



AURORA

DOWN PAYMENT ASSISTANCE

PROGRAM GUIDELINES AND MATRICES

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Section 1 – Overview & Underwriting Criteria

The Aurora DPA is designed to increase homeownership opportunities for low-to-moderate income individuals and families nationwide (excluding New York state).

Orion Lending’s vision is to increase affordable and sustainable homeownership opportunities for credit worthy individuals who lack down payment funds.

Except for exclusions noted below, adhere to all DU® findings or FHA 4000.1 for borrower underwriting and property eligibility requirements.

Section 2 - Underwriting Criteria

Program matrix is intended to reference and supplement FHA’s Seller Guide (4000.1). Refer to the 4000.1 for specific information concerning qualification requirements that are not specifically referenced in this program matrix.

Section 3 – Product Eligibility

3.1 Available Products	Standard Balance				High Balance			
	Product	Amort Term	Qualifying Rate	Program Codes	Product	Amort Term	Qualifying Rate	Program Codes
	30 Yr. Fixed	360	Note Rate	FF30 DPA	30 Yr. Fixed	360	Note Rate	FF30 HB DPA
3.2 Loan Purpose	<ul style="list-style-type: none"> • Purchase Only 							
3.3 Age of Credit Documents	<ul style="list-style-type: none"> • New and existing construction: All credit, income, and asset documentation must be \leq 120 days at the time of funding 							
3.4 Minimum Loan Amount	<ul style="list-style-type: none"> • \$55,000 							
3.5 Maximum Loan Amount	<ul style="list-style-type: none"> • Per lessor of National or County Limits (1st only) <ul style="list-style-type: none"> ○ Repayable – allowed for 3.5% and 5% assistance ○ Forgivable - allowed for 3.5% assistance only • High Balance <ul style="list-style-type: none"> ○ Repayable – allowed for 3.5% and 5% assistance ○ Forgivable – allowed for 3.5% assistance only 							
3.6 Maximum LTV/CLTV and Subordinate Financing	<ul style="list-style-type: none"> • LTV to 96.5% <ul style="list-style-type: none"> ○ Minimum LTV 90.00% • CLTV – No max 							
3.7 Down Payment Assistance	<ul style="list-style-type: none"> • 3.5% rounded to the nearest dollar • 5% rounded to the nearest dollar <ul style="list-style-type: none"> ○ Only offered for repayable 2nd • There must be no cash back to the borrower from the DPA proceeds 							

<p>3.8 Description of Assistance</p>	<ul style="list-style-type: none"> • Repayable <ul style="list-style-type: none"> ○ 10 yr. Term ○ Rate: 2% higher than the 1st Mortgage • Forgivable <ul style="list-style-type: none"> ○ 30 yr. Term, No payments due ○ Rate: 0% ○ Forgiven at the borrower’s request after 36 consecutive, on-time payments on the first mortgage
<p>3.9 Forgivable 2nd Mortgage Terms</p>	<p>Down payment assistance in the form of soft/forgivable secondary financing. The second lien is a 30-year term with 0% interest and no payments due</p> <ul style="list-style-type: none"> • 3.5% DPA: The loan will be forgiven after 36 consecutive on-time payments on the first mortgage <ul style="list-style-type: none"> ○ Forgiven at the borrower’s request
<p>3.10 Origination Fee</p>	<ul style="list-style-type: none"> • BPC Only – Per QM points and fees test
<p>3.11 Eligible Borrowers</p>	<ul style="list-style-type: none"> • U.S. Citizens • Permanent resident aliens • Non-Occupant Borrower <ul style="list-style-type: none"> ○ See section 3.19 for additional requirements • First Time Homebuyer allowed, but not required
<p>3.12 Ineligible Borrowers</p>	<ul style="list-style-type: none"> • Effective for FHA Case Numbers assigned on or after May 25, 2025 <ul style="list-style-type: none"> ○ Non-permanent resident aliens

<p>3.13 Positive Rental Payment History (FTHB)</p>	<p>A First Time Homebuyer refers to an individual who has not held an ownership interest in another property in the three years prior to the case number assignment. First Time Homebuyer includes an individual who is divorced or legally separated and who has had no ownership interest in a principal residence (other than joint ownership interest with a spouse) during the three years prior to case number assignment</p> <p>Positive Rental Payment History: Not required, but may promote a more complete credit evaluation</p> <ul style="list-style-type: none"> ○ Positive Rental Payment History refers to the on-time payment by a borrower of all rental payments in the previous 12 months. A rental payment is considered to be on time when it is paid within the month due. ○ the transaction is a purchase; ○ at least one Borrower is identified as a First Time Homebuyer; ○ the Minimum Decision Credit Score (MDCS) is 620 or greater; and ○ at least one Borrower has a documented history of a positive rental payment history with monthly payments of \$300 or more for the previous 12 months. <ul style="list-style-type: none"> ● Required Documentation: <ul style="list-style-type: none"> ○ To verify the Borrower’s rental payment history, the Mortgagee must obtain a copy of the executed rental or lease agreement and one of the following: <ul style="list-style-type: none"> ○ written verification of rent from a landlord with no Identity of Interest with the Borrower; or ○ 12 months canceled rent checks; or ○ 12 months bank or payment service statements documenting rents paid; or ○ landlord reference from a rental management company. ● Borrowers renting from a Family Member must provide a copy of the executed rental or lease agreement and 12 months canceled checks or bank statements to demonstrate the satisfactory rental payment history ● See ML 2022-17 for additional information
<p>3.14 Geographic Restrictions</p>	<ul style="list-style-type: none"> ● South Carolina & Alaska <ul style="list-style-type: none"> ○ The minimum second mortgage loan amount is \$5,000 ● New York – Not allowed ● Washington – UW Fee Buyout not allowed ● West Virginia – Maximum DTI is 50%
<p>3.15 Dual Role / Compensation</p>	<ul style="list-style-type: none"> ● Dual Role/Compensation is allowed per ML 2022-22

