MK LENDING CORP.
MORTGAGE BANKER

Selling Guide

Non-QM Program

1Yr Income Prime / Alt Doc Prime / P&L Prime
1Yr Income Credit / Alt Doc Credit / P&L Credit
DSCR / DSCR Multi

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Contents

1 MK Lending Program Overview | Summary and Features

Please see MK Lending Program Matrices for the full eligibility guidelines. The information below is a representative summary of the different MK Lending programs.

1.1 Eligible Products

The following loan products are eligible for purchase by MK Lending:

Product	Qualifying Rate*	Term	IO Term	Amort. Term	Index	Caps
5/6 ARM	Higher of Fully Indexed or Note Rate	360		360	30 Day SOFR	2/1/5
5/6 ARM IO	Higher of Fully Indexed or Note Rate	360	120	240	30 Day SOFR	2/1/5
5/6 ARM IO	Higher of Fully Indexed or Note Rate	480	120	360	30 Day SOFR	2/1/5
7/6 ARM	Higher of Fully Indexed or Note Rate	360		360	30 Day SOFR	5/1/5
7/6 ARM IO	Higher of Fully Indexed or Note Rate	360	120	240	30 Day SOFR	5/1/5
7/6 ARM IO	Higher of Fully Indexed or Note Rate	480	120	360	30 Day SOFR	5/1/5
30 Yr. Fix	Note Rate	360		360		
30 Yr. Fix IO	Note Rate	360	120	240		
40 Year Fix	Note Rate	480		480		
40 Year Fix IO	Note Rate	480	120	360		

**DSCR documentation type is selected, all ARM products may use the note rate for qualifying.*

1.2 State and CBSA-Specific Eligibility Restrictions

See the MK Lending Loan Eligibility Matrix for state and CBSA-specific eligibility restrictions for all programs.

1.3 Qualifying Payment

The qualifying payment is based upon the principal and interest payment along with the annual real estate taxes, property insurance, any other insurance, and any association dues.

The qualifying payment is based on the amortization term. For interest-only loans, using standard or Alt documentation, this is the remaining term after expiration of the interest-only period. Single asset DSCR loans secured by 1-4 unit properties can be qualified using the interest only payment (ITIA).

1.4 Interest-Only Restrictions

	Prime (1Yr, Alt, P&L)	Credit (1Yr, Alt, P&L)	DSCR (1-4 Residential)	DSCR (Foreign National)	DSCR Multi (5-8 Residential)
Min Credit Score	660	660	660	Eligible No Restriction	660
Max LTV/CLTV	90%	85%	80%		75%

1.5 Loan Amounts

	Prime (1Yr, Alt, P&L)	Credit (1Yr, Alt, P&L)	DSCR (1-4 Residential)	DSCR (Foreign National)	DSCR Multi (5-8 Residential)
Minimum	$150,000	$150,000	$100,000	$150,000	$400,000
Maximum	$2,500,000	$2,500,000	$2,500,000	$1,500,000	$2,000,000

1.6 Minimum Credit Score

	Prime (1Yr, Alt, P&L)	Credit (1Yr, Alt, P&L)	DSCR (1-4 Residential)	DSCR (Foreign National)	DSCR Multi (5-8 Residential)
Min Credit Score	660	600	620	680 US Credit or Foreign Credit	660

1.7 Solar Panel Requirements

1.7.1 Properties with Solar Panels

The ownership and debt financing structures commonly found with solar panels are key to determining whether the panels are third-party owned, personal property of the homeowner, or a fixture to the real estate. Common ownership or financing structures include:

- borrower-owned panels,
- leasing agreements,
- separately financed solar panels (where the panels serve as collateral for debt distinct from any existing mortgage); or
- power purchase agreements

Property with solar panels is eligible for purchase. If the borrower is, or will be, the owner of the solar panels (meaning the panels were a cash purchase, were included in the home purchase price, were otherwise financed and repaid in full, or are secured by the existing first mortgage), our standard requirements apply (for example, appraisal, insurance, and title).

Properties with solar panels and other energy efficient items financed with a PACE loan are not eligible if the PACE loan is not paid in full prior to or at closing.

Lenders are responsible for determining the ownership and any financing structure of the subject property's solar panels in order to properly underwrite the loan and maintain first lien position of the mortgage. When financing is involved, lenders may be able to make this determination by evaluating the borrower's credit report for solar-related debt and by asking the borrower for a copy of all related documentation for the loan. The lender must also review the title report to determine if the related debt is reflected in the land records associated with the subject property. If insufficient documentation is available and the ownership status of the panels is unclear, no value for the panels may be attributed to the property value on the appraisal unless the lender obtains a UCC "personal property" search that confirms the solar panels are not claimed as collateral by any non-mortgage lender.

