CASCADES JUMBO FIXED

PRIMARY RESIDENCE –30 YEAR FIXED RATE

Purchase or Rate and Term Refinance

Property Type	LTV/CLTV/HCLTV*	Maximum Loan Amount	Minimum Credit Score
1 Unit	80	1,000,000	720
	70	1,000,000	700
	Reserves Required at 9 months*/**		
2 Units	65	1,000,000	700
	Reserves Required at 12 months*		

Cash-Out Refinance

Property Type	LTV/CLTV/HCLTV	Maximum Loan Amount	Minimum Credit Score	Maximum Cash-Out
1 Unit	65	1,000,000	700**	$300,000

SECOND HOME –30 YEAR FIXED RATE

Purchase or Rate and Term Refinance

Property Type	LTV/CLTV/HCLTV	Maximum Loan Amount	Minimum Credit Score
1 Unit	75	1,000,000	720
Reserves Required at 12 months*			

- **LTV/CLTV reduced by 5% when the appraisal indicates in either the Neighborhood Section Housing Trends or 1004MC Median Comparable Sale Price that property values are declining.**
- **First time homebuyer (FTHB) maximum $1,000,000 loan amount.**
- **See Reserves Section for FTHB and multiple financed properties reserves requirements**

Topic / Underwriting Guideline	CASCADES JUMBO FIXED When this Program Guide is silent, follow Fannie Mae
Manual Underwriting	• All loans are manually underwritten; AUS is not utilized • For items not addressed by the Cascade Jumbo Program Underwriting Guidelines and Eligibility Requirements, follow Fannie Mae manual underwriting requirements
Eligible Products	30 Year fixed rate, fully amortized
Ineligible Products	• Temporary buy-downs • Interest-only amortization • Negative amortization • Loans with prepayment penalties • Construction financing during building phase. Permanent financing is acceptable.
Escrow/Impound Accounts	Escrow or impound accounts are optional
Occupancy	• Primary Residence: One to two units (1-2) units • Second Homes - One (1) unit only 1. Must be located a reasonable distance away from the borrower's primary residence. 2. Must be occupied by the borrower for some portion of the year. 3. Must be suitable for year-round occupancy. 4. The borrower must have exclusive control over the property. 5. Must not be rental property or a timeshare arrangement. 6. Cannot be subject to any agreements that give a management firm control over the occupancy of the property. • Investment Properties are not permitted
Financing and Sales Concessions	Interested Party Contributions are allowed in accordance with the following: • 3% of value with LTV/CLTV ratios greater than 75% and up to 85% • 6% of value with LTV/CLTV ratios less than or equal to 75% Amounts in excess of these limits must be deducted from the lower of sales price or appraised value when calculating the LTV/CLTV
Minimum Loan Amount	The minimum loan amount for all areas is $417,001.

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Maximum Loan Amount	• The maximum loan amounts permitted are reflected in the grid at the beginning of the guide. • First Time Home Buyers (FTHB) are limited to $1,000,000 loan amount. 1. FTHB is defined as an individual who has not had a mortgage in the past three years or owned a home in the past three years. Applications with multiple borrowers are not considered FTHB unless all applicants are FTHB.
State Restrictions	Texas 50(a)(6) transactions are ineligible. Blustream is currently only accepting loans in California, Washington and Oregon
Secondary Financing	Subordination of existing secondary financing is allowed. New secondary financing is permitted subject to the following: • Allowed up to the maximum CLTV as shown in the Eligibility Matrix. • Institutional financing. Seller subordinate (seller-carried second) financing are not allowed • Employer sponsored financing. The program must be an established company program, not just an accommodation developed for an individual employee. • Subordinate liens must be recorded and clearly subordinate to the first mortgage lien. • Full disclosure must be made on the existence of subordinate financing and the subordinate financing repayment terms. Acceptable Subordinate Financing Types: 1. Mortgages with regular payments that cover at least the interest due so that negative amortization does not occur, and minimum of five years
Allowable Transactions	• Purchase • Limited Cash-Out / Rate & Term Refinance. Proceeds can be used: 1. To pay off a first mortgage regardless of age 2. To pay off any junior liens related to the purchase of the subject property 3. To pay off a 12 month seasoned junior lien. If a HELOC, then it must have no cumulative draws greater than $2,000 within the last 12 months. Based on the note date of the new loan. Proof of no cumulative draws greater than $2,000 within the last 12 months is required. Transaction history may be sufficient to document no draws exceeding limits. 4. To pay related closing costs and prepaid items, and incidental cash to the borrower in an amount not to exceed the lesser of 1% of the loan amount or $10,000. Listings must have been expired or withdrawn six months prior to the note date of the new loan • Cash Out 1. Borrower must have owned the property for at least six months and there must be six months seasoning since the most recent note date. 2. Listings must have been expired or withdrawn 12 months prior to the note date of the new loan

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Delayed Financing	• Defined as the refinance of a property purchased by the borrower for cash within six months of the current loan's note date. • May be underwritten to the cash-out eligibility matrix. • Cash-out amount limits do not apply on delayed financing. • Acceptable in accordance with the following: • Owner-Occupied only. • Eligible during the first six months of ownership only. • LTV/CLTV calculated from the lesser of the purchase price or current appraised value. • The original purchase transaction was an arm's-length transaction. • Arm's length is defined as no pre-existing relationship between buyer and seller. • The original purchase transaction is documented by a HUD-1 Settlement Statement, which confirms the borrower's own funds used to purchase the property. Borrowed funds are ineligible • Gift or blended funds are ineligible • Preliminary Title Search or report must confirm that there are no existing liens on the subject property. • The source of funds for the purchase transaction are documented with a minimum of two months' statements. • All refinances on properties owned less than 12 months, must use the lesser of the original purchase price or current appraised value for either a rate and term or cash-out transaction. Based on the new note date
Continuity of Obligation	Continuity of obligation occurs on a refinance transaction when at least one of the borrower(s) on the existing mortgage is also a borrower on the new refinance transaction secured by the subject property. In addition, Blustream will consider the following scenarios as meeting the continuity of obligation requirements: • The lender documents that the borrower acquired the property through an inheritance or was legally awarded the property (for example, divorce, separation, or dissolution of a domestic partnership) • The borrower on the new refinance transaction has been added to title through a transfer from a trust, or a limited liability company (LLC), or partnership. The following requirements apply: 1. The borrower must have been a beneficiary/creator (trust) or a 25% or more owner of the LLC or partnership prior to the transfer, and 2. The transferring entity and/or the borrower has had a consecutive ownership (on title) for at least the most recent 6 months prior to disbursement of the new loan. **Note: Transfer of ownership from a corporation to an individual does not meet the continuity of obligation requirement.** • The borrower has been on title for at least 12 months but is not obligated on the existing mortgage(s) that is being refinanced and the borrower meets both of the following: 1. Has been residing in the property for at least 12 months, and 2. Has paid the mortgage from their account for at least 12 months. • When there is no existing mortgage on the subject property as a result of the borrower either having purchased the subject property with cash or when any prior mortgage for which the borrower was an obligor was paid in full. **Note: Cash-out transactions require the borrower to be on title to the subject property for at least six months and six months seasoning required on existing loan**.

