

Elite P&L (EPNL) Guidelines



WHOLESALE MORTGAGE BANKERS

Underwriting Method	<ul style="list-style-type: none"> • Manual Underwriting Only
Maximum Points and Fees	<ul style="list-style-type: none"> • 3% of the "Total Loan Amount" (as defined by 1026.32(b)(4) and calculated by the lender) or the maximum allowed under applicable state laws.
Higher Priced Mortgage Loan (HPML)	<ul style="list-style-type: none"> • HPML (Higher-Priced Mortgage Loan) is allowed with the following restrictions: <ul style="list-style-type: none"> ○ Tax and insurance need to be impounded ○ All appraisal-related documents must be delivered 3 days prior to the note date ○ 2nd appraisal report (paid by LO) required if borrower is purchasing a flipped home (per CFPB HPML flip rule)
High-Cost Mortgage	<ul style="list-style-type: none"> • HCM (High-Cost Mortgage) is not allowed
Minimum Loan Amount	<ul style="list-style-type: none"> • \$150,000
Eligible Loan Products	<ul style="list-style-type: none"> • 30 Year Fixed • 30 Year Fixed Interest-Only (10/20) – fully amortizing • 40 Year Fixed Interest-Only (10/30) – fully amortizing • 5/6 ARM • 5/6 ARM Interest-Only (10/20) – fully amortizing
ARM Info	<ul style="list-style-type: none"> • Index – 30-day average SOFR • Margin/Floor – refer to the daily rate sheet • Caps – refer to the daily rate sheet • Qualifying Rate – GREATER of the fully-indexed rate (index + margin) or the note rate
Interest-Only	<ul style="list-style-type: none"> • Interest-Only term – 10 years • P + I payment over the non-interest-only amortizing period will be used for DTI calculation
Temporary Buydown	<ul style="list-style-type: none"> • Temporary Buydown is allowed (except investment properties) under the following structures : <ul style="list-style-type: none"> ○ 3-2-1 ○ 2-1 ○ 1-0
Subordinate Financing	<ul style="list-style-type: none"> • Purchase loans with new subordinate financing are permitted • Existing subordinate financing can be re-subordinated on refinance • Subordinate financing must be institutional
Borrower Eligibility	<ul style="list-style-type: none"> • US Citizen • Permanent Resident Alien <ul style="list-style-type: none"> ○ 90 days must remain from the expiration date to the new note date ○ If less than 90 days remain, proof of automatic renewal must be provided (must fund before renewal expires) • Non-Permanent Resident Alien <ul style="list-style-type: none"> ○ For eligible VISA and EAD category – please refer to the eligibility matrix ○ 90 days must remain from the expiration date to the new note date ○ If less than 90 days remain, proof of automatic renewal must be provided (must fund before renewal expires) • Revocable Trust • Corporation – for investment property only • Limited Liability Company – for investment property only
Ineligible Borrower	<ul style="list-style-type: none"> • Non-occupant co-borrowers • Co-signers • Applicants possessing diplomatic immunity • Borrowers from OFAC sanctioned countries or on the OFAC list • Borrowers on HUD LDP list or GSA Excluded Party list or any other exclusionary list • Politically exposed borrowers
Non-Arm's Length Transaction	<ul style="list-style-type: none"> • Eligible with reasonable explanation – up to UW's discretion • Ineligible types of non-arm's length transactions include, but are not limited to: <ul style="list-style-type: none"> ○ Listing Agent representing borrower as the loan officer ○ Borrower acting as the loan officer

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Power of Attorney	<ul style="list-style-type: none"> Allowed per FNMA, except for Cash-Out transaction
Occupancy	<ul style="list-style-type: none"> Primary Residence Second Home Investment
Buying for Parent or Child	<ul style="list-style-type: none"> WMB will classify the loan as a second home (given that satisfactory supporting documents can be provided) for the following scenarios: <ul style="list-style-type: none"> Borrower buying a primary residence for a parent who is unable to work or does not have sufficient income to qualify Borrower buying for an adult child who is physically handicapped or developmentally disabled, and the child is unable to work or does not have sufficient income to qualify