<p>3.16 AMI Limit</p>	<ul style="list-style-type: none"> • Repayable <ul style="list-style-type: none"> ○ No income limits • Forgivable <ul style="list-style-type: none"> ○ Qualifying income must be ≤ 160% of the higher of the <u>AMI</u> or <u>SMI</u> for the most recent year, based on the state and county or MSA of the property to be purchased. Use the Median Family Income, or the Income Limit for the appropriate family size, whichever is greater
<p>3.17 AUS</p>	<ul style="list-style-type: none"> • DU • LPA • Manual UW <ul style="list-style-type: none"> ○ See section 3.18, Payment Shock requirements
<p>3.18 Max DTI</p>	<ul style="list-style-type: none"> • Per AUS or 4000.1 for manual underwritten loans
<p>3.19 Payment Shock</p>	<ul style="list-style-type: none"> • Maximum payment shock of 225% for loan files with the following: <ul style="list-style-type: none"> ○ AUS approval and credit score 620 or below; or ○ Manual underwrites (regardless of credit score) • Payment shock may exceed 225% if front-end DTI is ≤ 36% or 1 month PITI is provided • If the loan does not meet any of the conditions above, there is no payment shock limit
<p>3.20 Non-Occupant Borrowers</p>	<ul style="list-style-type: none"> • Allowed <ul style="list-style-type: none"> ○ Only occupying borrower(s) qualifying income is used to determine program qualifications under AMI limits
<p>3.21 Homeownership Education</p>	<ul style="list-style-type: none"> • Not Required
<p>3.22 Consumer Servicing Video</p>	<ul style="list-style-type: none"> • All borrowers on the loan must complete the consumer servicing video • Important Note – Once the borrower views the video and completes the consumer contact form, a certificate will automatically be sent to the borrower and Orion Lending for review
<p>3.23 Interest Credit Closing</p>	<ul style="list-style-type: none"> • Not Permitted

Section 4 – Product Matrix

4.1 LTV/CLTV Matrix	PURCHASE					
	PROPERTY TYPE	OCCUPANCY	PURPOSE	LOAN AMOUNT	MIN FICO	LTV/CLTV
	SFR, Condo, PUD, 2 units, Manufactured ^{1,2}	Primary	Purchase	Per county limits	600 ²	96.5/100 ³
	¹ Singlewide not allowed ² Manufactured Minimum FICO 620 ³ No Maximum CLTV if secondary financing is from a Government Entity or HUD approved Non-profits					

Section 5 - Credit

5.1 Credit	<ul style="list-style-type: none"> • Minimum FICO <ul style="list-style-type: none"> ○ 600 FICO • Manufactured Home Minimum FICO <ul style="list-style-type: none"> ○ 620 FICO
5.2 Verification of Rent	<ul style="list-style-type: none"> • Verification of Rent is required for the following: <ul style="list-style-type: none"> ○ AUS approval and a qualifying credit score of 620 or below ○ Manual underwrites (regardless of credit score) ○ Loan files where the above characteristics do not apply, are not required to provide a VOR • Verification of Rent Documentation: <ul style="list-style-type: none"> ○ Complete present housing expense (URLA) ○ Complete Verification of Rent (12-month) from a landlord with no identity of interest or a property management company; or ○ 12 months canceled checks or bank statements ○ Borrowers renting from a family member must provide 12 months canceled checks or bank statements • Borrowers living rent free are allowed, subject to the requirements below: <ul style="list-style-type: none"> ○ Maximum front end DTI of 36% or 1-month PITI required ○ A letter of explanation signed by the property owner and borrower verifying the borrower is living rent free and the amount of time they have lived rent free

<p>5.3 Concurrent Homeownership</p>	<ul style="list-style-type: none"> • Allowed per 4000.1 <ul style="list-style-type: none"> ○ Supporting documentation (lease and LOE) for owned and retained departing residence is required to support reasonability of occupancy for subject property purchase. An acceptable reason must be documented for the move, along with the intent behind retaining the current property. Occupancy reasonability must be documented and meet standard FHA requirements for reasonability ○ Refer to section 5.14 – Maximum Number of FHA Financed Properties for requirements if the borrower has another FHA financed loan 				
<p>5.4 Manual Underwriting Credit Requirements</p>	<p>Satisfactory credit criteria</p> <ul style="list-style-type: none"> • Housing payments and Installment payments: <ul style="list-style-type: none"> ○ 0x30 in the previous 12 months and, ○ No more than 2x30 in the previous 24 months • Revolving accounts – No major derogatory credit in the previous 12 months defined as: <ul style="list-style-type: none"> ○ Any revolving payment more than 90 days late, or ○ Any revolving payment more than 3x60 days late. <p>If the payment history does not meet the above criteria, additional analysis is required. Only loans that meet HUD’s extenuating circumstance definition (documented serious illness or death of a wage earner) are eligible. If extenuating circumstances are not met the loan is ineligible.</p>				
<p>5.5 Forbearance and Modification</p>	<p>The following are required prior to closing (the Note Date) to be eligible for FHA financing:</p> <p>Forbearance</p> <table border="1" data-bbox="401 998 1955 1101"> <thead> <tr> <th data-bbox="401 998 753 1040">If</th> <th data-bbox="753 998 1955 1040">Then</th> </tr> </thead> <tbody> <tr> <td data-bbox="401 1040 753 1101">Purchase</td> <td data-bbox="753 1040 1955 1101">Three (3) consecutive monthly payments must be made on time since completion of a mortgage forbearance plan.</td> </tr> </tbody> </table> <ul style="list-style-type: none"> • If payments have been made under a forbearance plan within the 12 months prior to the case number assignment the following is required: <ul style="list-style-type: none"> ○ A copy of the forbearance plan (not required if forbearance was due to COVID-19), and ○ Evidence of the payment amount and date of payments during the plan • If a forbearance plan will remain open on another FHA-insured loan after the closing of a new FHA loan, the Forbearance Plan must be terminated (deferred payments paid in full) at or prior to closing <ul style="list-style-type: none"> ○ Documentation of termination is required for other REO properties ○ Documentation of termination is not required for the subject property <p>A loan that was in forbearance and subsequently granted a loan modification is no longer considered to be in forbearance. A loan modification is a permanent change in one or more terms of the borrower’s mortgage.</p>	If	Then	Purchase	Three (3) consecutive monthly payments must be made on time since completion of a mortgage forbearance plan.
If	Then				
Purchase	Three (3) consecutive monthly payments must be made on time since completion of a mortgage forbearance plan.				

