10-TXa6, CF10-SCOTXa6 - CF15-TXa6, CF15-SCOTXa6, CF15-TXa6-Released, CF15-SCOTXa6-Released - CF20-TXa6, CF20-SCOTXa6 - CF25-TXa6, CF25-SCOTXa6 - CF30-TXa6, CF30-SCOTXa6, CF30-TXa6-Released, CF30-SCOTXa6-Released - CF3/6-TXa6SCO - CF5/6-TXa6SCO - CF7/6-TXa6SCO - CF10/6-TXa6SCO FHLMC – Loan Prospector Advisor (LPA) - CF10-TXa6FHLMC - CF15-TXa6FHLMC, CF15-TXa6FHLMC-Released - CF20-TXa6FHLMC, CF20-TXa6FHLMC,- Released - CF25-TXa6FHLMC - CF30-TXa6FHLMC, CF30-TXa6FHLMC-Released
ELIGIBLE STATES	Texas
MAXIMUM LTV / CLTV / HCLTV AND SUBORDINATE FINANCING	- Follow agency guidelines except: Maximum LTV/CLTV is 80% - No new secondary financing permitted - Existing subordinate financing not subject to Section 50(a)(6) may be subordinated. See also Financing Types below for second lien requirements subject to Section 50(a)(6) - No third liens permitted - HELOC not eligible for secondary financing - Subordinate financing must otherwise comply with Agency requirements
MIN LOAN AMOUNT MAX LOAN AMOUNT	- None. 1 Unit - Follow applicable Agency Loan Limits
AGE OF LOAN / PRIOR REJECTS	- Loans must have been closed no more than 60 days prior to delivery. - Loans previously rejected by Gateway or repurchased from Gateway, FNMA or FHLMC are ineligible. - Loans previously rejected by or required to be repurchased from a private investor unless such prior rejection / repurchase is fully and specifically disclosed to Gateway in the loan file and Gateway determines the loan is eligible for purchase regardless of the prior investor's determination.



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ASSUMPTIONS	Not allowed
BUYDOWNS	Not allowed
CREDIT SCORE OVERLAY	≥620 with AUS Approval - No score, Non-traditional credit is allowed subject to Agency guidelines with an AUS Approval - For Conventional Released Loan Programs, all Borrowers must have a credit score. Non-traditional credit is NOT allowed.
DTI	Max of 50% for LP Accept/Accept or Per DU Approve/Eligible
ESCROW HOLDBACKS	- Released Loans - Escrow Holdbacks NOT allowed. - Non-Released Loans - See Escrow Holdback Exception Request form for guidelines and case-by-case possible exception. - Non-Released Loans - If not approved, Escrow Holdback must be completed prior to loan purchase, as evidenced by satisfactory final inspection.
ESCROW WAIVERS	- Escrow waiver price adjustments for Conforming loans may vary according to loan terms and state. See the SRP Schedule for specific escrow waiver price adjustments - Escrow waivers for Conforming loans allowed for all states with LTV 80.00% or less if loan is not HPML - If waiving escrow for taxes ONLY or hazard ONLY or if waiving for BOTH hazard insurance and taxes, the full Escrow waiver fee adjustment applies. Select "Yes" for Waive Escrows in GEMS. - Escrow waiver for flood insurance is not allowed for properties requiring flood insurance, however, even if flood insurance is required to be escrowed, waiving hazard insurance and taxes for the property is allowed and fees are charged as applicable - Escrows for flood insurance will not be required for loans secured by property that is part of a condominium, cooperative, or other project development, if the property is covered by flood insurance provided by and paid for as a common expense, by the condominium association, cooperative, homeowners association, or other applicable group
FINANCING TYPES	Texas Home Equity Restrictions - Any Texas Section 50(a)(6) loan (first or second) is always restricted to the provisions of Texas Section 50(a)(6) for all subsequent refinances of that loan, if cash out will be received by borrower with new transaction - Effective January 1, 2018 any Texas Section 50(a)(6) loan (first or second) is no longer restricted to the provisions of Texas Section 50(a)(6) for all subsequent refinances of that loan, if no cash out will be received by borrower with new transaction - Texas Home Equity Affidavit Agreement Form 3185 is required - The title policy will reference Texas Section 50(a)(6) - There can be only one outstanding Texas Section 50(a)(6) loan on a property at any given time - If the borrower has an existing Texas Section 50(a)(6) second lien and is getting cash-out from the first mortgage, that lien must be paid off. 12-month seasoning for any Texas Section 50(a)(6) loan (first or second); based on closing dates.