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Eligible Borrowers	• U.S. citizens. • Permanent resident alien - A permanent resident alien is an immigrant who, although not a U.S. citizen, has been granted the right to live and work permanently in the United States. Blustream requires proof of lawful permanent residence and 24 months United States employment history. • Non-permanent resident aliens - A non-permanent resident alien is a temporary resident, who, although not a U.S. citizen has been granted the right to live and/or work in the United States for a specific period of time. Blustream requires proof of lawful residence and 24 months United States employment history. • All borrowers must have a valid Social Security Number. ITINs are not acceptable. • Power of Attorney (POA) allowed in accordance with Blustream standard guidelines. POAs are not allowed on cash-out transactions. POA must be recorded Blustream, requires a copy of the Power of Attorney containing the County Recorder's Stamp • Inter-Vivos Revocable Trusts (revocable at any time by the Trustor)
Ineligible Borrowers	• Irrevocable Trusts or Blind Trusts • Limited/General Partnerships and Corporations • Foreign nationals - A non-U.S. citizen who is not a permanent or non-permanent resident alien. This person does not have the right to live and/or work in the U.S. for a specific period of time. • Borrowers with diplomatic immunity - a form of legal immunity that ensures diplomats are not susceptible to lawsuit or prosecution under U.S. laws. • Non-occupant co-borrowers • Land Trusts, including Illinois

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Maximum Number of Financed Properties	The financed property limit applies to the borrower's ownership of one-to four-unit financed properties or mortgage obligations on such properties and is cumulative for all borrowers. • Owner-Occupied: Borrowers may have up to four financed properties • Blustream limits borrowers to four Blustream serviced properties • The subject property is included in the total number of financed properties **Note:** Borrowers with three or more financed properties require at least 18 months reserves on the subject property Scenarios below will qualify in the number of financed properties limitations: • Sole ownership of a financed property. • Joint ownership of residential real estate. (This is considered to be the same as total ownership of an individual property.) Note: Other properties owned or financed jointly by the borrower and co-borrower are only counted once • Joint or total ownership of a property that is held in the name of a corporation or S-corporation, even if the borrower is the owner of the corporation; however, the financing is in the name of the borrower. • Obligation on a mortgage debt for a residential property (regardless of whether or not the borrower is an owner of the property) • Ownership of property that is held in the name of a limited liability company (LLC) or partnership where the borrower(s) have an individual or combined ownership in the LLC or partnership of 25% or more, regardless of the entity (or borrower) that is the obligor on the mortgage • Ownership of a property that is held in the name of an LLC or partnership where the borrower(s) have an individual or combined ownership in the LLC or partnership of less than 25% and the financing is in the name of the borrower. • Ownership of a manufactured home and the land on which it is situated that is titled as real property. Scenarios below will not qualify in the number of financed properties limitations: • Ownership of commercial real estate. • Ownership of a multifamily property consisting of more than four dwelling units. • Ownership in a timeshare. • Ownership of a vacant (residential) lot. • Ownership of a property that is held in the name of an LLC or partnership where the borrower(s) have an individual or combined ownership in the LLC or partnership of less than 25% and the financing is in the name of the LLC or partnership • Ownership of a manufactured home on a leasehold estate not titled as real property (chattel lien on the home).

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Determining Credit Score/General Credit Requirements	Minimum two scores per borrower. When two credit scores are obtained, choose the lower score. With three scores, use the middle score. If there is only one borrower, the single applicable score used to underwrite that borrower is the representative credit score for the mortgage. If there are multiple borrowers, determine the applicable credit score for each individual borrower and select the lowest applicable score from the group as the representative credit score for the mortgage. • Residential Mortgage Credit Report from all three repositories is required. • Credit report must be dated within 90 days of the note date • Mortgage/Rental history must reflect 0x30x24. • Blustream will consider the borrower as having timely payments for the time in which the borrower has owned a property "free and clear." Blustream will allow borrowers that are living "rent free" subject to the following: • The "rent free" period is less than or equal to 6 months, and • The borrower has a 0x30x24 housing history immediately surrounding the rent free period either via previously paid mortgage or rental history, • Example: the borrower was rent free for 6 months, a year ago. The borrower is required to have a 0x30x12 since the rent free time, and 0x30x12 prior to the rent free time, to total 0x30x24 housing history. • Example: The borrowers have been rent free for the past 4 months. The borrowers are required to have 0x30x24 immediately preceding the current rent free period. Verification of rent free period must come from the third party owner or person obligated on the lease/rental agreement. Trade Line Depth Requirements: Borrowers contributing qualifying income must meet one of the following options: Three open trade lines with: • All 3 trade lines must have had activity within the last 6 months of the credit report date, and • A minimum of 24 months reporting on at least one open trade line (open or closed). Two open trade lines with: • Purchase transactions only, and • Borrowers have 24-month consecutive mortgage history, with some portion of the 24 months in the last 5 years. One open trade line with: • A minimum of 12 months reporting on the open trade line, and • No less than 10 trade lines reporting with one being a mortgage; and • Credit history established for at least 10 years. Borrowers not contributing income for qualifying purposes are not subject to the minimum trade line requirement. Non-Traditional Credit cannot be used in place of any trade line. Authorized user accounts or collection accounts may not be used to meet any credit or trade line requirement. Letter of Explanation (LOE) required for all inquiries within the last 90 days.

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Derogatory Credit	• No prior Bankruptcy. • No prior Foreclosure, Deed-in-Lieu or Short Sale. • All judgments and tax liens must be paid. • Borrowers with prior loan modifications are not allowed, unless the modification was not a distress situation. Lender must document: 1. Zero lates in the 24 months preceding the modification, and 2. Did not result in principal forgiveness.
Debt to Income	• The maximum DTI ratio is 42%. See Qualifying Rate for information regarding calculating qualifying payments. • The DTI ratio is calculated by dividing the total of current monthly liabilities plus any planned or future liabilities based on credit inquiries or otherwise disclosed by the borrower, by the qualifying monthly income • Qualifying rate for the 30 Year Fixed Rate Term is the Note Rate
ATR/Appendix Q	Blustream Jumbo income and liability requirements are modeled after Appendix Q, unless otherwise specified. When Appendix Q does not address a situation, Fannie Mae's manual underwriting requirements are to be followed.

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Income Documentation Requirements	Employment and income documentation must be dated within 90 days of the note date. Full Documentation is required, which includes: • Most recent year to date paystub covering at least 30 days and two years W2's • The pay stub provided must contain sufficient information to accurately verify the qualifying income. • For all self-employed borrower businesses (required even if income is not used to qualify): two years signed/dated personal tax returns plus two years signed/dated business tax returns. • A Profit and Loss (P&L) Statement and Balance Sheet are required. The documentation must be the most recent available monthly statement, which must be dated and reflect information, within 90 days of the note date and can be: 1. audited 2. reviewed 3. compiled, or 4. internally prepared 5. Is required even if income is not used to qualify 6. Must include a full year P&L and Balance Sheet for any full year period where tax returns have not yet been filed. • Profit and Loss and Balance Sheet must be dated, and reflect information, within 90 days of the note date. • The corresponding tax transcript(s) can serve in lieu of the signature and date requirement on the tax returns. Paystubs must clearly identify the borrower as the employee. Include all year-to-date earnings. Additionally, the paystub must include sufficient information to appropriately calculate income; otherwise, additional documentation must be obtained on a computer-generated or typed by the borrower's employer(s), although paystubs that the borrower downloads from the Internet are also acceptable. Documents must clearly identify the employer's name and source of information from a third party original source of information, such as the borrower's human resources department, personnel office, payroll department, company's payroll vendor, or supervisor. Verbal Verification of Employment for the last two years required for: • For all employment used for qualifying income, and • For all self-employment generating a loss. Verbal Verifications must be: • Within 10 business days prior to closing for employed borrowers. • Within 30 calendar days prior to closing for self-employed
Variable Income Trending	After the monthly year-to-date income amount is calculated, it must be compared to prior years' earnings using the borrower's W-2's or income tax returns. If: • The trend in the amount of income is stable or increasing, the income amount should be averaged. • The trend was declining, but has since stabilized and there is no reason to believe that the borrower will not continue to be employed at the current level, the current, lower amount of variable income must be used. • The trend is declining, the income may not be stable. Additional analysis must be conducted to determine if any variable income should be used, but in no instance may it be averaged over the period when the declination occurred.