5.6 Non-Borrowing Spouse Debt in Community Property States	<p>If the Borrower resides in a community property state, or the Property being insured is in a community property state, debts of the non-borrowing spouse must be included in the Borrower’s qualifying ratios, except for obligations specifically excluded by state law.</p> <ul style="list-style-type: none"> • A credit report must be obtained for the non-borrowing spouse to determine the debts that must be included • A signed authorization for the non-borrowing spouse is required • The non-borrowing spouse’s credit history is not considered 		
	State	Excludes Debts from DTI	Additional State Requirements
	AZ	Exclude only those debt acquired prior to marriage	Satisfaction of non-purchasing spouse’s collections and judgements not required if all the following are met: <ul style="list-style-type: none"> ○ He/she is not contributing towards the down payment or transaction costs (includes gift or money from joint accounts) ○ He/she signs the title disclaimer to prevent any judgements from attaching to the property; and ○ He/she does not sign the Deed of Trust
	CA	Can exclude only those debts that were acquired prior to the marriage and only with a specific pre-Marital agreement	All delinquent debts, including those of the non-purchasing spouse must be satisfied prior to or at closing
	ID	Can exclude only those debts that were acquired prior to the marriage and only with a specific pre-Marital agreement	No additional restrictions
	LA	Can exclude only those debts that were acquired prior to the marriage and only with a specific pre-Marital agreement	No additional restrictions
	NV	Exclude only those debt acquired prior to marriage	No additional restrictions
	NM	Can exclude only those debts that were acquired prior to the marriage and only with a specific pre-Marital agreement	No additional restrictions
	TX	Can exclude only those debts that were acquired prior to the marriage and only with a specific pre-Marital agreement	No additional restrictions
	WA	Exclude only those debt acquired prior to marriage	No additional restrictions
WI	Exclude only those debt acquired prior to marriage	No additional restrictions	

<p>5.7 Manual Downgrade Requirements</p>	<p>A loan that received an Accept/Approve recommendation must be downgraded and manually underwritten if:</p> <ul style="list-style-type: none"> • The mortgage file contains information or documentation that cannot be entered into or evaluated by TOTAL Mortgage Scorecard • Additional information, not considered in the Automated Underwriting System (AUS) recommendation affects the overall insurability of the Mortgage • Business income shows a greater than 20 percent decline over the analysis period • The Borrower has \$1,000 or more collectively in Disputed Derogatory Credit Accounts • The date of the Borrower’s bankruptcy discharge as reflected on bankruptcy documents is within two years from the date of case number assignment • The case number assignment date is within three years of the date of the transfer of title through a: <ul style="list-style-type: none"> ○ Pre-Foreclosure Sale (Short Sale) ○ Foreclosure sale ○ Deed-in-Lieu (DIL) of foreclosure • The Mortgage Payment history, for any Mortgage trade line, including mortgage line-of-credit payments, reported on the credit report used to score the application during the 12 months prior to the case number assignment reflects: <ul style="list-style-type: none"> ○ three or more late payments of greater than 30 Days; ○ one or more late payments of 60 Days plus one or more 30-Day late payments; ○ one payment greater than 90 Days late; or ○ that the Borrower has made less than three consecutive payments since completion of a mortgage Forbearance Plan • A downgrade is required if the Borrower has undisclosed mortgages that reflects any of the following: <ul style="list-style-type: none"> ▪ Reflects a current delinquency; ▪ Any delinquency within 12 months of the case numbers assignment date; or ▪ more than two 30-day delinquent payments within 24 months of the case number assignment date.
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<p>5.8 Disputed Derogatory Credit</p>	<p>Disputed Derogatory Accounts are defined as any of the below dated within 24 months of the case number assignment date:</p> <ul style="list-style-type: none"> • A disputed collection, or • A disputed charge-off account, or • Disputed accounts (revolving, installment, etc.) with delinquent payments in the previous 24 months <p>A letter of explanation is required from the borrower whenever a derogatory disputed account is reported on the credit report regardless of the cumulative balance.</p> <ul style="list-style-type: none"> • Disputed Derogatory Accounts <\$1000 (cumulative for all borrowers) – TOTAL Scorecard <ul style="list-style-type: none"> ○ A manual downgrade is not required if the cumulative total of all disputed accounts is <\$1000. • Disputed Derogatory Accounts ≥\$1000 (cumulative for all borrowers) – TOTAL Scorecard <ul style="list-style-type: none"> ○ Loans with an Approve/Eligible finding must be downgraded to a manual underwrite if the credit report indicates there are disputed accounts with a cumulative total (includes disputed accounts for all borrowers) is ≥ \$1000. ○ If the cumulative balance is ≥ and the borrower is not resolving the debt, the monthly payment must be included in the DTI calculation <p>Disputed Derogatory Accounts excluded from the cumulative balance include:</p> <ul style="list-style-type: none"> • Disputed medical accounts, and • Disputed derogatory credit resulting from identity theft, credit card theft or unauthorized use. <ul style="list-style-type: none"> ○ To exclude these items the borrower must include a copy of the police report or other documentation from the creditor to support the status of the accounts <p>Disputed Non-Derogatory accounts include the following:</p> <ul style="list-style-type: none"> • Disputed accounts with zero balance • Disputed accounts with delinquent payments aged 24 months or greater • Disputed accounts that are current and paid as agreed <p>Non-derogatory accounts or disputed accounts not listed on the credit report do not require a manual downgrade. Non-derogatory disputed accounts are excluded from the \$1000 cumulative balance limit</p>										
<p>5.9 Maximum DTI for Manual Underwriting</p>	<table border="1"> <thead> <tr> <th>Credit Score</th> <th>Debt to Income</th> <th>Requirements</th> </tr> </thead> <tbody> <tr> <td rowspan="3">≥ 600</td> <td>> 31/43 up to 37/47</td> <td>One Compensating Factor</td> </tr> <tr> <td>> 37/47 up to 40/50</td> <td>Two Compensating Factors</td> </tr> <tr> <td>40/40</td> <td>No discretionary Debt</td> </tr> </tbody> </table>	Credit Score	Debt to Income	Requirements	≥ 600	> 31/43 up to 37/47	One Compensating Factor	> 37/47 up to 40/50	Two Compensating Factors	40/40	No discretionary Debt
Credit Score	Debt to Income	Requirements									
≥ 600	> 31/43 up to 37/47	One Compensating Factor									
	> 37/47 up to 40/50	Two Compensating Factors									
	40/40	No discretionary Debt									