A Uniform Commercial Code (UCC) financing statement that covers personal property and is not intended as a "fixture filing" must be filed in the office identified in the relevant state's adopted version of the UCC.

Lenders are responsible for ensuring the appraiser has accurate information about the ownership structure of the solar panels and that the appraisal appropriately addresses any impact to the property's value. Separately financed solar panels must not contribute to the value of the property unless the related documents indicate the panels cannot be repossessed in the event of default on the associated financing. Any contributory value for owned or financed solar panels must be noted in the Improvements Section of the Appraisal Report.

The following table summarizes some of the specific underwriting criteria that must be applied depending on the details of any non-mortgage financing for the solar panels.

If the solar panels are…	Then the lender must…
Financed and collateralized -- the solar panels are collateral for the separate debt used to purchase the panels, but they are a fixture to the real estate because a UCC fixture filing* has been filed for the panels in the real estate records	• Obtain and review the credit report, title report, appraisal, and/or UCC fixture filing*, related promissory note and related security agreement that reflect the terms of the secured loan; • Include the debt obligation in the DTI ratio calculation; • Provided that the panels cannot be repossessed for default on the financing terms, instruct the appraiser to consider the solar panels in the value of the property (based on standard appraisal requirements); and • Include the solar panels in other debt secured by the real estate in the CLTV ratio calculation because a UCC fixture filing* is of record in the land records.

	Note: If a UCC fixture filing* is in the land records as a priority senior to the mortgage loan, it must be subordinated.
Financed and collateralized -- the solar panels are reported to be collateral for separate (non-mortgage) debt used to purchase the panels, but do not appear on the title report	• Obtain and review documentation sufficient to confirm the terms of the secured loan (such as copies of the credit report, title report, any UCC financing statement, related promissory note or related security agreement); • Include the debt obligation in the DTI ratio calculation; • Instruct the appraiser not to provide contributory value of the solar panels towards the appraised value because the panels are collateral for another debt; • Not include the panels in the LTV ratio calculation; and • Not include the debt in the other debt secured by the real estate in the CLTV ratio calculation since the security agreement or any UCC financing statement treat the panels as personal property not affixed to the home.

*A fixture filing is a UCC-1 financing statement authorized and made in accordance with the UCC adopted in the state in which the related real property is located. It covers property that is, or will be, affixed to improvements to such real property. It contains both a description of the collateral that is, or is to be, affixed to that such property, and a description of such real property. It is filed in the same office that mortgages are recorded under the law of the state in which the real property is located. Filing in the land records provides notice to third parties, including title insurance companies, of the existence and perfection of a security interest in the fixture. If properly filed, the security interest in the described fixture has priority over the lien of a subsequently recorded mortgage.

If the solar panels are leased from or owned by a third party under a power purchase agreement or other similar lease arrangement, the following requirements apply (whether to the original agreement or as subsequently amended).

1.7.2 Lender Requirements for Properties with Solar Panels that are Leased or Covered by a Power Purchase Agreement

- The lender must obtain and review copies of the lease or power purchase agreement.
- The monthly lease payment must be included in the DTI ratio calculation unless the lease is structured to:
  - Provide delivery of a specific amount of energy at a fixed payment during a given period, and
  - Have a production guarantee that compensates the borrower on a prorated basis in the event the solar panels fail to meet the energy output required for in the lease for that period.
- Payments under power purchase agreements where the payment is calculated solely based on the energy produced may be excluded from the DTI ratio.
- The value of the solar panels cannot be included in the appraised value of the property
- The value of the solar panels must not be included in the LTV ratio calculation, even if a precautionary UCC filing is recorded because the documented lease or power purchase agreement status takes priority.
  - A "precautionary" UCC filing is one that lessors often file to put third parties on notice of their claimed ownership interest in the property described in it.
  - When the only property described in the UCC filing as collateral is the solar equipment covered by the lease or power purchase agreement, and not the home or underlying land, such a precautionary UCC filing is acceptable (and a minor impediment to title), as long as the loan is underwritten in accordance with this topic.
- The value of the solar panels must not be included in other debt secured by real estate in the CLTV ratio calculation because the documented lease or power purchase agreement status takes priority.
- The property must maintain access to an alternate source of electric power that meets community standards.
- The lease or power purchase agreement must indicate that:
  - Any damage that occurs as a result of installation, malfunction, manufacturing defect, or the removal of the solar panels is the responsibility of the owner of the equipment and the owner must be obligated to repair the damage and return the improvements to their original or prior condition (for example, sound and watertight conditions that are architecturally consistent with the home);