Departing Residence	<ul style="list-style-type: none"> Eligible if the occupancy conversion is reasonable (i.e. moving to a bigger home) 75% occupancy ratio will be used to calculate rental income Proof of security deposit and 1st mo. rent receipt must be provided to use the rental income from the departing residence
Rate and Term Refinance	<ul style="list-style-type: none"> Cash-back to the borrower is limited to the lesser of \$2,000 or 2% of the new loan amount Combining 1st lien and non-purchase-money 2nd lien can be considered as rate and term if: <ul style="list-style-type: none"> Non-purchase-money 2nd lien is seasoned for 12 months prior to the loan application date; AND Total draws during the last 12 months prior to the loan application date does not exceed \$3,000 Borrower can be added to the title at closing Continuity of obligation is not required Refinancing a prior cash-out loan after 6 months can be considered as rate and term refinance
Cash-Out Refinance	<ul style="list-style-type: none"> 6-month title seasoning is required Borrower is eligible for cash-out refinance on property owned by LLC, Corp, or Partnership by at least 6 months if the borrower owns 50% of the LLC, Corp, or Partnership
Cash-Out Limit	<ul style="list-style-type: none"> Cash-out limit: <ul style="list-style-type: none"> LTV > 60%: \$750K max cash-out LTV ≤ 60%: Unlimited cash-out
Delayed Financing	<ul style="list-style-type: none"> Delayed financing is allowed per FNMA
Texas Refinance Section 50(a)(6)	<ul style="list-style-type: none"> Texas refinance loans that must close under Section 50(a)(6) are ineligible
Construction to Permanent	<ul style="list-style-type: none"> Eligible
Income	<ul style="list-style-type: none"> Borrower must have been self-employed in the same business/field for the last 2 years Borrower must have at least 25% or greater ownership interest Income document requirement: <ul style="list-style-type: none"> CPA-signed P&L with CPA letter CPA P&L and CPA letter can be prepared by CPA, EA, or CTEC (in CA only) P&L accounting period requirement: <ul style="list-style-type: none"> For application date between 1/1 to 3/31 – Full 1-year P&L from previous year For application date between 4/1 to 12/31 – Full 1-year P&L from previous year + YTD P&L CPA letter must contain the following information: <ul style="list-style-type: none"> CPA/EA/CTEC has prepared or reviewed borrower's personal (if Sch C) or business (if Corp or LLC) tax returns for the last 2 years Borrower's % ownership in the business Borrower's business address CPA/EA/CTEC's license number Maximum DTI <ul style="list-style-type: none"> 49.99%

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Income (cont.)	<ul style="list-style-type: none"> • 3rd party public listing (google, yelp, yellowpages, whitepages, mapquest, manta, etc.) showing business name, business address, and business phone # is required • 4506-T, W-2, paystubs, or tax returns are not required
Rental Income	<ul style="list-style-type: none"> • 75% occupancy ratio • If property is owned with a non-spouse, rental income up to borrower's % ownership can be used • Boarder income is not acceptable • For departing residence, provide proof of: <ul style="list-style-type: none"> ○ Security deposit receipt; AND ○ 1st month rent receipt • Short-term rental income can be used with 12-month rental history, which can be documented with: <ul style="list-style-type: none"> ○ 12 monthly statements or annual statement AND proof of current/active listing ○ Calculation = (12 months total gross rent receipt / 12 months) x 75% occupancy ratio
Verbal VOE	<ul style="list-style-type: none"> • Employment must be verified 120 days prior to the note date • Existence of business will be verified by phone listing (public listing) and third party (licensing bureau, regulatory agency, CPA, etc.)