<p>5.10 Compensating Factors</p>	<p>Compensating factors may be used to justify approval of manually underwritten mortgages with qualifying ratios as described in Handbook 4000.1 II.A.5.d.viii</p> <p>Residual Income may be used as a compensating factor</p> <ul style="list-style-type: none"> • Follow VA requirements for calculation <p>Reserves as a compensating factor may be used based on the following requirements:</p> <ul style="list-style-type: none"> • Reserves are equal to or exceed three total monthly mortgage payments (1 and 2 units); or • Reserves are equal to or exceed six total monthly mortgage payments (3 and 4 units) <p>No discretionary debt may be cited as a compensating factor subject to the following requirements:</p> <ul style="list-style-type: none"> • The borrower’s housing payment is the only open account with an outstanding balance that is not paid off monthly, • The credit report shows established credit lines in the borrower’s name open for at least six months; and • The borrower can document that these accounts have been paid off in full monthly for at least the past six months <p>Additional income from overtime, bonuses, part-time or seasonal employment that is not reflected in effective income can be cited as a compensating factor subject to the following requirements:</p> <ul style="list-style-type: none"> • Document the borrower has received this income for at least one year, and it is likely to continue; and • If the income were included in gross effective income, it is sufficient to reduce the qualifying ratios to not more than 37/47 <p>A minimal increase in housing payment may be cited as a compensating factor subject to the following requirements:</p> <ul style="list-style-type: none"> • The new total monthly mortgage payment does not exceed the current total monthly housing payment by more than \$100 or 5%, whichever is less; and • There is a documented 12-month housing payment history with no more than one 30-day delinquent payment. • If the borrower has no current housing payment, this may not be cited as a compensating factor
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<p>5.11 Alternative Credit Requirements</p>	<p>To establish a credit history, three credit references reporting for a minimum of 12 months must be used, including at least one of the following:</p> <ul style="list-style-type: none"> • Rental housing payments (requires independent verification if Borrower is a renter) • Telephone service; or • Utility company reference (if not included in rental housing payment), including gas, electricity, water, television, or internet service <p>In addition to the credit references above, the following sources of unreported recurring debt may be used to establish sufficient credit references:</p> <ul style="list-style-type: none"> • insurance premiums not payroll deducted (e.g., medical, auto, life, renter’s insurance) • payment made to childcare provider businesses • school tuition • retail store credit cards (e.g., department, furniture, appliance stores) • rent-to-own (e.g., furniture, appliances) • medical bill payments not covered by insurance • personal loan from an individual with repayment terms in writing and supported by canceled checks to document payments • automobile lease • 12-month savings history evidenced by regular deposits resulting in an increased balance to the account that: <ul style="list-style-type: none"> ○ were made at least quarterly; ○ were not payroll deducted; and, ○ caused no insufficient funds (NSF) checks. • 12-month history of payment by the borrower on an account for which the borrower is an authorized user
<p>5.12 Student Loan Calculation</p>	<p>Regardless of payment status, the following calculation must be used:</p> <ul style="list-style-type: none"> • The payment amount reported on the credit report or the actual documented payment from the servicer when the payment is above zero; or • 0.5 percent of the outstanding loan balance, when the monthly payment reported on the Borrower’s credit report is zero
<p>5.13 Less than 10 payments</p>	<p>All applicable monthly liabilities must be included in the qualifying ratio. Closed-end debts do not have to be included if:</p> <ul style="list-style-type: none"> • they will be paid off within 10 months from the date of closing, and • the cumulative payments of all such debts are less than or equal to 5 percent of the Borrower’s gross monthly income. • The Borrower may not pay down the balance to meet the 10-month requirement