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FINANCING TYPES (CON'T)

- If an existing Texas Section 50(a)(6) second lien is being subordinated and there is no cash-out from the first mortgage refinance, refer to the FNMA and FHLMC Conforming Fixed Rate Product Description. The second lien must be subordinated to the new first mortgage and a subordination agreement must be executed. Borrower cannot be receiving any cash back from the first mortgage transaction.
- If paying off a second mortgage that is not Texas Section 50(a)(6) second lien AND there is no cash out from the first mortgage, refer to the Conforming Fixed Rate Product Description
- Financed closing and other costs (excluding prepaid interest, bona fide discount points, appraisal, title survey) cannot exceed 2% of the principal amount of the loan. Discount points used for reduction in interest rate do not need to be included in the 2%. Discount points used for closing costs must be included in the 2%. Only fees to third parties (e.g. appraisal, title report, title insurance, and third party closing costs) may be passed through to the borrower. Delinquent property taxes cannot be paid from proceeds. If closing costs are greater than 2%, fees must be reduced prior to closing
- Refunds to the borrower are not permitted; no principal curtailments at closing
- Premium pricing is permitted if disclosed to the borrower at time of initial application
- A loan is a rate and term refinance if the first mortgage being paid off is Texas Section 50(a)(6) loan and the borrower is not getting any cash back from the refinance transaction. A second mortgage that is not a Texas Section 50(a)(6) loan that was used in whole to acquire the subject may be paid off. Borrower has the option to follow new Texas Section 50 (a)(4) guidelines.
- Closing Disclosure is required from any transaction within past 6 months. If previous transaction was a cash-out or if it combined a first and non-purchase money subordinate into a new first, loan to be designated cash-out. If new transaction combines a first and non-purchase money subordinate into a new first loan, it is considered cash-out.
- Continuity of Obligation, as defined by Fannie Mae and Freddie Mac, must be demonstrated.
- One borrower must have held title to the subject property at least 6 months, measured from the previous note date to the new application date.
- A loan is considered a cash-out refinance if:
 - Paying off a first and /or second mortgage that is not Texas Section 50(a)(6) loan AND is getting cash-out from the refinance
 - Paying off a first mortgage that is Texas Section 50(a)(6) loan, is not getting any cash-out AND is paying off a second lien that is not a Texas Section 50(a)(6) which was not used in whole to acquire the subject property.
 - Paying off a first mortgage that is not Texas Section 50(a)(6) loan AND is paying off a second lien that is a Texas Section 50(a)(6) loan and:
 - The borrower is getting cash back from the refinance transaction OR
 - The borrower is not getting cash-out but is paying off a second mortgage that was not used in whole to acquire the subject property



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INELIGIBLE PROPERTY TYPE OVERLAYS	• See Overlay Matrix
INTEREST CREDIT AT CLOSING	• Cannot exceed 7 calendar days and must be used to reduce closing costs (e.g., cannot result in cash back to the borrower at closing.)
ITIN OVERLAY	• All borrowers must have a valid social security number; ITINs are not allowed
NATURAL DISASTER POLICY	• See Overlay Matrix
NON-ARM'S LENGTH AND CONFLICT OF INTEREST	• See Overlay Matrix
OCCUPANCY	• Primary only • No Second Homes or Investment Properties
PRINCIPAL CURTAILMENT AT CLOSING	• Not allowed
PROPERTY RELATED RESTRICTIONS	• Fannie Mae forms 1004 or 1073 (if condo) required, regardless of AUS Findings • Property Inspection Waiver is NOT allowed • As of January 1, 2018, properties with agricultural exemptions are now eligible • Urban property cannot exceed 10 acres and the municipality must provide police and fire protection (paid or volunteer) and 3 of the following services: • Electric • Natural Gas • Sewer • Storm Sewer • Water • Rural property does not meet the definition above for Urban property but is otherwise an eligible land use under Section 50(a)(6). Gateway limits rural properties to 20 acres under our Texas A6 Home Equity product
QUALIFIED MORTGAGE LOAN	• For any loan that is subject to 12 C.F. R. Section 1026.43, Gateway will only purchase the loan if (i) it meets the definition of a "Qualified Mortgage" as set forth in 12 C.F.R. Section 1026.43(e) (2) Loan and (ii) complies with the Ability To Repay Standards, and all necessary evidence to demonstrate such compliance with 12 C.F.R. Part 1026.43(e) and 12 C.F. R. Part 1026.43(c) is included in the loan file transferred to Gateway. Any breach of these requirements shall be deemed to materially and adversely affect the value of the loan and shall require a repurchase affected loan • Loans that are not subject to 12 C.F. R. Section 1026.43 will only be purchased if they meet all applicable agency and program guidelines. Any breach of these requirements shall be deemed to materially and adversely affect the value of the loan and shall require a repurchase of the affected loan