Asset	<ul style="list-style-type: none"> • Asset seasoning requirement: <ul style="list-style-type: none"> ○ 1 month • Large Deposit: <ul style="list-style-type: none"> ○ 100% of the qualifying income • Depository Accounts (checking, savings, CDs, etc.): <ul style="list-style-type: none"> ○ 1 month bank statement; or ○ VOD (if current balance exceeds average balance by over 100% of the qualifying income, 1 month bank statement will also be required) • Investment Accounts (stocks, bonds, mutual funds, savings bonds, etc.): <ul style="list-style-type: none"> ○ 1 month statement ○ 100% can be used as reserves • Retirement Accounts (401K, IRA, etc.): <ul style="list-style-type: none"> ○ 1 month statement ○ 70% can be used as reserves if borrower is at least 59 ½ yrs old ○ 65% can be used as reserves if borrower is younger than 59 ½ yrs old • Business funds: <ul style="list-style-type: none"> ○ CPA letter must confirm borrower's % ownership, 100% access, and no negative impact on large withdrawal ○ If using business funds, deposits shown on the statement must be within 10% of the gross revenue level on P&L
Gift	<ul style="list-style-type: none"> • 100% gift fund (closing costs, down payment, and reserves) is allowed on all occupancies (primary, 2nd, and investment) • If gift funds are deposited directly into the escrow/closing agent: <ul style="list-style-type: none"> ○ Gift letter + escrow/closing agent receipt matching the gift letter/donor • If gift funds are deposited into borrower's checking/savings account: • Gift letter + Borrower's 1 month bank statement + transaction history showing gift funds received (if applicable)
Gift of Equity	<ul style="list-style-type: none"> • Allowed under the following conditions: <ul style="list-style-type: none"> ○ Seller must be related to the borrower by blood, marriage, adoption, or legal guardianship ○ Seller must provide 12-month mortgage rating to confirm transaction is not a bail-out • The new loan amount may not exceed seller's existing mortgage loan amount + closing costs
Proceeds from Sale of REO	<ul style="list-style-type: none"> • Final settlement statement and paper trail of net proceeds must be provided
Interested Party Contributions	<ul style="list-style-type: none"> • Primary & 2nd home: <ul style="list-style-type: none"> ○ 6% of the purchase price • Investment: <ul style="list-style-type: none"> ○ 4% of the purchase price • Interested party contribution may not exceed the total closing costs of the loan
Ineligible Assets	<ul style="list-style-type: none"> • Cash on hand • Bridge loan

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Ineligible Assets (cont.)	<ul style="list-style-type: none"> • Gifts requiring repayment • Advance on future earnings • Unsecured loan • Pledged asset • Pooled savings • Sweat equity 												
Reserve Requirement	<ul style="list-style-type: none"> • Primary & 2nd home: <table border="1"> <tr> <td>LTV ≤ 75% & Loan Amount ≤ \$1MM</td><td>None</td></tr> <tr> <td>LTV > 75% & Loan Amount ≤ \$1MM</td><td>4 months</td></tr> <tr> <td>Loan Amount > \$1MM</td><td>6 months</td></tr> </table> • Investment: <table border="1"> <tr> <td>Loan Amount ≤ \$1MM</td><td>3 months</td></tr> <tr> <td>\$1,000,001 - \$2,000,000</td><td>6 months</td></tr> <tr> <td>Loan Amount > \$2MM</td><td>9 months</td></tr> </table> • Cash out net proceeds can be used as reserves 	LTV ≤ 75% & Loan Amount ≤ \$1MM	None	LTV > 75% & Loan Amount ≤ \$1MM	4 months	Loan Amount > \$1MM	6 months	Loan Amount ≤ \$1MM	3 months	\$1,000,001 - \$2,000,000	6 months	Loan Amount > \$2MM	9 months
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\$1,000,001 - \$2,000,000	6 months												
Loan Amount > \$2MM	9 months												
Credit	<ul style="list-style-type: none"> • Tradeline requirement: <ul style="list-style-type: none"> ○ 3 x 12 month (open or closed) ○ Not required if 3 FICO scores report on the credit report • Authorized user account is not an acceptable tradeline • Minimum of 2 FICO scores must report on the credit report • Any frozen account must be unfrozen and re-pulled 												
Housing Payment History	<ul style="list-style-type: none"> • Private VOR or VOM is allowed (if the borrower is related to the landlord or the creditor, 12-month rating must be documented with 12-month bank statements or 12-month cancelled checks + most recent bank statement) • No mortgage late allowed within the last 12 months (0 x 30 x 12) • If borrower lives rent-free, rent-free letter must be provided (can only be from borrower's relative) 												