<p>5.14 Maximum Number of FHA Financed Properties</p>	<p>A borrower may be eligible to obtain another FHA-insured mortgage without being required to sell an existing property covered by an FHA-insured mortgage if the borrower:</p> <ul style="list-style-type: none"> • Is Vacating a jointly owned property: <ul style="list-style-type: none"> ○ A Borrower may be eligible for another FHA-insured Mortgage if the Borrower is vacating (with no intent to return) the Principal Residence which will remain occupied by an existing Co-Borrower • Is A Non-occupying co-borrower: <ul style="list-style-type: none"> ○ A Non-occupying Co-Borrower on an existing FHA-insured Mortgage may qualify for another FHA-insured Mortgage on a new Property to be their own Principal Residence ○ A Borrower with an existing FHA-insured Mortgage on their own Principal Residence may qualify as a non-occupying Co-Borrower on other FHA-insured Mortgages • Is Relocating: <ul style="list-style-type: none"> ○ relocating or has relocated for an employment-related reason; and ○ establishing or has established a new Principal Residence in an area more than 100 miles from the Borrower’s current principal residence ○ If the borrower moves back to the original area, the borrower is not required to live in the original house and may obtain a new FHA-insured mortgage on a new principal residence, provided the relocation meets the two requirements above. • Has an Increase in Family Size: <ul style="list-style-type: none"> ○ If the Borrower provides satisfactory evidence that: <ul style="list-style-type: none"> ▪ the Borrower has had an increase in legal dependents and the Property now fails to meet family needs; and ▪ the Loan-to-Value (LTV) ratio on the current Principal Residence is equal to or less than 75% or is paid down to that amount, based on the outstanding Mortgage balance and a current residential appraisal
<p>Section 6 - Assets</p>	
<p>6.1 Earnest Money</p>	<p>Earnest money deposit that exceeds 1 percent of the sales price or is excessive based on the Borrower’s history of accumulating savings must be verified by obtaining the following:</p> <ul style="list-style-type: none"> • A copy of the borrower’s canceled check; • Certification from the deposit-holder acknowledging receipt of funds; and • A verification of deposit or bank statement showing the average balance was sufficient to cover the amount of the earnest money deposit at the time of the deposit

<p>6.2 Cash on Hand</p>	<p>Cash on Hand refers to cash held by the Borrower outside of a financial institution. To be eligible for use:</p> <ul style="list-style-type: none"> • Verify that the Borrower’s Cash on Hand is deposited in a financial institution or held by the escrow/title company; • Document the Borrower’s Cash on Hand by obtaining an explanation from the Borrower describing how the funds were accumulated and the amount of time it took to accumulate the funds; and • Determine the reasonableness of the accumulation based on the time-period during which the funds were saved and the Borrower’s: <ul style="list-style-type: none"> ○ income stream ○ spending habits ○ documented expenses and, ○ history of using financial institutions
<p>6.3 Acceptable Sources of Funds for Down Payment and Closing Costs</p>	<ul style="list-style-type: none"> • Borrower funds, gifts, grants, and Aurora second mortgages
<p>6.4 Gift Fund Documentation</p>	<p>Obtain a gift letter signed and dated by the donor and Borrower that includes all the following:</p> <ul style="list-style-type: none"> • The donor’s name, address, telephone number; • The donor’s relationship to the Borrower; • The dollar amount of the gift; and • a statement that no repayment is required <p>Verify and document the transfer of gifts from the donor to the Borrower in accordance with the following requirements:</p> <ol style="list-style-type: none"> a. If the gift funds have been verified in the Borrower’s account, obtain the donor’s bank statement showing the withdrawal and evidence of the deposit into the Borrower’s account b. If the gift funds are not verified in the Borrower’s account, obtain the certified check or money order or cashier’s check or wire transfer or other official check evidencing payment to the Borrower or settlement agent, and the donor’s bank statement evidencing sufficient funds for the gift amount c. For gifts of land, obtain proof of ownership by the donor and evidence of the transfer of title to the Borrower <p>If the gift funds are being borrowed by the donor and documentation from the bank or other savings account is not available, have the donor provide written evidence that the funds were borrowed from an acceptable source, not from a party to the transaction, including the Lender</p> <p>Cash on Hand is not an acceptable source of donor gift funds</p>

<p>6.5 Eligible Gift Donors</p>	<p>Gift Funds may be provided by:</p> <ul style="list-style-type: none"> • The borrower’s family member • The borrower’s employer or labor union • A close friend with a clearly defined and documented interest in the borrower • A charitable organization • A governmental agency or public entity that has a program providing homeownership assistance to low- or moderate-income families of first-time homebuyers <p>Only Family Members may provide equity credit as a gift on property being sold to other Family Members</p>
<p>6.6 Family Members Defined</p>	<p>Family Member is defined as follows, regardless of actual or perceived sexual orientation, gender identity, or legal marital status:</p> <ul style="list-style-type: none"> • Child, parent, or grandparent- a child is defined as a son, stepson, daughter, or stepdaughter- a parent or grandparent includes a stepparent/grandparent or foster parent/grand parent • Spouse or domestic partner • Legally adopted son or daughter, including a child who is placed with the borrower by an authorized agency for legal adoption • Foster child • Brother, stepbrother • Sister, stepsister • Uncle • Aunt, or • A son-in-law, daughter-in-law, father-in-law, mother-in-law, sister-in law of the borrower <p>Note: A cousin is NOT considered an eligible family member</p>
<p>6.7 Reserve Requirements</p>	<ul style="list-style-type: none"> • 1-2 Units – Not required with Approve/Eligible findings <ul style="list-style-type: none"> ◦ See section 5.2 for reserve requirements if borrowers are living rent free • 1-2 Units – Manual Underwrite/Refer – Reserve Requirements per 4000.1 • Borrower with non-traditional/insufficient credit requires 2 months PITIA reserves (cannot use gift funds) <p>Use of gift funds for reserves:</p> <ul style="list-style-type: none"> • Approve/Accept findings may use gift funds to meet reserves • Manual underwrite and manual downgrade may NOT use gift funds to meet reserves