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Tax Transcripts	The most recent two years tax transcripts are required for all borrowers, regardless if income is used to qualify. Generally, when the documentation used to verify income is from the same calendar period as the tax transcript, the information must match exactly. However, if the income documentation is from the current calendar year and the transcript is from a prior year, there can be acceptable variances. If this variance exceeds 20%, document the rationale for using current income. W2 transcripts do not satisfy this requirement. • If the transcripts reflect any losses, then: 1. The loss must be considered in qualifying income, and 2. Tax returns (including Profit & Loss and Balance Sheet as applicable) must be provided and analyzed according to the requirements in the Tax Returns section below. • If tax transcripts are not available (due to a recent filing) a copy of the IRS notice showing "No record of return filed" is required along with documented acknowledgement receipt (such as IRS officially stamped tax returns or evidence that the return was electronically received) from the IRS and the previous one year's tax transcripts. • Business transcripts are not required. • A 4506-T, signed at closing, is required for all transactions. • Borrowers that are a victim of identity theft, where lenders are unable to provide tax transcripts, will be reviewed on a case-by-case basis, but will not require an exception. In general, some, but not necessarily all of the following documentation can be included in the file to support the validity of the income: 1. Police Report 1. IRS confirmation of identity theft 2. Prior year's tax transcripts 3. An institutional written VOE 4. Bank statements supporting payroll deposits 5. Evidence of tax payment made or refund received for that year 6. Other documentation deemed supportive, based upon the specific situation

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Employment and Income	**Stability of Income** • Effective Income. Income may not be used in calculating the borrower's debt-to-income ratio if it comes from any source that cannot be verified, is not stable, or will not continue. **Verifying Employment History** • The lender must verify the borrower's employment for the most recent two full years, and the lender must require the borrower to: • Explain any gaps in employment that span one or more months, and • Indicate if he/she was in school or the military for the recent two full years, providing evidence supporting this claim, such as college transcripts, or discharge papers. • Allowances can be made for seasonal employment, typical for the building trades and agriculture, if documented by the lender. **Note**: A borrower with a 25 percent or greater ownership interest in a business is considered self-employed and will be evaluated as a self-employed borrower. **Analyzing a Borrower's Employment Record** • When analyzing a borrower's employment, lenders must examine: • The borrower's past employment record; and • The employer's confirmation of current, ongoing employment status. **Note:** Lenders may assume that employment is ongoing if a borrower's employer verifies current employment and does not indicate that employment has been, or is set to be terminated. Lenders should not rely upon a verification of current employment that includes an affirmative statement that the employment is likely to cease, such as a statement that indicates the employee has given (or been given) notice of employment suspension or termination. • Lenders may favorably consider the stability of a borrower's income if he/she changes jobs frequently within the same line of work, but continues to advance in income or benefits. In this analysis, income stability takes precedence over job stability. **Borrowers Returning to Work After an Extended Absence** • A borrower's income may be considered effective and stable when recently returning to work after an extended absence if he/she: • Is employed in the current job for six months or longer; and • Can document a two year work history prior to an absence from employment using: 1. Traditional employment verifications; and/or 2. Copies of IRS Form W-2s or pay stubs. **Note:** An acceptable employment situation includes individuals who took several years off from employment to raise children, then returned to the workforce. Situations not meeting the criteria listed above may not be used in qualifying. Extended absence is defined as six months **Note:** Blustream does not consider the time attributable to school or the military as an extended absence. However, the borrower(s) must provide evidence supporting this claim, such as college transcripts, or discharge papers.

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Salary, Wage and Other Forms of Income	**General Policy on Borrower Income Analysis** The income of each borrower who will be obligated for the mortgage debt and whose income is being relied upon in determining ability to repay must be analyzed to determine whether his/her income level can be reasonably expected to continue. In most cases, a borrower's income is limited to salaries or wages. Income from other sources can be considered as effective, when properly verified and documented by the lender. **Notes**: Effective income for borrowers planning to retire during the first three-year period must include the amount of: 1. Documented retirement benefits; 2. Social Security payments; or 3. Other payments expected to be received in retirement. Lenders must not ask the borrower about possible, future maternity leave. 4. Lenders may assume that salary or wage income from employment verified in accordance with section “Analyzing a Borrower’s Employment Record” above can be reasonably expected to continue if a borrower's employer verifies current employment and income and does not indicate that employment has been, or is set to be terminated. Lenders should not assume that income can be reasonably expected to continue if a verification of current employment includes an affirmative statement that the employment is likely to cease, such as a statement that indicates the employee has given (or been given) notice of employment suspension or termination **Overtime and Bonus Income** Can be used to qualify the borrower if he/she has received this income for the past two years, and documentation submitted for the loan does not indicate this income will likely cease. If, for example, the employment verification states that the overtime and bonus income is unlikely to continue, it may not be used in qualifying. **Establishing an Overtime and Bonus Income Earning Trend** Blustream will establish and document an earnings trend for overtime and bonus income. If either type of income shows a continual decline, Blustream will not allow the use of said income without strong rationalization for why it should be used.
Qualifying Part-time Income	Part-time and seasonal income can be used to qualify the borrower if the creditor documents that the borrower has worked the part-time job uninterrupted for the past two years, and plans to continue. Many low and moderate income families rely on part time and seasonal income for day to day needs, and creditors should not restrict consideration of such income when qualifying the income of these consumers. Part-time income received for less than two years may be included as effective income, provided that the Lender justifies and documents that the income is likely to continue. Part-time income not meeting the qualifying requirements may not be used in qualifying. **Note:** For qualifying purposes, "part-time" income refers to employment taken to supplement the consumer's income from regular employment; part-time employment is not a primary job and it is worked less than 40 hours. Part-time income received less than 12 months is not considered effective income.

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Seasonal/Primary Employment	**Income from Seasonal Employment** • Seasonal income is considered uninterrupted, and may be used to qualify the consumer, if the creditor documents that the consumer: o Has worked the same job for the past two years, and o Expects to be rehired the next season. o Seasonal employment includes, but is not limited to: Umpiring baseball games in the summer; or o Working at a department store during the holiday shopping season. **Primary Employment Less Than 40 Hour Work Week** When a borrower's primary employment is less than a typical 40-hour workweek, the lender should evaluate the stability of that income as regular, on-going primary employment. Example: A registered nurse may have worked 24 hours per week for the last year. Although this job is less than the 40-hour work week, it is the borrower's primary employment, and should be considered effective income.
Commission Income	• Commission income must be averaged over the previous two years. To qualify commission income, the borrower must provide: • Copies of signed tax returns for the last two years; and • The most recent paystub. • Borrowers whose commission income was received for more than one year, but less than two years may be considered favorably if the underwriter can: 1. Document the likelihood that the income will continue, and 2. Soundly rationalize accepting the commission income 3. Commission income received less than 12 months is not considered effective income • Unreimbursed business expenses must be subtracted from gross income • A commissioned borrower is one who receives more than 25 percent of his/her annual income from commissions • A tax transcript obtained directly from the IRS may be used in lieu of signed tax returns

