

Prime DSCR (PDV)					
Debt Service Coverage Ratio / No Ratio					
DSCR	Min FICO	Max Loan Amount	Max LTV / CLTV		
			Purchase	Rate&Term	Cash-Out
>= 1.00	700	1,500,000	80	75	75
		2,000,000	75	70	70
		3,000,000	70	65	65
		3,500,000	70	65	N/A
	660	1,000,000	75	75	70
		1,500,000	75	70	70
		2,500,000	70	65	65
		3,000,000	65	N/A	N/A
	640	1,000,000	75	70	N/A
		1,500,000	65	65	N/A
		2,000,000	65	N/A	N/A
		3,000,000	60	N/A	N/A
DSCR	Min FICO	Max Loan Amount	Max LTV / CLTV		
			Purchase	Rate&Term	Cash-Out
< 1.00	700	1,500,000	75	70	70
		2,000,000	70	65	65
		2,500,000	65	N/A	N/A
		3,000,000	60	N/A	N/A
	680	1,500,000	70	65	N/A
		2,000,000	65	60	N/A
		3,000,000	60	N/A	N/A
	660	1,000,000	65	N/A	N/A
		Restrictions			
	Feature			Purchase	Rate&Term
2-4 Units / Condo			75		70
Housing History 0x60x12			70		65
Credit Event Seasoning >= 24 Mo			75		70
Unleased Properties - Long Term Rental			80		70
Unleased Properties - Short Term Rental			N/A		N/A
Declining Market (Max Loan Amount \$2,000,000)			75		70
First Time Investor Min FICO 680 required					
General Requirements					
Product Type	♦ 30-Yr Fixed ♦ 5/6 ARM		Loan Amounts	♦ Min. \$250,000 ♦ Max. \$3,500,000	
Occupancy	♦ Investment		Loan Purpose	♦ Purchase ♦ Rate/Term ♦ Cash Out	
Cash-In-Hand	♦ LTV >= 65%: \$500,000 ♦ LTV < 65%: \$1,000,000 ♦ Total equity withdrawn cannot exceed these limits (Not applicable to Delayed Financing transactions)				
Property Type	♦ Single Family: Attached, Detached ♦ 2-4 Units and Condominiums: Max LTV/CLTV Purchase 75%, Refinance 70% ♦ Rural: Not Eligible State Condominium Requirements: California: An inspection is required for projects with wood deck, balcony, stairway, walkway, or railing elevated more than 6 feet above the ground as evidenced on the condo questionnaire. Projects with an unacceptable or no inspection are ineligible.				
Acreage	♦ Property up to 5-acres, not meeting the rural definition, eligible				
Appraisals	♦ FNMA Form 1004, 1025, 1073 with interior/exterior inspection. ♦ Appraisal review product required unless 2nd appraisal obtained. ♦ 2nd Appraisal required for loans > \$2,000,000.				
Declining Market	♦ If the appraisal report identifies the property in a declining market, max LTV/CLTV is limited to 75% for purchase and 70% for rate/term and cash-out transactions and the maximum loan amount is limited to \$2.0MM.				
Unleased Properties	♦ All long-term rental refinances: A vacant or unleased property is allowed subject to max LTV of 70%. Not applicable for short-term rentals, see short-term rental income section for specific criteria.				