<p>6.8 Real Estate Tax Credits</p>	<p>Where real estate taxes are paid in arrears, the seller’s real estate tax credit may be used to meet the MRI, if the underwriter documents that the borrower had sufficient assets to:</p> <ul style="list-style-type: none"> • Meet the MRI (Minimum Required Investment) and, • Pay the borrower paid closing costs at the time of underwriting without consideration of the real estate tax credits. <p>If during the underwriting process, the borrower is short funds to close, exclusive of the MRI, the prorated taxes can be used to offset the funds required for the establishment of their escrow account, not to exceed actual costs.</p>
<p>Section 7 - Income</p>	
<p>7.1 Ineligible Income</p>	<p>If the income or asset source is not acceptable under all laws, such as income generated through marijuana sales, then the loan is ineligible for Orion Lending; this includes both self-employed borrowers and wage earners working for a company. Likewise, all use of the subject property must be compliant with all laws. Properties that have mixed-use that do not meet all local, state, or federal laws are ineligible for Orion Lending.</p>
<p>7.2 Modified Tax Returns and Past Due Returns</p>	<p>All borrower(s) using tax returns to support income for qualification must have filed any past due returns a minimum of 90 days before the application date. Income modifications within 90 days of the application for the benefit of qualification are not permitted.</p>
<p>7.3 Borrower(s) Whose Hours Vary</p>	<p>For employees who are paid hourly and whose hours vary, the income must be averaged over the previous two years. If the borrower can document an increase in pay rate, the most recent 12-month average of hours at the current pay rate may be used as qualifying income.</p> <p>Acceptable documentation to validate average hours:</p> <ul style="list-style-type: none"> • 12 months of consecutive paystubs • Employer to provide a 12-month history of hours worked
<p>7.4 Commission Income</p>	<p>Commission Income may be used as Effective Income if the Borrower earned the income for at least one year in the same or similar line of work and it is likely to continue.</p> <p>Calculate Effective Income from commission by using the lesser of:</p> <ul style="list-style-type: none"> • Either the average commission income earned over the previous two years, or • The length of time commission income has been earned if less than two years or, • The average commission income earned over the previous year

<p>7.5 Gaps In Employment</p>	<p>For borrowers with gaps in employment of 6 months or more (an extended absence) the borrower’s current income may be considered effective provided the below can be documented:</p> <ul style="list-style-type: none"> • The borrower has been employed in the current job for at least 6 months at the time of the case number assignment; and • a 2-year work history prior to the absence from employment <p>Note: Documentation extending further than 2 years to cover the gap may be required in the case of varying (hourly waged) borrowers i.e., gap of employment due to COVID in the most recent 24 months will require documentation to support a full 24 months of income without the gap may be required.</p>
<p>7.6 Part-Time Income</p>	<p>Part-time employment refers to employment that is not the borrower’s primary employment and is performed generally for less than 40 hours per week</p> <ul style="list-style-type: none"> • Part-time employment income may be used as effective income if the borrower has a history of working two jobs uninterrupted for the past two years and the current position is likely to continue • The income must be averaged over the previous two years • If a documented increase in pay rate is verified, a 12-month average of hours at the current pay rate may be used
<p>7.7 IRS Transcripts</p>	<ul style="list-style-type: none"> • Only required for self-employed borrowers, or any borrower that needs tax returns for qualifying. W2-only income is no longer required to be validated with transcripts unless the loan is an identity-of-interest transaction or other QC concerns exist • For W2-borrowers, follow AUS requirements for income documentation, or manual UW requirements if the loan is manually downgraded
<p>7.8 Self-employed Borrower Business Verification</p>	<p>Orion Lending requires that self-employed borrowers have their business verified as open and operating within ten (10) calendar days prior to the Note date</p>
<p>7.9 Mortgage Credit Certificates</p>	<p>All MCCs must be calculated according to FHA guidelines by adding the credit as income, not a payment reduction</p>

Section 8 - Property

<p>8.1 Eligible Properties</p>	<ul style="list-style-type: none"> • SFR • PUD • Town Home • Condo (attached/detached) • Modular • Doublewide Manufactured Homes • 2 Units
<p>8.2 Manufactured Housing</p>	<ul style="list-style-type: none"> • Minimum 620 FICO • Doublewides only (Singlewides are not eligible) • A Structural Engineering Report is required to be reviewed by the DE underwriter • Must meet all HUD Certification Label/tag and Title requirements
<p>8.3 Appraisal Validity</p>	<p>The FHA appraisal validity period is 180 days Extension up to 1 year</p> <ul style="list-style-type: none"> • An appraisal update may be performed to extend the original appraisal validity to one year if: <ul style="list-style-type: none"> ○ the appraisal update is performed within one year from the effective date of the initial appraisal being updated ○ the appraisal update is completed by the original FHA appraiser ○ Transferred appraisals may not be extended unless original appraisal was ordered through an Orion Lending approved AMC and subject to appraiser acceptance of the update request