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Employer Differential/Retirement/Social Security	**Employer Differential Payments** Blustream does not allow employers to subsidize a borrower's mortgage payment through a direct payment to the Servicer **Retirement** • Must be verified from the former employer, or from federal tax returns. If any retirement income, such as employer pensions or 401(k)'s, will cease within the first full three years of the mortgage loan, such income may not be used in qualifying. • The former employer and tax returns are the only methods allowed to document retirement income. **Social Security** Social Security income must be verified by a Social Security Administration benefit verification letter (sometimes called a "proof of income letter," "budget letter," "benefits letter," or "proof of award letter"). If any benefits expire within the first full three years of the loan, the income source may not be used in qualifying. **Notes:** • If the Social Security Administration benefit verification letter does not indicate a defined expiration date within three years of loan origination, the lender shall consider the income effective and likely to continue. Pending or current reevaluation of medical eligibility for benefit payments is not considered an indication that the benefit payments are not likely to continue. • Some portion of Social Security income may be "grossed up" if deemed nontaxable by the IRS.
Automobile Allowances and Expense Account Payments	Only the amount by which the borrower's automobile allowance or expense account payments exceed actual expenditures may be considered income. To establish the amount to add to gross income, the borrower must provide the following: • IRS Form 2106, Employee Business Expenses, for the previous two years; and • Employer verification that the payments will continue. If the borrower uses the standard per-mile rate in calculating automobile expenses, as opposed to the actual cost method, the portion that the IRS considers depreciation may be added back to income. Expenses that must be treated as recurring debt include: • The borrower's monthly car payment; and • Any loss resulting from the calculation of the difference between the actual expenditures and the expense account allowance.
Borrowers Employed by Family Owned Business	Income Documentation Requirement. In addition to normal employment verification, a borrower employed by a family owned business is required to provide evidence that he/she is not an owner of the business, which may include • Copies of signed personal tax returns, or • A signed copy of the corporate tax return showing ownership percentage.

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General Information on Self-Employed Borrowers and Income Analysis	**Self-employed Borrower**: A borrower with a 25 percent or greater ownership interest in a business is considered self-employed. There are four basic types of business structures. They include: • Sole proprietorships; • Corporations; • Limited liability or "S" corporations; and • Partnerships **Minimum Length of Self-Employment**: Income from self-employment is considered stable, and effective, if the borrower has been self-employed for two or more years. Due to the high probability of failure during the first few years of a business, the requirements described in the table below are necessary for borrowers who have been self- employed for less than two years.	
	If the period of self-employment is:	**Then:**
	Between one and two years	For the individual's income to be effective, the individual must have at least two years of documented previous successful employment in the line of work in which he/she is self-employed, or in a related occupation. **Note:** A combination of one year of employment and formal education or training in the line of work in which the individual is self-employed or in a related occupation is also acceptable.
	Less than one year	The income from the borrower may not be considered effective income.

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General Information on Self-Employed Borrowers and Income Analysis (cont'd)	**General Documentation Requirements for Self-Employed Borrowers**: • Signed, dated individual tax returns, with all applicable tax schedules for the most recent two years; o • For a corporation, "S" corporation, or partnership, signed copies of Federal business income tax returns for the last two years, with all applicable tax schedules; and • Year to date profit and loss (P&L) statement and balance sheet **Establishing a Borrower's Earnings Trend**. When qualifying income, the lender must establish the borrower's earnings trend from the previous two years using the borrower's tax returns, and If a borrower: • Provides quarterly tax returns, the income analysis may include income through the period covered by the tax filings, or • Is not subject to quarterly tax returns, or does not file them, then the income shown on the P&L statement may be included in the analysis, provided the income stream based on the P&L is consistent with the previous years' earnings. • If the P&L statements submitted for the current year show an income stream considerably greater than what is supported by the previous year's tax returns, the lender must base the income analysis solely on the income verified through the tax returns. • If the borrower's earnings trend for the previous two years is downward and the most recent tax return or P&L is less than the prior year's tax return, the borrower's most recent year's tax return or P&L must be used to calculate his/her income **Analyzing the Business's Financial Strength:** The lender must consider the business's financial strength by examining annual earnings. Annual earnings that are stable or increasing are acceptable, while businesses that show a significant decline in income over the analysis period are not acceptable. Generally, businesses which show a decline of greater than 25% in the most recent year, compared to the average of the documented income are considered to have a significant decline and are not acceptable as qualifying income. However, on a case-by-case basis, businesses which show a decline of greater than 25% can be acceptable when the lender thoroughly documents the income has stabilized.

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Income Analysis (IRS Form 1040)	The amount shown on a borrower's IRS Form 1040 as adjusted gross income must either be increased or decreased based on the lender's analysis of the individual tax return and any related tax schedules Guidelines for Analyzing IRS Form 1040. The table below contains guidelines for analyzing IRS Form 1040:

IRS Form 1040 Heading	Description
Wages, Salaries and Tips	An amount shown under this heading may indicate that the individual • is a salaried employee of a corporation, or • has other sources of income. This section may also indicate that the spouse is employed, in which case the spouse's income must be subtracted from the borrower's adjusted gross income.
Business income and Loss (Schedule C)	Sole proprietorship income calculated on Schedule C is business income Depreciation, depletion, or amortization may be added back to the adjusted gross income

Topic / Underwriting Guideline	IRS Form 1040 Heading	Description
Income Analysis (IRS Form 1040)Cont'd	**Rents, Royalties, Partnerships (from Schedule E)**	Any income received from rental properties or royalties may be used as income, after adding back any depreciation, depletion or amortization, shown on Schedule E.
	Capital Gain and Losses (from Schedule D)	Since capital gains income is generally not sustainable over the long term, capital gains income cannot be considered when determining effective income.
	Interest and Dividend Income (from Schedule B)	This taxable/tax-exempt income may be added back to the adjusted gross income only if it • has been received for the past two years, and • is expected to continue. If the interest-bearing asset will be liquidated as a source of the cash investment, the lender must appropriately adjust the amount.
	Farm Income or Loss (from Schedule F)	Any depreciation, depletion, or amortization, shown on Schedule F may be added back to the adjusted gross income.
	IRA Distributions, Pensions, Annuities, and Social Security Benefits	The non-taxable portion of these items may be added back to the adjusted gross income, if the income is expected to continue for the first three years of the mortgage.
	Adjustments to Income	Adjustments to income may be added back to the adjusted gross income if they are • IRA and Keogh retirement deductions • penalties on early withdrawal of savings • health insurance deductions, and • alimony payments.
	Employee Business Expenses	Employee business expenses are actual cash expenses that must be deducted from the adjusted gross Income.

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Income Analysis: Corporate Tax Returns (IRS Form 1120)	**Corporation**. A corporation is a State-chartered business owned by its stockholders. • One needs to Obtain Borrower Percentage of Ownership Information Corporate compensation to the officers, generally in proportion to the percentage of ownership, is shown on the • Corporate tax return IRS Form 1120; and • Individual tax returns. When a borrower's percentage of ownership does not appear on the tax returns, the lender must obtain the information from the corporation's accountant, along with evidence that the borrower has the right to any compensation. **Analyzing Corporate Tax Returns** In order to determine a borrower's self-employed income from a corporation the adjusted business income must: • Be determined; and • Multiplied by the borrower's percentage of ownership in the business. The table below describes the items found on IRS Form 1120 for which an adjustment must be made in order to determine adjusted business income:

Adjustment Item	Description of Adjustment
Depreciation, Depletion, and Amortization	Add the corporation's depreciation, depletion, and amortization back to the after-tax income
Taxable Income	Taxable income is the corporation's net income before Federal taxes. Reduce taxable income by the tax liability.
Fiscal Year vs. Calendar Year	If the corporation operates on a fiscal year that is different from the calendar year, an adjustment must be made to relate corporate income to the individual tax return.
Cash Withdrawals	The borrower's withdrawal of cash from the corporation may have a severe negative impact on the corporation's ability to continue operating.