Underwriting Requirements

Investor Experience	<ul style="list-style-type: none"> ♦ Experienced Investor: Borrower/guarantor must have a history of owning and managing commercial or non-owner occupied residential real estate for at least 1 year in last 3 years. ♦ First Time Investor: A borrower/guarantor that is purchasing an investment property for the first time, meaning they have not previously owned a property intended for rental income, resale, or other investment purposes. <u>First time investors eligible subject to the following restrictions:</u> <ul style="list-style-type: none"> - Min credit score: 700 - DSCR > 1.00 - >= 36 Mo from any credit event - Must own a primary residence - 1 Unit only ♦ First Time Homebuyer: Not eligible
Credit Score	♦ Use representative credit score of the borrower/guarantor with the highest representative score.
Tradelines	<ul style="list-style-type: none"> ♦ Min 2 reporting 24-months w/activity in last 12- months or ♦ 3 reporting 12-months w/recent activity. ♦ If borrower/guarantor has three (3) credit scores, the minimum tradeline requirement is waived ♦ Authorized User Account not allowed
Reserves	<ul style="list-style-type: none"> ♦ Loan Amount <= \$1.5M: 2-months of PITIA ♦ Loan Amount > \$1.5M: 9-months of PITIA ♦ Loan Amount > \$2.5M: 12-months of PITIA ♦ Escrow Waiver: 12-months of PITIA ♦ Cash out may be used to satisfy requirement
Document Age	♦ 120-days
Assets	♦ Min of 30-days asset verification required
Gift Funds	♦ Allowed after min 10% borrower contribution
Housing History	♦ 1x30x12
Credit Event Seasoning	<ul style="list-style-type: none"> ♦ BK/FC/SS/DIL >= 24 Mo: - Purchase Max. 75% LTV/CLTV - Refinances Max. 70% LTV/CLTV
Prepayment Penalty – Investment Only	<ul style="list-style-type: none"> ♦ Prepayment periods up to 3-Years eligible ♦ 5% fixed on remaining loan balance
Escrows	♦ Escrow waiver allowed with minimum FICO 720 & 12 months of reserve

Long-Term Rental Documentation and DSCR Calculation

Purchase Transactions	<ul style="list-style-type: none"> ♦ Monthly Gross Rents are the monthly rents established on FNMA Form 1007 or 1025 reflecting long term market rents. ♦ If the subject property is currently tenant occupied, the 1007 or 1025 must reflect the current monthly rent. Monthly gross rent is to be evaluated for each unit individually. <ul style="list-style-type: none"> - If using the lower of the actual lease amount or estimated market rent, nothing further is required. - If using a higher actual lease amount, evidence of 2-months of receipt is required, and the lease amount must be within 120% of the estimated market rent from the 1007/1025. If the actual rent exceeds the estimated market rent by more than 120%, the rents are capped at 120%. - If using a higher estimated market rent from 1007/1025, it must be within 120% of the lease amount. If the estimated market rent exceeds the lease amount by more than 120%, the estimated market rent is capped at 120%. ♦ A vacant or unleased property is allowed without LTV restriction. ♦ Unit subject to rent control or housing subsidy must utilize current contractual rent to calculate DSCR.
Refinance Transactions	<ul style="list-style-type: none"> ♦ Required documentation: <ul style="list-style-type: none"> - Original appraisal report reflecting tenant-occupied, and - FNMA Form 1007 or 1025 reflecting long-term market rents, and - Executed lease agreement <ul style="list-style-type: none"> - Leases that have converted to month-to-month are allowed. - If lease agreement is not provided, LTV/CLTV is limited to lesser of 70%, or per DSCR/FICO/Loan balance matrix. ♦ A vacant property as indicated on the appraisal is allowed subject to the following: <ul style="list-style-type: none"> - LTV/CLTV limits: Lesser of 70%, or the LTV/CLTV based upon the DSCR/FICO/Loan balance matrix ♦ Monthly Gross Rents are determined by using the actual lease amount or estimated market rent from 1007/1025. Monthly gross rent is to be evaluated for each unit individually. <ul style="list-style-type: none"> - If using the lower of the actual lease amount or estimated market rent, nothing further is required. - If using a higher actual lease amount, evidence of 2-months of receipt is required, and the lease amount must be within 120% of the estimated market rent from the 1007/1025. If the actual rent exceeds the estimated market rent by more than 120%, the rents are capped at 120%. - If using a higher estimated market rent from 1007/1025, it must be within 120% of the lease amount. If the estimated market rent exceeds the lease amount by more than 120%, the estimated market rent is capped at 120%. ♦ Unit subject to rent control or housing subsidy must utilize current contractual rent to calculate DSCR.
DSCR Calculation	<ul style="list-style-type: none"> ♦ Debt Service Coverage Ratio is the Monthly Gross Rents divided by the PITIA of the subject property. ♦ Gross rents divided by PITIA = DSCR