- The owner of the solar panels agrees not to be named loss payee (or named insured) on the property owner's property insurance policy covering the residential structure on which the panels are attached. As an alternative to this requirement, the lender may verify that the owner of the solar panels is not a named loss payee (or named insured) on the property owner's property insurance policy; and
- In the event of foreclosure, the lender or assignee has the discretion to:
  - Terminate the lease/agreement and require the third-party owner to remove the equipment;
  - Become, without payment of any transfer or similar fee, the beneficiary of the borrower's lease/agreement with the third party; or
  - Enter into a new lease/agreement with the third party, under terms no less favorable than the prior owner.

1.8 Private Mortgage Insurance (PMI)

Private Mortgage Insurance (PMI) is not required on any loan eligible for sale to MK Lending Corp.

2 Age of Document Requirements

2.1 Credit Review Documentation

The following documents may not be more than 90 days old at closing (the date the Note is signed):

- Income verification / pay stubs
- Mortgage /rental verification
- Asset documents / bank statements
- Credit Report

The following documents may not be more than 120 days old at closing (the date the Note is signed):

- Title commitment / preliminary report / binder

Any credit review documents exceeding these timeframes must be updated.

2.2 Appraisal

Residential Appraisals (1-4 units): The appraisal must be dated within 365 days of the Note date. Recertification of value required if the report exceeds 120 days of the Note Date. See complete appraisal requirements in Section 9.1.1 – Appraisal Requirements.

Commercial Appraisals (5-8 multi-family): Appraisals dated fewer than 120 days prior to the note date are acceptable. After 120 days, a new appraisal is required.

2.3 Loan Seasoning

Loans seasoned beyond the second scheduled payment date due from the borrower are ineligible. MK Lending may, at its sole discretion, make exceptions regarding loan seasoning.

3 Borrower Eligibility

3.1 Residency

3.1.1 US Citizen

Eligible without guideline restrictions.

3.1.2 Permanent Resident Alien

An individual admitted to the United States as a lawful permanent resident. Lawful permanent residents are legally accorded the privilege of residing permanently in the United States. The Green Card (Form I-551) is evidence of employment authorization.

- Acceptable evidence of permanent residency includes the following:

- Alien Registration Receipt Card I-551 (referred to as a green card).
- Alien Registration Receipt Card I-551 (Resident Alien Card) that does not have an expiration date on the back (also known as a green card).
- Alien Registration Receipt Card I-551 (Conditional Resident Alien Card) that has an expiration date on the back, and is accompanied by a copy of the filed INS Form I-751 (petition to remove conditions).
- Non-expired foreign passport that contains a non-expired stamp (valid for a minimum of three years) reading "Processed for I-551 Temporary Evidence of Lawful Admission for Permanent Residence. Valid until [mm-dd-yy]. Employment Authorized."

- Eligible without guideline restrictions.

3.1.3 Non-Permanent Resident Alien

An individual admitted to the United States as a lawful temporary resident. Lawful non-permanent residents are legally accorded the privilege of residing temporarily in the United States. For MK Lending programs, lenders must validate the borrower has employment authorization. This may be documented with either an EAD or a VISA permitting employment

- Borrower Eligibility Requirements:
  - Residing in U.S. for at least 2 years; and
  - Must have been employed in the U.S. for at least 2 years as evidenced on the loan application; and
  - Must have valid Social Security Number(s); and
  - Must have established U.S. credit, see Section 5 – Credit.
- Employment Status Documentation is required for all borrowers, and may consist of one of the following:
  - Employment Authorization Documents
    - A valid current Employment Authorization Document (EAD), Form I-765, is required for US employment if the borrower is not sponsored by a current employer.
      - If the EAD will expire within six (6) months of loan application, it is acceptable to obtain a letter from the employer documenting the borrower's continued employment and continued EAD renewal. The employer on the loan application must be the same as on the unexpired EAD. The EAD documentation is acceptable up to 540 days if an automatic extension has been granted.
  - If EAD is not provided, employment authorization may be evidence by certain VISA types. Some common VISAs allowing employment include:
    - E-3, H-1B, L, O, and P
  - Asylum – Individuals granted asylum are eligible, documentation includes one of the following:
    - Form I-765 Employment Authorization referencing C08
      - After being granted asylum in the United States, DHS issues a Form I-94, Arrival/Departure Record, to asylees. Form I-94 will contain a stamp or notation, such as "asylum granted indefinitely" or the appropriate provision of las (8 CFR 27 4a. 12(a)(5) or INA 208) to show their employment authorization. The asylee does not need to present a foreign passport with this Form I-94. An asylee can also present an electronic Form I-94 with an admission class of "AY."
- Guideline Restrictions:
  - Standard or Alt Documentation limited to 24 months only. Maximum LTV/CLTV limited to 80%.
  - DSCR Documentation (investment Only): Maximum LTV/CLTV 75%.
  - Non-occupant co-borrowers are not allowed.
  - Gift funds are not allowed.