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Income Analysis: "S" Corporation Tax Returns (IRS Form 1120S)	**S" Corporation** An "S" corporation is generally a small, start-up business, with gains and losses passed to stockholders in proportion to each stockholder's percentage of business ownership. Income for owners of "S" corporations comes from IRS Form W-2 wages, and is taxed at the individual rate. The IRS Form 1120S, Compensation of Officers line item is transferred to the borrower's individual IRS Form 1040. **Analyzing "S" Corporation Tax Returns** • "S" Corporation depreciation, depletion, and amortization, may be added back to income in proportion to the borrower's share of the corporation's income. • In addition, the income must also be reduced proportionately by the total obligations payable by the corporation in less than one year. • Important: The borrower's withdrawal of cash from the corporation may have a severe negative impact on the corporation's ability to continue operating, and must be considered in the income analysis
Income Analysis: Partnership Tax Returns (IRS Form 1065)	**Partnership:** A partnership is formed when two or more individuals form a business, and share in profits, losses, and responsibility for running the company. Each partner pays taxes on his/her proportionate share of the partnership's net income. **Analyzing Partnership Tax Returns** • Both general and limited partnerships report income on IRS Form 1065, and the partners' share of income is carried over to Schedule E of IRS Form 1040. • The lender must review IRS Form 1065 to assess the viability of the business. Both depreciation and depletion may be added back to the income in proportion to the borrower's share of income. • Note: Amortization may also be added back. • Income must also be reduced proportionately by the total obligations payable by the partnership in less than one year. • Important: Cash withdrawals from the partnership may have a severe negative impact on the partnership's ability to continue operating, and must be considered in the income analysis

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Non-Employment Related Borrower Income	**Alimony, Child Support, and Maintenance Income Criteria. Alimony**, child support, or maintenance income may be considered effective, if: • Payments are likely to be received consistently for the first three years of the mortgage; • The borrower provides the required documentation, which includes a copy of the: 1. Final divorce decree; 2. Legal separation agreement; or 3. Court order. 4. Voluntary payment agreements are not acceptable. • The borrower can provide acceptable evidence that payments have been received during the last 12 months, such as: 1. Cancelled checks; 2. Deposit slips; 3. Tax returns; or 4. Court records Notes: • In circumstances where the alimony/child support has been required for less than 12 months, Blustream requires that all payments have been made on a timely basis and that there has been a minimum of six payments. Child support may be "grossed up" under the same provisions as non-taxable income sources **Investment and Trust Income**: Analyzing Interest and Dividends. • Interest and dividend income may be used as long as tax returns or account statements support a two-year receipt history. This income must be averaged over the two years. • Subtract any funds that are derived from these sources, and are required for the cash investment, before calculating the projected interest or dividend income.

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Trust Income	Income from trusts may be used if constant payments will continue for at least the first three years of the mortgage term as evidenced by trust income documentation. Required trust income documentation includes a copy of the Trust Agreement or other trustee statement, confirming the: • Amount of the trust; • Frequency of distribution; and • Duration of payments. Trust account funds may be used for the required cash investment if the borrower provides adequate documentation that the withdrawal of funds will not negatively affect income. The borrower may use funds from the trust account for the required cash investment, but the trust income used to determine repayment ability cannot be affected negatively by its use.

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Notes Receivable	In order to include notes receivable income to qualify a borrower, he/she must provide: • A copy of the note to establish the amount and length of payment, and • Evidence that these payments have been consistently received for the last 12 months through deposit slips, deposit receipts, cancelled checks, bank or other account statements, or tax returns. • If the borrower is not the original payee on the note, the lender must establish that the borrower is able to enforce the note.
Military, Government Agency, and Assistance Program Income/VA Benefits/Mortgage Credit Certificates/Foreign Income	**Military Income** Military personnel not only receive base pay, but often times are entitled to additional forms of pay, such as: • Income from variable housing allowances; • Clothing allowances; • Flight or hazard pay; • Rations; and • Proficiency pay. • These types of additional pay are acceptable when analyzing a borrower's income as long as there is no indication the income will end. Note: The tax-exempt nature of some of the above payments should also be considered. **VA Benefits** Direct compensation for service-related disabilities from the Department of Veterans Affairs (VA) is acceptable, provided the lender receives documentation from the VA. Education benefits used to offset education expenses are not acceptable. **Mortgage Credit Certificates** • If a government entity subsidizes the mortgage payments either through direct payments or tax rebates, these payments may be considered as acceptable income. • Either type of subsidy may be added to gross income, or used directly to offset the mortgage payment, before calculating the qualifying ratios. **Foreign Income** • Copies of his or her signed federal income tax returns for the most recent two years that include foreign income. • Provide copy of pay stub from current job (if applicable). Must cover a minimum of 30 days YTD income. • All income must be translated to U.S. dollars.

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Rental Income	**Analyzing the Stability of Rental Income** Rent received for properties owned by the borrower is acceptable as long as the lender can document the stability of the rental income through: • A current lease; • An agreement to lease, or • A rental history over the previous 24 months that is free of unexplained gaps greater than three months (such gaps could be explained by student, seasonal, or military renters, or property rehabilitation). • A separate schedule of real estate is not required for rental properties as long as all properties are documented on the Uniform Residential Loan Application. **Note:** The underwriting analysis may not consider rental income from any property being vacated by the borrower, except under the circumstances described below. **Rental Income From Borrower Occupied Property** The rent for multiple unit property where the borrower resides in one or more units and charges rent to tenants of other units may be used for qualifying purposes. Projected rent for the tenant-occupied units only may: • Be considered gross income, only after deducting vacancy and maintenance factors, and • Not be used as a direct offset to the mortgage payment. **Income from Roommates or Boarders in a Single Family Property. Blustream does not allow boarder income from the subject property** **Documentation Required To Verify Rental Income** Analysis of the following required documentation is necessary to verify all borrower rental income: • IRS Form 1040 Schedule E; and o • Current leases/rental agreements. **Note:** Current leases/rental agreements are required for all properties located on the Schedule E (including commercial properties), except when the borrower qualifies without including any rental income on that property and debt ratio is burdened with the full PITIA. **Analyzing IRS Form 1040 Schedule E** • The IRS Form 1040 Schedule E is required to verify all rental income. • Depreciation shown on Schedule E may be added back to the net income or loss. • Depletion and Amortization may also be added back. • Positive rental income is considered gross income for qualifying purposes, while negative income must be treated as a recurring liability. • The lender must confirm that the borrower still owns each property listed, by comparing Schedule E with the real estate owned section of the URLA.

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Rental Income (Cont'd)	**Using Current Leases To Analyze Rental Income** The borrower can provide a current signed lease or other rental agreement for a property that was acquired since the last income tax filing, and is not shown on Schedule E. In order to calculate the rental income: • Reduce the gross rental amount by 25 percent for vacancies and maintenance; • Subtract PITI and any homeowners association dues; and • Apply the resulting amount to income, if positive, or recurring debts, if negative. **Exclusion of Rental Income From Property Being Vacated by the Borrower** Underwriters may not consider any rental income from a borrower's principal residence that is being vacated in favor of another principal residence, except under the conditions described below: • This policy assures that a borrower either has sufficient income to make both mortgage payments without any rental income, or has an equity position not likely to result in defaulting on the mortgage on the property being vacated. • This applies solely to a principal residence being vacated in favor of another principal residence. It does not apply to existing rental properties disclosed on the loan application and confirmed by tax returns (Schedule E of form IRS 1040) **Policy Exceptions Regarding the Exclusion of Rental Income From a Principal Residence Being Vacated by a Borrower** When a borrower vacates a principal residence in favor of another principal residence, the rental income, reduced by the appropriate vacancy factor, may be considered in the underwriting analysis under the circumstances listed below: • Provide a properly executed lease agreement (that is, a lease signed by the borrower and the lessee) of at least one year's duration after the loan is closed. • Note: Underwriters should also obtain evidence of the security deposit and/or evidence the first month's rent was paid to the homeowner. **Sufficient Equity in Vacated Property** The borrower has a loan-to-value ratio of 75 percent or less, as determined by a current (no more than six months old) residential appraisal as described below: • Fannie Mae form 1004, • exterior-only appraisal using Fannie Mae form 2055, or • Condominium units form Fannie Mae 1075. **Note**: Blustream requires an appraisal and does not allow the comparison of the unpaid principal balance to the original sales price. See Reserves section for information regarding required reserves on the departing and subject properties.