Short-Term Rental Documentation and DSCR Calculation

Definition & Example	<ul style="list-style-type: none"> ♦ Short-term rentals are properties which are leased on a nightly, weekly, monthly, or seasonal basis. ♦ e.g., Airbnb, VRBO, FlipKey
Purchase & Refinance	<ul style="list-style-type: none"> ♦ LTV/CLTV is lesser of <ul style="list-style-type: none"> - 75% for a purchase and 70% for a refinance, or - the LTV based upon the DSCR/FICO/Loan balance. (Excludes Condo Hotel)
DSCR Calculation	<ul style="list-style-type: none"> ♦ Monthly gross rents based upon a 12-month average to account for seasonality required. ♦ Gross rents reduced by 20% to reflect extraordinary costs (i.e., advertising, furnishings, cleaning) associated with operating short-term rental property compared to non-short term property. If the rental documentation referenced below includes expenses, actual expenses should be compared to the 20% expense factor. If actual expenses are less than 20%, a minimum 20% expense factor is required to be utilized. If actual expense exceeds 20%, the actual expense factor should be used. ♦ $(\text{Gross Rents} \times .80) \text{ divided by PITIA} = \text{DSCR}$. ♦ When short-term rental income is documented using multiple sources, the lowest source of monthly income is to be utilized for calculating DSCR.
Gross Monthly Rental	<p>Any of the following methods may be used to determine gross monthly rental income:</p> <ul style="list-style-type: none"> ♦ Short-term rental (STR) analysis form or 1007/1025 may be used. The analysis must include the following: <ul style="list-style-type: none"> - Provide the source of the data used to complete the STR analysis. - Include comparable STR properties, focusing on room count, gross living area (GLA), location, and market appeal. - Include daily rental rate and occupancy percentage. - Factor seasonality and vacancy into the analysis. - Must be completed by a licensed appraiser. ♦ A 1007 or 1025 Comparable Rent Schedule survey prepared by the appraiser reflecting long-term or short-term market rents. <ul style="list-style-type: none"> - If long-term rent is utilized, 20% expense factor is not to be applied. ♦ An alternative market rent analysis similar to FNMA Form 1007/1025 is allowed, subject to the following: <ul style="list-style-type: none"> - Analysis must be completed pursuant to the lender's appraisal management process. - Must be completed by a licensed appraiser. - Must include daily rental rate and occupancy percentage. ♦ The most recent 12-month rental history statement from the 3rd party rental/management service. <ul style="list-style-type: none"> - The statement must identify the subject property/unit, rents collected for the previous 12-months, and all vendor management fees. The qualifying income must be net of all vendor or management fees. ♦ The most recent 12-month bank statements from the borrower/guarantor evidencing short-term rental deposits. Borrower/guarantor must provide rental records for the subject property to support monthly deposits. ♦ AIRDNA Rentalizer/Property Earning Potential Report accessed using the Explore Short-Term Rental data must meet the following: <ul style="list-style-type: none"> - Rentalizer (Property Earning Potential Report) <ul style="list-style-type: none"> - Only allowed for purchase transaction - Gross rents equal the revenue projection from the Property Earning Potential Report less the 20% extraordinary expense factor - Forecast period must cover 12-months and dated 90-days within the Note date - Maximum occupancy limited to 2 individuals per bedroom - Must have three (3) comparable properties similar in size, room count, amenities, availability, and occupancy - Market score must be 60 or greater as reflected on the Property Earning Potential Report.

Flexible DSCR (FDN)

Debt Service Coverage Ratio / No Ratio

DSCR	Min. FICO	Max. Loan Amount	Max LTV / CLTV		
			Purchase	Rate&Term	Cash-Out
>= 1.00	720	1,000,000	80	80	75
		1,500,000	80	75	70
		2,000,000	75	75	60
		3,000,000	70	70	60
	700	1,500,000	75	75	70
		3,000,000	70	70	60
	680	1,500,000	75	75	70
		2,500,000	70	70	60
	660	1,000,000	70	70	65
		1,500,000	65	65	60
		2,000,000	60	60	55
	640	1,000,000	65	65	60
		1,500,000	60	60	55
		2,000,000	55	55	50
0.75 - 0.99	740	1,500,000	75	75	70
		2,000,000	75	75	60
	700	1,000,000	75	75	70
		1,500,000	70	70	65
	680	2,000,000	65	65	N/A
		1,000,000	65	65	60
No Ratio	740	1,000,000	75	75	65
		1,500,000	70	70	60
	720	1,000,000	70	70	60
		1,500,000	65	65	60
	700	1,500,000	65	65	60
		1,000,000	65	65	60