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SPECIAL REQUIREMENTS/ RESTRICTIONS	• Loan may not close until 12 days after the later of: • Receipt by the originator of a signed and dated loan application OR • Receipt by the borrower of the “Notice Concerning Extension of Credit” • Gateway defines receipt as the date the borrower signs the document • Both spouses must execute the security instrument (Deed of Trust). However, both spouses are not required to be parties to the promissory note unless both are considered in qualifying for the loan. All individuals on title and their spouses must sign all Texas Cash-Out documents • Non-occupant co-borrowers not allowed; loans to trusts not allowed; no signers on Note that are not on title • Borrowers must be provided a copy of all documents signed at closing and sign a Texas Home Equity Acknowledgment of Receipt of Loan Closing Document form. The documents may not contain blank spaces • Loan must be closed by an attorney or title company or in the Lenders’ office. No closings by mail or phone. Power of Attorney not permitted • All loans must contain the following fully and accurately completed forms and documents: • Gateway Texas 50(a)(6) Legal and Compliance Checklist and Statement of Opinion (TX Attorney Review) • Texas Home Equity Affidavit Agreement (Fannie Mae/Freddie Mac UNIFORM INSTRUMENT Form #3185) Form updated January 1, 2018 • Texas Home Equity Discount Point Acknowledgment, if applicable • Federal Notice of Right to Rescind • In addition to the borrower, the Lender must sign the Acknowledgment of Fair Market Value of Homestead property at closing with an appraisal attached to the Acknowledgment. • Rural Homestead Affidavit (if property is more than 10 acres) • Notice of No Oral Agreements signed by lender and borrower • Use the following uniform instrument forms at closing: • Texas Home Equity Security Instrument (Form 3044.1) Form updated January 1, 2018 • Texas Home Equity Note (Form 3244.1) Form updated January 1, 2018 • Texas Home Equity Condo Rider, if applicable (Form 3140.44) • Texas Home Equity PUD Rider, if applicable (Form 3150.44) • Title Policy must include T17 (required if PUD), T19, T42 and T42.1 endorsements
THIRD PARTY ORIGINATIONS “TPOs”	• Gateway does not purchase loans originated through TPOs. (Client level exceptions may be considered for higher net worth Clients with a TPO program established for at least 3 years; strong TPO controls must be demonstrated. Contact your Sales Manager for consideration.)



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UNDERWRITING

- DU Approve/ Eligible or Freddie Mac LPA with Accept/Accept required. If DO is used, findings must be released to Gateway.
- Manual Underwriting not allowed.
- If the Client elects to use third-party contract underwriting, a copy of the applicable individual contract underwriter's NMLS license must be provided unless the applicable state does not require such licensing. The Client remains solely and unequivocally responsible for all representations and warranties regardless of Client's election to use a contract underwriter.
- Property Inspection Waiver is NOT allowed.

Each loan must fully comply with all Agency Guide requirements unless otherwise specifically noted above. Clients with access to AllRegs can access the entire Fannie Mae and Freddie Mac Seller Guide. For your added convenience, specific Fannie Mae and Freddie Mac Guidelines may also be accessed from each Agency's website at the following links:

Fannie Mae Seller Guide

<https://www.fanniemae.com/singlefamily/delivering>

Freddie Mac Seller Guide

<https://www.freddiemac.com/singlefamily/guide/>