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Non-Taxable Income/Projected Income	**Types of Non-taxable Income** Certain types of regular income may not be subject to Federal tax. Such types of nontaxable income include: • Some portion of Social Security, some Federal government employee retirement income, Railroad Retirement Benefits, and some State government retirement income; • Certain types of disability and public assistance payments; • Child support; • Military allowances; and • Other income that is documented as being exempt from Federal income taxes **Adding Non Taxable Income to a Borrower's Gross Income** The amount of continuing tax savings attributed to regular income not subject to Federal taxes may be added to the borrower's gross income. The percentage of non-taxable income that may be added cannot exceed the appropriate tax rate for the income amount. Additional allowances for dependents are not acceptable. The lender: • Must document and support the amount of income grossed up for any non-taxable income source, and • Should use the tax rate used to calculate the borrower's last year's income tax. • Note: If the borrower is not required to file a Federal tax return, the tax rate to use is 25% **Projected Income**: Blustream does not allow projected income, either from an increase to existing salary or projected income from a new job
Unacceptable Income Sources	• Boarder Income • Capital gains income • Employer Mortgage Differential Payments: Payments made by a borrower's employer to subsidize the borrower's mortgage payment • Employment Assets as Income, or Asset Annuitization • Government Assistance Programs such as Section 8 where the subsidy is paid to the Servicer • Homeownership Subsidies • Projected Income

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Liabilities	**Types of Recurring Obligation**. Recurring obligations include: • All installment loans; • Revolving charge accounts; • Real estate loans; • Alimony; • Child support; and • Other continuing obligations. **Debt to Income Ratio Computation for Recurring Obligations** The lender must include the following when computing the debt to income ratios for recurring obligations: • Monthly housing expense; and • Additional recurring charges extending ten months or more, such as • Payments on installment accounts; • Child support or separate maintenance payments; • Revolving accounts; and • Alimony • Debts lasting less than ten months must be included if the amount of the debt affects the borrower's ability to pay the mortgage during the months immediately after loan closing, especially if the borrower will have limited or no cash assets after loan closing **Note**: Monthly payments on revolving accounts, regardless of the balance, are counted as a liability for qualifying purposes even if the account appears likely to be paid off within 10 months or less. **Revolving Account Monthly Payment Calculation** If the credit report shows any revolving accounts with an outstanding balance but no specific minimum monthly payment, the payment must be calculated as the greater of: • 5% of the balance; or $10. • Note: If the actual monthly payment is documented from the lender or the lender obtains a copy of the current statement reflecting the monthly payment, that amount may be used for qualifying purposes. **Open-End Accounts (accounts which require the balance to be paid in full monthly**) Must follow one of the following bullets: • In the absence of a monthly payment on the credit report or direct verification of the payment, the greater of 5% of the outstanding balance or • $10 can be considered to be the required monthly payment; or o • When the balance is equal to the monthly payment, the borrower may provide sufficient verified funds to pay off the outstanding account balance. The funds must be in addition to any funds required for down payment, closing costs, financing costs, prepaids/escrows or reserves, as applicable. • Alimony must be included as a liability. Alimony as a reduction in income is not acceptable.

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Contingent Liabilities	**Contingent Liability** A contingent liability exists when an individual is held responsible for payment of a debt if another party, jointly or severally obligated, defaults on the payment. The contingent liability policies described in this topic apply unless the borrower can provide conclusive evidence from the debt holder that there is no possibility that the debt holder will pursue debt collection against him/her should the other party default **Contingent Liability on Mortgage Assumptions** Contingent liability must be considered when the borrower remains obligated on an outstanding FHA-insured, VA- guaranteed, or conventional mortgage secured by property that: • Has been sold or traded within the last 12 months without a release of liability, or • Is to be sold on assumption without a release of liability being obtained. **Exemption From Contingent Liability Policy on Mortgage Assumptions** When a mortgage is assumed, contingent liabilities need not be considered if the: Originating lender of the mortgage being underwritten obtains, from the servicer of the assumed loan, a payment history showing that the mortgage has been current during the previous 12 months, or **Contingent Liability on Cosigned Obligations**. A Contingent liability applies, and the debt must be included in the underwriting analysis, if an individual applying for a mortgage is a cosigner/co-obligor on: • A car loan; • A student loan; • A mortgage; or • Any other obligation. If the lender obtains documented proof that the primary obligor has been making regular payments during the previous 12 months, and does not have a history of delinquent payments on the loan during that time, the payment does not have to be included in the borrower's monthly obligations. **Projected Obligations** • Debt payments, such as a student loan or balloon-payment note scheduled to begin or come due within 12 months of the mortgage loan closing, must be included by the lender as anticipated monthly obligations during the underwriting analysis. • Debt payments do not have to be classified as projected obligations if the borrower provides written evidence that the debt will be deferred to a period outside the 12- month timeframe. • Balloon-payment notes that come due within one year of loan closing must be considered in the underwriting analysis. **Obligations Not Considered Debt** Obligations not considered debt, and therefore not subtracted from gross income, include: • Federal, State, and local taxes; • Federal Insurance Contributions Act (FICA) or other retirement contributions, such as 401(k) accounts (including repayment of debt secured by these funds); Commuting costs; • Union dues; • Open accounts with zero balances; • Automatic deductions to savings accounts; • Child care; and • Voluntary deductions

<table>
<tr><th>Topic / Underwriting Guideline</th><th>CASCADE JUMBO FIXED
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<tr><td>Assets</td><td>Full Asset Documentation is required
Verification of Deposit may be provided. The information must be requested directly from the depository institution, and the complete, signed, and dated document must be sent directly to the lender from the depository institution. All pages of the most recent two consecutive months' statements or the most recent quarterly statement may be provided. Statements must:
Clearly identify the borrower as the account holder;
Include the account number;
Include the time period covered by the statement;
Include all deposits and withdrawal transactions (for depository accounts);
Include all purchase and sale transactions (for financial portfolio accounts); and
Include the ending account balance.
All asset documentation must be dated within 90 days of the note date.
All funds must be owned by the borrowers</td></tr>
<tr><td>Business Funds</td><td>Business Funds to close allowed when:
Borrower is 100% owner, and
Two months consecutive business bank statements must be provided, and One of the following:
A CPA letter must be provided confirming the withdrawal will not harm the business, or
Confirm that business funds used for close do not exceed 50% of the lesser of the prior two months business bank statement ending balances.
Notes For the 50% count:
When the same business has multiple accounts for the same month, it will be counted as the same business account.
When business funds are transferred to a personal account for funds to close, the transferred amount is counted as though the funds remained in the business account.
Business funds are not eligible for reserves</td></tr>
<tr><td>Large Deposits</td><td>Large Deposits
When bank statements (typically covering the most recent two months) are used, the lender must evaluate large deposits, which are defined as a single deposit that exceeds 50% of the total monthly qualifying income for the loan. Requirements for evaluating large deposits vary based on the transaction type, as shown below.