Restrictions

Feature		Note	Max LTV / CLTV		
			Purchase	Rate&Term	Cash-Out
Property Type	Condo	FICO < 720	75	75	70
	3-4 Units	DSCR >= 1	75	75	75
		DSCR < 1	70	70	70
	Rural Properties <= 2 acres	Min DSCR >= 1	65	65	65
BK/FC/SS/DIL/Mod Seasoning		>= 24 Mo	75	70	70
Housing History 1x30x12		Min DSCR >=0.75	5% LTV reduction		
Cash out refinances on properties acquired in the past 12 months require a min DSCR of 0.75					
2-1 Temporary Buydown (Purchase / 30YR Fixed Only): Min DSCR >= 0.75 & Min FICO 680					
Declining Markets - Requires a 5% LTV/CLTV reduction when > 65% LTV/CLTV					

Income Requirements

General Requirements	General Requirements: <ul style="list-style-type: none"> ♦ All refinance transactions require the property to be leased. Vacant property not eligible with the exceptions of properties leased through short term rental agencies or on certain Delayed Financing loans.
Short Term Rentals	<ul style="list-style-type: none"> ♦ Defined as properties leased on a nightly, weekly, monthly, or seasonal basis. ♦ ALL STRs require evidence from third party vendor validating that the governing municipality where the subject STR is located allows properties to be rented as STRs ♦ Min DSCR >= 1.15 ♦ Not permitted for No Ratio. ♦ Max LTV: Lesser of 75% or the LTV/CLTV available per the matrix.
Short Term Gross Rental Income	<ul style="list-style-type: none"> ♦ One of the following options depending upon the transaction: <ul style="list-style-type: none"> - 1007/1025 or - Alternative Short Term Rent Analysis form developed by an AMC or - 12-month look back on rents received using bank statements or 3rd party rental statements - When using the 1007/1025 or alternative Short Term Rent Analysis, the market rents must account for the seasonality of the subject property's rents.
Long Term Gross Rental Income	<ul style="list-style-type: none"> ♦ If using the lesser of market rents or the lease, nothing further is required. ♦ If using a higher lease amount, evidence of 2-months of receipt is required, and the lease must be within 120% of the market rents. If the actual rent exceeds 120% of the market rents, the rents are capped at 120%. ♦ If using a higher estimated market rent from the 1007/1025, it must be within 120% of the lease amount. If the estimated market rent exceeds the lease by more than 120%, the estimated market rent is capped at 120%.
DSCR Ratio Calculation	<ul style="list-style-type: none"> ♦ DSCR Ratio = Short or Long Term Gross Rental Income / PITIA Fully Amortizing

General Requirements			
Product Type	♦ 30-Yr Fixed	Occupancy	♦ Investment
Loan Amounts	♦ Min. \$250,000 ♦ Max. \$3,000,000	Loan Purpose	♦ Purchase ♦ Rate/Term ♦ Cash Out
Borrower Eligibility	♦ US Citizens ♦ Permanent Resident Alien ♦ Non-Permanent Resident Alien	Ineligible Borrower	♦ ITINs ♦ Foreign Nationals
2-1 Temporary Buydown	♦ Purchase Only ♦ Minimum Credit Score 680 ♦ Minimum DSCR >= 0.75 ♦ 30 Year Fixed Only ♦ Qualify using Note Rate ♦ Seller / Builder / Lender / 3rd Party funded buydowns only		
Cash-Out	♦ LTV/CLTV > 60% = \$1,000,000 or when DSCR is >=0.75 unlimited cash out permitted with 18 months reserves exclusive of cash back ♦ LTV/CLTV <=60% = Unlimited ♦ NOTE: that cash-in-hand limits do not apply to Delayed Financing Transactions ♦ Cash out refinances on properties acquired in the past 12 months require DSCR of .75		
Appraisals	♦ FNMA Form 1004, 1025, 1073 with interior/exterior inspection. ♦ 2nd Appraisal required for loans > \$2,000,000 on loans with a DSCR >= 0.75 ♦ No Ratio loans with loan amounts > \$1,500,000 require 2 appraisals ♦ Appraisal Review Product to be ordered on all loans with an SSR over 2.5, with the exception of those with a full second appraisal.		
Property Type	♦ Single Family, Attached, 2-4 Units, Warrantable Condo, and Non-Warrantable Condo. ♦ C4 condition rating or better. ♦ Rural Properties – see below.		
Property Type Restrictions	♦ 3-4 Units - Refinance Max LTV/CLTV: - DSCR >= 1.00 DSCR: 75% - DSCR < 1.00 DSCR: 70% ♦ Condos Max LTV/CLTV: - FICO >= 720: Purchase/R&T: 80% / Cash Out: 75% - FICO < 720: Purchase/R&T: 75% / Cash Out: 70%		
Declining Market	As identified by the appraiser, require a 5% LTV/CLTV reduction off the above matrix when > 65% LTV/CLTV		
Rural Property (Vacation Areas Only)	♦ Property up to 2-acres, not meeting the rural definition, eligible with the following restrictions - Rural properties located in a resort area will be considered as follows: - Maximum LTV of 65% and - Min DSCR >= 1.00. ♦ Examples of acceptable resort areas include beach towns, ski resort areas, golf communities or communities with other major recreational activities. ♦ If property is accessible by a gravel road and distance of comparables is > 1 mile away, the property could be considered rural even if it is marked suburban, and then Max LTV is the lesser of 65% LTV or the applicable Matrix LTV. ♦ Properties must be accessible by roads that meet state/local minimum standards. Properties must be suitable for year-round occupancy regardless of location		