<p>8.4 Accessory Dwelling Unit (ADU)</p>	<p>An Accessory Dwelling Unit (ADU) refers to a habitable living unit added to, created within, or detached from a primary one-unit Single Family dwelling, which together constitute a single interest in real estate. It is a separate additional living unit including:</p> <ul style="list-style-type: none"> • A kitchen; • Sleeping area; • Bathroom facilities; • An independent means of ingress and egress; and • Is independent from the primary dwelling unit. <ul style="list-style-type: none"> ○ If the ADU is created within the primary dwelling, to be considered independent, the ADU must be able to be secured from outside entry from the primary dwelling <p>A Single-Family Residential Property with an ADU remains a one-unit Property. For any Property with two or more units, a separate additional Dwelling Unit must be considered as an additional unit</p>
<p>8.5 Single-Unit Condominium Approval Eligibility</p>	<ul style="list-style-type: none"> • Manual UW LTV cannot exceed 90% • Condo Project may not be on the FHA approved Condominium Project list <p>If the condominium project is not FHA approved and a single-unit approval is needed, Broker to provide at the time of the case number assignment request:</p> <ul style="list-style-type: none"> • HUD -9991 fully completed by the HOA • DU Findings • If the Unit is in a Condominium Project that is not currently approved but has an FHA Condo ID, Orion will enter the FHA Condo ID when the FHA case number is requested <p>Orion Lending will:</p> <ul style="list-style-type: none"> • Submit the completed form 9991 to HUD at the time of the case number assignment request <ul style="list-style-type: none"> ○ Loan will be placed on holds tracking until the FHA concentration can be confirmed and determined acceptable by HUD ○ Turn time approximately 3 days • Retrieve the case number results • Notify the broker <ul style="list-style-type: none"> ○ Results are successful, appraisal can be ordered ○ Results are unsuccessful, case number has not been assigned, the project exceeds HUD’s threshold for FHA concentration <p>If the case number was ordered as a SFR (single family residence) and it is discovered during the underwriting process that the property is condo, HUD requires the case number to be cancelled and re-ordered. HUD does not permit the case number to updated to a condo once the case number has been assigned.</p>

<p>8.6 Property Flipping</p>	<p>The eligibility of a property for a Mortgage insured by FHA is determined by the time that has elapsed between the date the seller acquired title to the property and the date of execution of the sales contract that will result in the FHA-insured Mortgage. FHA defines the seller’s date of acquisition as the date the seller acquired legal ownership of that property. FHA defines the resale date as the date of execution of the sales contract by all parties intending to finance the Property with an FHA-insured Mortgage</p> <p>Property Re-sold 0-90 days from Acquisition</p> <ul style="list-style-type: none"> • Ineligible however sales contracts that were executed during the 0–90-day time-period may be re-executed on or after the 91st day. The existing URLA, DU findings, loan number and case number (if unexpired) may be used • An appraisal for the same borrower(s) that pre-dates the contract execution date is unacceptable <p>Property Re-sold 91-180 days from Acquisition</p> <p>A second appraisal by another appraiser if:</p> <ul style="list-style-type: none"> • Two appraisals are required if the sales price is an increase greater than 100% of the acquisition cost • The required second appraisal must be completed by different FHA appraiser and must include documentation to support the increased value • The borrower cannot be charged if a second appraisal is required <ul style="list-style-type: none"> ○ If the second appraisal supports a value of the property that is more than 5 percent lower than the value of the first appraisal, the lower value must be used as the property value in determining the adjusted value. The cost of the second appraisal may not be charged to the borrower <p>Property Re-sold 181-360 days from Acquisition</p> <ul style="list-style-type: none"> • A second appraisal is only required at the discretion of the underwriter • The borrower cannot be charged if a second appraisal is required
<p>8.7 Ineligible Property Features</p>	<ul style="list-style-type: none"> • Building on own land • Construction to Perm • Deed restrictions allowed per FHA 4000.1 are permissible; however, Easements and Deed Restrictions that affect value, marketability, or property accessibility as determined by the appraiser and for which no protective title endorsement is available • Loans with resale deed restrictions • Proposed or Under Construction (new construction is acceptable provided the property is completed before funding) • Manufactured homes not held in fee simple ownership, commonly known as “Mobile Home Parks” • Manufactured homes located in a flood zone • Illegal Accessory Units (ADU) – See section 8.4 for requirements

<p>8.8 Ineligible Properties</p>	<ul style="list-style-type: none"> • Condotels/Hotel Conversions • Cooperatives • Geodesic Domes • Mobile Homes • Singlewide Manufactured Homes • Site Manufactured Housing Condominiums • Timeshares • Unimproved Land and property currently in litigation • Working Farms and Ranches • C5 condition ratings
<p>Section 9 - Misc. Guidelines</p>	
<p>9.1 Subordination</p>	<ul style="list-style-type: none"> • Subordination is not allowed within the first 36 months of origination
<p>9.2 Forgiveness Conditions</p>	<p>Applies only to the Forgivable (soft) 2nd</p> <ul style="list-style-type: none"> • Soft seconds do not qualify for subordinations during the initial forgiveness period (the initial thirty-six [36] payments on the first mortgage) • The note specifically dictates that a refinance on the first mortgage would trigger a payoff of the second mortgage • A forgivable second mortgage may be subordinated after the initial thirty-six (36) payments on the first mortgage if it is not forgiven • The forgivable DPA for FHA loans permanently loses its forgivable status if the borrower refinances the first mortgage and state law allows the second mortgage to subordinate without prior consent from Orion Lending, but only if this occurs during the initial forgiveness period (the initial thirty-six (36) payments on the first mortgage) • If the loan’s forgivable status is permanently lost then the loan will have a 0% interest rate and no monthly payment, but it will need to be repaid upon refinance, transfer of ownership, or the end of the 30-year term
<p>9.3 Maximum Seller Contributions</p>	<p>6%</p>
<p>9.4 Closing in Trust</p>	<p>Permitted subject to Orion approval. See Orion Lending Trust Policy for requirements</p>