Refinance transactions
Documentation or explanation for large deposits is not required; however, the lender remains responsible for ensuring that any borrowed funds, including any related liability, are considered.

Purchase transactions
If funds from a large deposit are needed to complete the purchase transaction (that is, are used for the down payment, closing costs, or financial reserves), the lender must document that those funds are from an acceptable source.
Occasionally, a borrower may not have all of the documentation required to confirm the source of a deposit. In those instances, the lender must use reasonable judgment based on the available documentation as well as the borrower's debt-to-income ratio and overall income and credit profile.
Verified funds must be reduced by the amount (or portion) of the undocumented large deposit (as defined above), and the lender must confirm that the remaining funds are sufficient for the down payment, closing costs, and financial reserves.
When the lender uses a reduced asset amount, net of the unsourced amount of a large deposit, that reduced amount must be used for underwriting purposes When a deposit has both sourced and unsourced portions, only the unsourced portion should be used to calculate whether or not it must be considered a large deposit</td></tr>
</table>

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Eligible Source of Funds	**Bridge Loan** • The bridge loan cannot be cross-collateralized against the new property; and • The lender must document the borrower’s ability to successfully carry the payments for the new home, the current home, the bridge loan, and other obligations. **Cash value of life insurance** • The lender must assess repayment or additional obligation considerations to determine the impact on borrower qualification or reserves. • If the funds are needed for down payment or closing costs document the borrower’s receipt of funds from the insurance company. Lenders must obtain either a copy of the check from the insurer or copy of the payout statement issued by the insurer. • If the cash value is being used for reserves, the cash value must be documented but does not need to be liquidated. **Depository accounts** • Checking or savings accounts • Provide two months consecutive bank statements • Large deposits must be sourced. See General Requirements above for more information regarding large deposits. **Earnest Money Deposit (EMD)** • Receipt of the deposit must be verified by either a copy of the borrower’s canceled check or a written statement from the holder of the deposit. • Provide bank statements covering the month the EMD cleared the borrower’s account and the statement prior to the month the EMD cleared. • Large deposits noted on the statements must be addressed in accordance with the Large Deposit policy above • **Funds that a borrower recently deposited in a U.S. depository institution are an acceptable source of funds provided all of the following requirements are met**: There is documented evidence of funds transfer from the country from which the borrower immigrated; • It can be established, with the prior two months bank statements, that the funds belonged to the borrower before the date of the transfer; • The sources of all funds used for closing can be verified just as they would for a borrower who is a U.S. citizen; and • All documentation and funds must be translated to English and US Dollars. **Gift funds are allowed after the borrower contributes 5% from his/her own funds** The lender must document that the gift was transferred to the borrower prior to close or transferred directly to escrow from the donor. • Donor must be: 1. a relative, defined as the borrower’s spouse, child, or other dependent, or by any other individual who is related to the borrower by blood, marriage, adoption, or legal guardianship; or 2. a fiancé, fiancée, or domestic partner. • An executed gift letter with the gift amount, donor's name, address, telephone number donor’s relationship, and confirmation no repayment is expected must be provided. • Not eligible for reserves. **Retirement Accounts, 401(k)/IRA Distributions** Lender must document: • The ownership of the accounts; and • The borrower's actual receipt of the funds realized from the liquidation of the assets if needed to complete the transaction. **Sale of Currently Owned Real Estate** Lender must document: • The source of funds by obtaining a copy of the final HUD-1 Settlement Statement on the currently owned home before, or simultaneously with, the settlement on the new home.

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	Stocks, Bonds, and Mutual Funds Lender must document: • The borrower's ownership of the account or asset; • The value of the asset at the time of sale or liquidation; and • The borrower's actual receipt of funds realized from the sale or liquidation of the assets if the stocks, bonds, and mutual funds will be used for the down payment or closing costs. • The value of government bonds must be based on their purchase price unless the redemption value can be documented. • The value of stocks and mutual funds may be determined by obtaining the most recent two months or quarterly statement from the depository or investment firm. **Trust Account Funds** Lender must document: • That the borrower has immediate access to the trust funds; and • Obtain written documentation of the value of the trust account from either the trust manager or the trustee; and • The conditions under which the borrower has access to the funds and the effect, if any, that the withdrawal of funds will have on trust income used in qualifying the borrower for the mortgage •
Ineligible Sources of Funds	• 529 plans • Cash-on-hand • Credit card financing • Donations • Personal unsecured loans • Real estate commissions earned from the subject transaction • Rent credit from Rent-to-Own transactions • Sweat Equity
Reserves	• All funds eligible under Source of Funds are acceptable for reserves, unless otherwise noted. • The minimum reserve requirements are reflected in the grid at the beginning of the Guide. • **First Time Home Buyers (FTHB) require 12 months reserves**. • FTHB is defined as an individual who has not had a mortgage in the past three years or owned a home in the past three years. • Applications with multiple borrowers are not considered FTHB unless all applicants are FTHB. • Borrowers with three or more financed properties require at least 18 months reserves, based on the subject property's PITIA. • All assets used to satisfy reserve requirements must be owned by the borrowers. • Business funds may not be used for reserves. • Gift funds may not be used for reserves. • **Stocks/Bonds/Mutual Funds**: 70% of the current balance may be considered for reserves. • Vested Retirement Account Funds • 60% of the current vested balance may be considered for reserves.

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Departing Residence Reserve Requirements	**If the percentage of equity in the departing residence is 25% or more:** • 2 months reserves on the departing residence in addition to number of months required in the Eligibility Grid or Multiple Financed Properties section, as applicable. **If the percentage of equity in the departing residence is less than 25%:** • 6 months reserves on the departing residence in addition to number of months required in the Eligibility Grid or Multiple Financed Properties section, as applicable. • See Policy Exceptions Regarding the Exclusion of Rental Income from a Principal Residence Being Vacated by a Borrower section for equity determination requirements.
Ineligible Source of Reserves	• 529 plans • Cash-on-hand • Business assets • Gift funds • Real estate commissions earned from the subject transaction • Secured borrowed funds, i.e. funds from a HELOC securing a non-subject property
General Property Types/Eligible Property Requirements	• Single Family Detached One Unit • Single Family Attached One Unit • 2 Unit (Must be Owner Occupied) • Leasehold property provided the lease expires a minimum of 5 years past the note maturity date • PUDs • Condominiums—Fannie Mae Warrantable only. • Blustream will not allow any project (condo, or PUD) for which the homeowners' association 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. **Note:** Projects for which the lender determines that pending litigation involves minor matters are not considered ineligible projects, provided the Lender concludes that the pending litigation has no impact on the safety, structural soundness, habitability, or functional use of the project. The following are defined to be minor matters: • Non-monetary litigation involving neighbor disputes or rights of quiet enjoyment; • Litigation for which the claimed amount is known, the insurance carrier has agreed to provide the defense, and the amount is covered by the association's insurance; or • The homeowners' association is named as the plaintiff in a foreclosure action, or as a plaintiff in an action for past due homeowners' association dues. • Properties with hobby farm or outbuildings (barns, stables, etc.): Properties that would be marketed as a farming opportunity if re-sold are not acceptable. Properties with some outbuildings or a limited amount of hobby farm activity are allowed. The outbuildings and hobby farming activity need to be acceptable to the local market. The gross Income generated by the hobby farm must be minimal compared to the borrower's income. The borrower's income used for qualification cannot be related to the hobby farm activity. The appraiser must confirm all of the following: 1. Property must be primarily residential in nature 2. Highest and best use must be residential 3. Value is supported by closed comps of similar type properties with similar zoning.