Derogatory Event Seasoning	<table border="1"> <tr> <td>Bankruptcy (Ch 7, 11, or 13)</td><td>4 years</td></tr> <tr> <td>Foreclosure</td><td>4 years</td></tr> <tr> <td>Short Sale or Deed-in-Lieu</td><td>2 years</td></tr> <tr> <td>Loan Modification</td><td>2 years</td></tr> <tr> <td>NOD/NOS</td><td>None if rescinded AND if 0 x 30 x 12</td></tr> </table>	Bankruptcy (Ch 7, 11, or 13)	4 years	Foreclosure	4 years	Short Sale or Deed-in-Lieu	2 years	Loan Modification	2 years	NOD/NOS	None if rescinded AND if 0 x 30 x 12		
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Derogatory Accounts	<ul style="list-style-type: none"> • Judgments, tax liens, charge-offs, and collections (excluding medical) must be paid in full at or before closing 												
Disputed Accounts	<table border="1"> <tr> <td>If borrower qualifies w/ the monthly obligation</td><td>No action required</td></tr> <tr> <td>If borrower does not qualify w/ the monthly obligation</td><td>Full account balance to be paid in full before closing</td></tr> <tr> <td>If the account does not belong to the borrower</td><td>Credit supplement showing dispute has been resolved and the account has been deleted</td></tr> </table>	If borrower qualifies w/ the monthly obligation	No action required	If borrower does not qualify w/ the monthly obligation	Full account balance to be paid in full before closing	If the account does not belong to the borrower	Credit supplement showing dispute has been resolved and the account has been deleted						
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Liabilities	<ul style="list-style-type: none"> • Installment account can be omitted if: <ul style="list-style-type: none"> ◦ 10 or fewer monthly payments remain • Lease account cannot be omitted • Co-signed loan can be omitted if: <ul style="list-style-type: none"> ◦ 6-month timely payment history by the primary obligor can be provided • Debt paid by 3rd party can be omitted if: <ul style="list-style-type: none"> ◦ 6-month timely payment history by the 3rd party can be provided • Debt assigned to another party by the court can be omitted if: <ul style="list-style-type: none"> ◦ Court order (such as divorce decree) can be provided showing the full assignment of debt to another party and the full release of borrower's liability • Student loan in deferment/forbearance reporting no monthly payment on credit report, use: <ul style="list-style-type: none"> ◦ 1.0% of the outstanding loan balance; or ◦ Fully amortizing payment using documented repayment terms (may be \$0 if income-driven plan shows \$0) • Revolving account with no monthly payment reporting on the credit report, use: <ul style="list-style-type: none"> ◦ Actual monthly payment required per most updated account statement; or ◦ 5% of the outstanding balance • 30-day open account: <ul style="list-style-type: none"> ◦ Full account balance must be paid at or before closing; or ◦ Additional reserve covering the full account balance must be verified 														
Payment Shock Requirement	<ul style="list-style-type: none"> • None 														
Eligible Property Types	<ul style="list-style-type: none"> • SFR • PUD • Condo • Townhouse • 2-4 Units 														
Project Review	<ul style="list-style-type: none"> • Limited project review required if: <ul style="list-style-type: none"> ◦ Existing (1 year or older) attached condo • Full project review required if: <ul style="list-style-type: none"> ◦ New (less than 1 year) attached condo; or ◦ Non-warrantable condo • Detached condo or PUDs do not require project review 														
Non-Warrantable Condo	<ul style="list-style-type: none"> • Acceptable non-warrantable condo project characteristic include (only 1 characteristic is allowed per file): <table> <tr> <th>Characteristics</th><th>Requirements</th></tr> <tr> <td>Single Entity Ownership</td><td> <ul style="list-style-type: none"> • Up to 30% single-entity ownership if the project has 10+ units • Max. 2 units owned by a single-entity if the project has 5-10 units </td></tr> <tr> <td>Pre-Sale</td><td> <ul style="list-style-type: none"> • 45% of the total units in the project or the subject legal phase must have been conveyed or be under contract for sale </td></tr> <tr> <td>Occupancy</td><td> <ul style="list-style-type: none"> • 80% max investor concentration </td></tr> <tr> <td>Commercial Space</td><td> <ul style="list-style-type: none"> • Commercial space up to 50% </td></tr> <tr> <td>Pending Litigation</td><td> <ul style="list-style-type: none"> • Projects involved in litigation are acceptable provided the