<p>9.5 Power of Attorney</p>	<p>Permitted for purchase transactions:</p> <ul style="list-style-type: none"> • Must be specific to the transaction; • Must include the borrower(s) name, property address and loan amount; • The POA must be fully executed and notarized; and • A letter of explanation required from the borrower to document the reason for using • Orion Lending to review and approve prior to loan closing
<p>9.6 Inducements to Purchase</p>	<p>Inducements to Purchase refer to certain expenses paid by the seller and/or another Interested Party on behalf of the Borrower and result in a dollar-for-dollar reduction to the purchase price when computing the Adjusted Value of the Property before applying the appropriate Loan-to-Value (LTV) percentage. These inducements include, but are not limited to:</p> <ul style="list-style-type: none"> • Contributions exceeding 6 percent of the purchase price • Contributions exceeding the origination fees, other closing costs, prepaid items, and discount points • Decorating allowances • Repair allowances • Excess rent credit • Moving costs • Paying off consumer debt • Personal Property • Sales commission on the Borrower’s present residence • Below-market rent, except for Borrowers who meet the Identity-of-Interest exception for Family Members <p>Below-market rent is an inducement to purchase when the sales contract terms, including a lease to purchase, allow the borrower to live in the property rent free or for a rental amount that is greater than 10% below the appraisers estimate of fair market rent. In such cases the inducement is the difference between the rent charged and the appraiser’s estimate of fair market rent prorated over the period between the execution of the sales contract and the property sale</p>

<p>9.7 Identity of Interest</p>	<p>The maximum loan-to-value (LTV) percentage for Identity-of-Interest transactions on principal residences, including transactions where a tenant-landlord relationship exists at the time of contract execution, is restricted to 85 percent. An Identity-of-Interest transaction is a sale between parties with an existing Business Relationship or between Family Members. The 85 percent maximum LTV restriction does not apply for Identity-of-Interest transactions under the following circumstances:</p> <ul style="list-style-type: none"> • Family Member Transactions <ul style="list-style-type: none"> ○ The principal residence of another family member; or ○ A property owned by another family member in which the borrower has been a tenant for at least 6 months immediately predating the sales contract. A lease or other written evidence to verify tenancy and occupancy is required • Builder’s Employee Purchase <ul style="list-style-type: none"> ○ An employee of a builder, who is not a family member purchases one of the builder’s new houses or models as a principal residence • Corporate Transfer <ul style="list-style-type: none"> ○ A corporation transfers an employee to another location, purchases the employee’s hours, and sells the house to another employee • Tenant Purchase <ul style="list-style-type: none"> ○ The current tenant purchases the property where the tenant has rented the property for at least 6 months immediately predating the sales contract. A lease or other written evidence to verify tenancy and occupancy is required
<p>9.8 Co-Signors</p>	<ul style="list-style-type: none"> • May not be, or have any affiliation with, the builder, the developer, the real estate agent, the mortgage broker or any other interested party to the transaction • Must be the legal age to bind a contract • Must be a relative, defined as the borrower’s spouse, child, or other dependents, or by any other individual who is related to the borrower by blood, marriage, adoption, or legal guardianship, a fiancé, or domestic partner • Do not have an ownership interest in the subject property as indicated on the title • Have joint liability for the note with the borrower • Must execute additional closing documents per state spousal matrix, if married
<p>9.9 Parties on Title</p>	<p>Individuals placed on title may be borrower(s) or title-only owners. All individuals placed on title must be listed as the buyer on the purchase contract</p>

<p>9.10 Escrow Holdbacks</p>	<p>Minimum required repairs are established by the FHA Roster Appraiser and/or Orion Lending. Orion Lending will accept escrow holdbacks on a case-by-case exception basis and MUST BE PRE-APPROVED. Exception requests for escrow holdbacks will be considered for weather related repairs only – that is repairs that cannot be completed prior to close due to inclement weather</p> <ul style="list-style-type: none"> • Allowed for exterior repairs and/or improvements, including landscaping, not completed prior to closing due to weather related delays • The total costs of repairs may not exceed \$5,000 or be less than \$500 prior to adding the required contingency. Exceptions may be considered. • The dollar amount of escrow holdback is a minimum of 150% (or 1.5 times) the cost of the improvement or repair must be held in escrow • All repairs must be completed within six (6) months of the Note date • Escrow Holdbacks are allowed only when the appraisal is completed “subject to” repairs or alterations • The property must meet FHA minimum property standards at closing • Contractor must provide an invoice with an estimate of work certifying that the work cannot be completed prior to disbursement (due to inclement weather conditions) • Note Energy Mortgages (EEM) are not allowed • The Appraiser must include a list of the required exterior repairs/improvements <p>Completion Date:</p> <p>Improvements or repairs must be completed within 30 days of the Note unless it is during inclement weather season. Inclement weather season is considered to be between the months of November through March - repairs/improvements must be completed by April 30th or 60 days from the Note, whichever is further out</p>
<p>9.11 Flood Insurance</p>	<p>If flood insurance is required for the life of the loan. Orion Lending will follow HUD guidelines and accept either Private Flood Insurance, or National Flood Insurance</p>
<p>9.12 FHA Resources</p>	<ul style="list-style-type: none"> • 4000.1 • FHA FAQ

Section 10 – Guideline Updates – Effective 05/25/2025

	Previous Guideline	Current Guideline
<u>3.11 Eligible Borrowers</u>	<ul style="list-style-type: none"> • U.S. Citizens • Permanent resident aliens • Nonpermanent resident aliens • Non-Occupant Borrower <ul style="list-style-type: none"> ○ See section 3.19 for additional requirements • First Time Homebuyer allowed, but not required • DACA 	<ul style="list-style-type: none"> • U.S. Citizens • Permanent resident aliens • Non-Occupant Borrower <ul style="list-style-type: none"> ○ See section 3.19 for additional requirements • First Time Homebuyer allowed, but not required
<u>3.12 Ineligible Borrowers</u>	New Section	<ul style="list-style-type: none"> • Effective for FHA Case Numbers assigned on or after May 25, 2025 <ul style="list-style-type: none"> ○ Non-permanent resident aliens