Underwriting Requirements			
Investor Experience	♦ Not required	First Time Homebuyer FTHB	♦ Allowed
Gift Funds	♦ Allowed after min 10% borrower contribution. ♦ Cannot be used to meet reserve requirements	Interested Party Contributions	♦ ALL = 6%
Document Age	♦ Credit - 120 days ♦ Assets - 90 days	Prepayment Penalty – Investment Only	♦ Required ♦ 5% fixed on 80% of remaining loan balance
Assets	♦ 30-day asset verification required	Credit Score	♦ Lowest Middle score of all borrowers.
General	♦ Cash out refinances on properties acquired in the past 12 months require a min DSCR of 0.75 ♦ Minimum DSCR 0.75 unless qualifying using the No Ratio guides. ♦ Short Term Rentals min DSCR >= 1.15		
Tradelines when DSCR >= 0.75	♦ All borrowers have 3 scores: OR ♦ Min: 2 open and reporting 24-months; OR ♦ 3 open and reporting 12-months; OR ♦ 24-months mortgage rating reporting on credit. ♦ Authorized User Account not allowed		
Tradelines – No Ratio	♦ Each borrower must have a minimum of two trades within 24 months that show a 12-month history OR a combined credit profile between both borrowers with a minimum of three tradelines. ♦ Tradeline activity is not required. ♦ Eligible trades cannot have delinquency in the past 24 months. ♦ Current housing not reporting on credit may count as a trade if cancelled checks/debits are provided. ♦ Authorized User Account not allowed		
Housing History	♦ 0x30x12 – No reduction ♦ 1x30x12: 5% LTV/CLTV reduction ♦ Past due balloon will be considered a delinquency (1x30) not a housing event, only if within 180 days of maturity. ♦ 1x30x12 not permitted on No Ratio		
Credit Event Seasoning	♦ BK/FC/SS/DIL/Mod: >=36 Mo – No reduction >=24 Mo – Max 75% LTV Purchase & Max 70% LTV Rate/Term & Cash-out ♦ Discharged Ch 13, use filing date; min 1yr discharged. ♦ Dismissed Ch 13, use dismissal date. No Ratio: ♦ Requires 3+ years from a housing event. ♦ Multiple BKs not permitted. ♦ Chapter 13s must be discharged or dismissed 24+ months.		
Reserves	♦ Loan Amount <= \$500,000: 3 months of PITIA ♦ Loan Amount \$500,001 - \$2,000,000: 6 months of PITIA ♦ Loan Amount > \$2,000,000: 12 months of PITIA ♦ 2-4 Units at 80% LTV requires greater of 6 months or reserves indicated above. ♦ Cash out may be used to satisfy requirement		
Exceptions	♦ Min 2 compensating factors required for exception: <ul style="list-style-type: none"> - DSCR Ratio 1.15% or greater - Significant Reserves (beyond requirements) - Lengthy & deep credit history with solid performance - Demonstrated capacity to carry a heavy debt load with on time performance - FICO well above related Program minimum with solid performance - LTV well below related Program Max w/ CDA value w/in 5% and C3 condition - Long, Clean Mortgage History - Significant time in the same job 		