lawsuit(s) are not structural in nature which impact the subject unit and do not affect the marketability of the project units and potential damages do not exceed 25% of HOA reserves or documentation from the insurance carrier or attorney representing the insurance carrier that the insurance carrier has agreed to conduct defense and the HOA insurance policy is sufficient to cover the litigation expense. </td></tr> <tr> <td>HOA Budget/Reserve</td><td> <ul style="list-style-type: none"> • ≥ 5% allocation of replacement reserves required </td></tr> </table>	Characteristics	Requirements	Single Entity Ownership	<ul style="list-style-type: none"> • Up to 30% single-entity ownership if the project has 10+ units • Max. 2 units owned by a single-entity if the project has 5-10 units 	Pre-Sale	<ul style="list-style-type: none"> • 45% of the total units in the project or the subject legal phase must have been conveyed or be under contract for sale 	Occupancy	<ul style="list-style-type: none"> • 80% max investor concentration 	Commercial Space	<ul style="list-style-type: none"> • Commercial space up to 50% 	Pending Litigation	<ul style="list-style-type: none"> • Projects involved in litigation are acceptable provided the lawsuit(s) are not structural in nature which impact the subject unit and do not affect the marketability of the project units and potential damages do not exceed 25% of HOA reserves or documentation from the insurance carrier or attorney representing the insurance carrier that the insurance carrier has agreed to conduct defense and the HOA insurance policy is sufficient to cover the litigation expense. 	HOA Budget/Reserve	<ul style="list-style-type: none"> • ≥ 5% allocation of replacement reserves required
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Non-Warrantable Condo (cont.)	HOA Dues – % Delinquency	<ul style="list-style-type: none"> Up to 20% of the units can be > 60 days delinquent
	Condo Conversion	<ul style="list-style-type: none"> Condo conversion full gut – allowed via full project review Condo conversion non- or partial- gut – must be PERs approved
	Condotels	<ul style="list-style-type: none"> Allowed on a case-by-case basis
	<ul style="list-style-type: none"> Non-warrantable condo project requires full project review Non-arm's length transaction is not allowed on non-warrantable condo project 	
Maximum Acreage	<ul style="list-style-type: none"> 20 acres 	
Zoning	<ul style="list-style-type: none"> Zoning must be legally permissible If zoning is grand-fathered use or legal non-conforming: <ul style="list-style-type: none"> Rebuild letter or article from subject city's building authority confirming property can be rebuilt must be provided 	
Accessory Dwelling Unit (ADU)	<ul style="list-style-type: none"> 1 ADU on a SFR or 2 unit is eligible if: <ul style="list-style-type: none"> Appraisal report demonstrates the improvement is typical and marketable for the area by providing at least 1 comparable sale with an ADU Legal description and property tax assessment is showing the property type as SFR or 2 unit without counting the ADU Separate rental income from the ADU is not counted toward borrower's qualifying income 	
Unpermitted Addition	<ul style="list-style-type: none"> Allowed if: <ul style="list-style-type: none"> No value is given Appraiser comments that the addition has no health/safety issue, was built in a workman-like manner, and has no negative impact to the marketability 	
Solar Panel	<ul style="list-style-type: none"> If solar panel is purchased free and clear: <ul style="list-style-type: none"> Appraiser can give value for the solar panel No other action is required If solar panel is purchased through financing: <ul style="list-style-type: none"> Original financing agreement must be provided For purchase transaction, fully executed financing transfer agreement must be provided Remaining principal balance on the solar financing will be counted toward CLTV of the subject loan Monthly payment amount must be counted toward borrower's liabilities If solar lien is in senior position to the subject loan, the solar lien must be temporarily deleted/removed through UCC-3 or must be subordinated to the subject loan Appraiser may or may not give value for the solar panel If solar panel is leased: <ul style="list-style-type: none"> Original financing agreement must be provided For purchase transaction, fully executed financing transfer agreement must be provided Monthly payment amount must be counted toward borrower's liabilities Solar lien does not need to be deleted/removed or subordinated Appraiser cannot give value for the solar panel If solar panel is leased with a power-purchase agreement: <ul style="list-style-type: none"> Original power-purchase agreement must be provided For purchase transaction, fully executed power-purchase transfer agreement must be provided Monthly payment amount does not need to be counted toward borrower's liabilities Solar lien does not need to be deleted/removed or subordinated Appraiser cannot give value for the solar panel 	