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Multiple parcels	• Each parcel must be conveyed in its entirety • Parcels must be adjoined to the other, unless they comply with the following exception. Parcels that otherwise would be adjoined, but are divided by a road, are acceptable if the parcel without a residence is a non-buildable lot (for example, waterfront properties where the parcel without the residence provides access to the water). Evidence that the lot is non-buildable must be included in the loan file. • Each parcel must have the same basic zoning (for example, residential, agricultural). • The entire property may contain only one dwelling unit. Limited additional nonresidential improvements, such as a garage, are acceptable. For example, the adjoining parcel may not have an additional dwelling unit. An improvement that has been built across lot lines is acceptable. For example, a home built across both parcels where the lot line runs under the home is acceptable. • The mortgage must be a valid first lien that covers each parcel.
Recently Listed Properties	• Rate/Term Refinances: The listing must have been expired or withdrawn six months prior to the note date. • Cash-out Refinances: The listing must have been expired or withdrawn 12 months prior to the note date.
Ineligible Property Types	• 3-4 unit properties • Commercial Enterprises (e.g. Bed and Breakfast, Boarding House, Hotel) • Condotels • Cooperatives • Fannie Mae Unwarrantable Condos • Geodesic Domes • Hotel Condos • Log homes, except in areas where log homes are acceptable and prevalent • Manufactured homes • Mixed-Use Properties • Mobile Homes • Properties held in a business name • Properties with environmental hazards • Properties with less than 750 square feet of living area • Properties with more than 15 acres. • Timeshares • Unimproved Land and property currently in litigation • Working Farms and Ranches • Zoning violations including residential properties zoned commercial • Properties with C5, C6, or Q6 ratings • Properties with Private Transfer Fee Covenants • Properties sold within the last 180 days are not permitted as purchases
Escrow Holdbacks	Not allowed

Topic / Underwriting Guideline	CASCADE JUMBO FIXED When this Program Guide is silent, follow Fannie Mae
General Appraisal Requirements	• Appraisals must be dated within 120 days of the note date. A new appraisal is required after 120 days. • Two full appraisals (1004 or equivalent) are required on all loan amounts greater than $1,000,000. Appraised value variance between the two appraisals may not exceed 10%. • LTV is calculated based on the lesser of the two appraisals or purchase price. • Blustream will order a Collateral Desktop Analysis (CDA) from Clear Capital on the appraisal used for qualifying. The lower of the two appraisals (if applicable) is the qualifying appraisal. • Value reported on the appraisal review product must be within 10% of the appraisal and not identify issues that would undermine the credibility of the original appraisal. • All appraisers must hold at least the minimum required state license and a copy of the license must be submitted with the appraisal. • Appraisals must be completed in compliance with FIRREA/USPAP and all applicable regulatory requirements. • 1004MC required. On purchase transactions, the appraiser must review the sales contract, and all subsequent addendum • Appraisal 1st generation PDF required. • All Appraisals must be Appraiser Independence Requirements (AIR) compliant. • For newly constructed homes: All required inspections, licenses and certificates must be obtained. **Soft Market** LTV/CLTV reduced by 5% when the appraisal indicates in either the Neighborhood Section Housing Trends or 1004MC Median Comparable Sale Price that property values are declining.
Unpermitted Additions	Blustream will review loans secured by properties with "unpermitted" structural additions under the following conditions: • The quality of the work is described in the appraisal and deemed acceptable ("workmanlike quality") by the appraiser; • The addition does not result in a change in the number of units comprising the subject property (e.g. a 1 unit converted into a 2 unit); and If the appraiser gives the unpermitted addition value, the appraiser must be able to demonstrate market acceptance by the use of comparable sales with similar additions and state the following in the appraisal: Non-Permitted additions are typical for the market area and a typical buyer would consider the "unpermitted" additional square footage to be part of the overall square footage of the property. • The appraiser has no reason to believe the addition would not pass inspection for a permit
Disaster Policy	Blustream's Disaster Policy applies to any of the following: • FEMA declared disaster areas eligible for Individual Assistance. • Areas identified by Blustream and published in a disaster notification. • Properties that the Broker has reason to believe sustained damage in a disaster when the appraisal is completed on or before the incident period end date Blustream will require a post disaster inspection confirming the property has not been adversely affected by the disaster. The Broker can utilize any of the following re-inspection options: • Property Inspection Report (Form 2075), or • Appraisal Update and/or Completion Report (Form 1004D), or • Certification from a Licensed Property Inspector

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Hazard Insurance	For first lien home mortgages on 1-2 unit properties, the hazard insurance coverage must be equal to the lesser of: • 100% of the insurable value of the improvements—as established by the property insurer or o Guaranteed Replacement Cost Endorsement, which provides that the insurer agrees to replace the insurable property, regardless of the cost or the Replacement Cost Endorsement or; • The unpaid principal balance of the mortgage, as long as it equals the minimum amount (80%) of the insurable value (total appraised value minus the estimated site value) required to compensate for damage or loss calculated on a replacement cost basis. • Note: Due to the revised agency appraisal form, which eliminated the site value box, the estimated site value can be submitted with a notation in the Comments section of the appraisal or an appraisal addendum signed by the appraiser. • If the hazard insurance is not equal to at least one of the above minimum coverage amounts, then additional hazard coverage that meets the minimum coverage amounts must be obtained before the loan can be closed • If the estimated site value, opinion site value, or an appraisal addendum signed by the appraiser is not available on the appraisal, the documents below are acceptable in the following order: 1. Insurance value from the insurance agency 2. Third party vendor (Marshall and Swift [example: Data Quick] may have been used by the vendor.) o 3. If the site value is not noted, the tax assessor value from the title policy/commitment or tax assessment form may be used for the calculation. • Hazard coverage for units in Project Developments must meet FNMA requirements • Deductible requirements on Jumbo loans must meet FNMA requirements
Mortgage Insurance	Not Applicable
Flood Insurance Requirements	Prior to loan closing, a Flood Zone Determination Certification (FZD or Flood Cert) is required in each loan file. Flood insurance is required for any property located in a Special Flood Hazard Area which has federally mandated flood insurance purchase specifications. Properties located in Special Flood Hazard Areas designated by the symbols "A" and "V" on a Flood Insurance Rate Map (FIRM) require flood insurance **Amount of Coverage:** If flood insurance is required with respect to a mortgaged property, the amount of flood insurance required, regardless of property type, is the lesser of: • The unpaid principal balance of the mortgage, or • The maximum amount of coverage available under the NFIP for the type of improvements, or • The replacement cost of the improvements • Condominium Projects must meet FNMA requirements • Jumbo loans must meet FNMA deductible requirements.

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General Title Requirements	• Title commitment dated within 90 days of the note date. • Private transfer fee covenants are not acceptable. • The original principal amount of the mortgage loan is the minimum amount of title insurance coverage acceptable to Blustream. • General Title Waivers The title to the property that secures a mortgage loan must be merchantable and free and clear of all defects, liens and encumbrances. • Title insurance policies must be covered by an American Land Title Association (ALTA) mortgage title insurance policy, or such other generally acceptable form of policy or insurance acceptable to FNMA.
Power of Attorney	• A specific, special or limited Power of Attorney is required on Jumbo loans. Contains authorization for the Attorney-in-fact to perform specific functions related to the real estate financing and is specific to the subject property (references the subject via property address or legal description).Contain a recorder's stamp if previously recorded; POA's are not allowed on Jumbo cash out transactions.