Ineligible Property Types	<ul style="list-style-type: none"> Co-op Manufactured home / Mobile home Mixed use Boarding home Florida condo 	

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Eligible Ownership Types	<ul style="list-style-type: none"> • Fee Simple • Leasehold (meeting agency guidelines)
Max. # of Financed Properties	<ul style="list-style-type: none"> • Primary & 2nd home <ul style="list-style-type: none"> ○ Unlimited • Investment <ul style="list-style-type: none"> ○ 10 financed properties including subject
Max. Loan to One Borrower	<ul style="list-style-type: none"> • WMB will finance up to 10 properties or up to \$5,000,000 in unpaid principal balance, whichever is more restrictive
Property Flip	<ul style="list-style-type: none"> • Seller must provide satisfactory explanation and/or appropriate document supporting the value increase • Non-arm's length transaction is ineligible
Appraisal Requirements	<ul style="list-style-type: none"> • 1 appraisal required for loan amount < \$1,000,000 (desk review is also required unless both UCDP scores are ≤ 2.5) • 1 appraisal and desk review required for loan amount \$1,000,000 - \$1,999,999 • 2 appraisals required for loan amount ≥ \$2,000,000
Transferred Appraisal	<ul style="list-style-type: none"> • Transferred appraisal with the following conditions: <ul style="list-style-type: none"> ○ Desk review is required • Original appraisal must address all revision or comment requests
Desk Review	<ul style="list-style-type: none"> • Desk review is required if: <ul style="list-style-type: none"> ○ Fannie or Freddie UCDP score is > 2.5 ○ Transferred appraisal ○ Loan amount is \$1,000,000 - \$1,999,999 • Desk review order process: <ul style="list-style-type: none"> ○ Upon receipt of satisfactory/finalized appraisal report, WMB will create a desk review order through a 3rd party vendor ○ Desk review payment link will be sent to borrower's email ○ Upon completion of borrower's payment, desk review order will be assigned to a 3rd party reviewer ○ Upon completion of desk review, WMB will review the desk review and notify the loan officer if additional action is necessary • If the variation from the desk review is equal to or greater than -10%: <ul style="list-style-type: none"> ○ Field review must be ordered through WMB's approved AMC • Final valuation will be the lowest value appraised from the appraisal report, the desk review, and the field review
Value Seasoning (Cash-Out)	<ul style="list-style-type: none"> • For cash-out transaction, if subject was purchased less than 12 mo. ago, use lower of the: <ul style="list-style-type: none"> ○ Original purchase price + improvement cost (must be documented); or ○ Appraised value • For rate and term transaction, use the new appraised value
Flood Insurance	<ul style="list-style-type: none"> • Flood cert or equivalent must be delivered and acknowledged by the borrower 10 days prior to the note date • Flood insurance is required with coverage equal to \$250,000 (or the loan amount if loan amount is less than \$250,000) • Flood insurance premium must be paid in full prior to closing • Flood insurance must be impounded
Age of Documentation	<ul style="list-style-type: none"> • Credit documents: 90 days • Asset documents: 90 days • Income documents: 90 days <ul style="list-style-type: none"> ○ VOE must be dated no earlier than 45 calendar days from the application date • Appraisal documents: 120 days (can be extended for additional 60 days if 1004D is ordered prior to the 120-day expiration date) • Title documents: 90 days • CPL: 30 days
Escrow Waiver	<ul style="list-style-type: none"> • Except HPML loans, property tax and insurance escrow/impounds can be waived • Individual state laws may supersede the above requirement
Prepayment Penalty	<ul style="list-style-type: none"> • Investment property only • 4% flat structure (can be bought down, up, or out)

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Listed for Sale

- Rate and term – 6 months seasoning required
- Cash out – 12 months seasoning required