Deferred Action for Childhood Arrivals

Deferred Action for Childhood Arrivals (DACA) - On June 15, 2012, the Secretary of Homeland Security announced that certain people who came to the United States as children and meet several guidelines may request consideration of deferred action for a period of 2 years, subject to renewal. They are also eligible to request work authorization.

Deferred action is an exercise of prosecutorial discretion to defer removal action against an individual for a certain period of time. Deferred action does not provide lawful status. Individuals who can provide documentation of current DACA status along with work authorization are eligible for financing under the same criteria as a non-permanent resident. The individual is required to have a valid Social Security number, or proof of application for a SSN, along with a 2-year U.S. credit and employment history. Eligible forms of documentation may include the following:

- Consideration of Deferred Action for Childhood Arrivals – Form I-821D
- Application for Employment Authorization – Form I-765
- Worksheet – Form I-765WS

3.1.4 Foreign National

A Foreign National is a non-resident alien who is not authorized to live or work in the U.S. A Foreign National may periodically visit the U.S. for various reasons including vacation and/or business. To be eligible, the borrower must live and work in another country and be a legal resident of that same country. They may not purchase property intended for use as a primary residence or second home.

Foreign Nationals are not eligible under Prime/Credit (Full/Alt Doc) matrix.

Foreign National Limited to the following occupancy:

- Non-owner occupied investment
- Canadian citizens eligible for non-owner occupied investment or 2nd home

Foreign Nationals are eligible under the following matrices:

- DSCR
- DSCR Multi

Any borrower(s)/guarantor(s) identified on OFAC sanction list are ineligible. Any borrower(s)/guarantor(s) from Russia and Belarus are ineligible.

Foreign Residency

A foreign national borrower must evidence their primary residence for the country issuing their Passport.
Foreign National borrowers may not occupy the subject property as a primary residence.

- A complete loan application (FNMA Form 1003) is required on all loan files reflecting the borrowers address for their primary residence in their country of origin.
- The application must include the borrower's full legal name, phone number, address including flat, floor, unit or house number, street name, city, province/state along with a postal code.
- Borrower to provide a third-party document with an address that matches the primary residence on the application e.g., lease agreement, utility bill, financial statement.
- The Borrower Contact Consent Form is required.

Automatic Payment Authorization (ACH)

Automatic Payment Authorization (ACH) Form is required for all foreign national borrowers. Funds must be from a U.S. Bank. The executed (ACH) enrollment form must be included in the closed loan submission package. The (ACH) enrollment form must include the bank routing number, account number, and account type. Borrowers may select a date within the grace period stated on the Note.

Foreign National Program Specific Documentation Requirement

- The following are required as evidence the borrower is in the U.S legally:
  - Copy of the borrowers valid and unexpired passport (including photograph)
- If a non-U.S. citizen is borrowing with a U.S. citizen, foreign national documentation requirements still apply.

- All Parties (borrowers and property sellers) involved in the transaction must be screened through exclusionary lists and must be cleared through OFAC's SDN list. A search of Specially Designated Nationals & Blocked Persons list may be completed via the US Department of Treasury: http://sdnsearch.ofac.treas.gov/.
- Borrowers from OFAC sanctioned countries are ineligible http://www.treasury.gov/resourcecenter/sanctions/Programs/Pages/Programs.aspx.
- Individuals with Diplomatic immunity are not eligible, immunity status is listed on the reverse side of the U.S. issued ID card or at: https://2009-2017.state.gov/s/cpr/rls/dpl//index.htm
- Documents signed by Borrowers outside of the United States must be notarized by a U.S. embassy or consular official. The certificate of acknowledgment must meet the standard notarial requirements and must include the embassy or consular seal. If the U.S. embassy or consular official is unavailable, a notary is acceptable if the country, where signing is taking place, is part of the Hague Convention and the signed documents are accompanied by an Apostille. See the following link to determine if the country is part of the Hague Convention: https://travel.state.gov/content/travel/en/records-and-authentications/authenticate-yourdocument/apostille-requirements.html

  Model Apostille forms can be found on the following link: https://www.hcch.net/en/instruments/sepcialised-sections/apostille

- Power of Attorney (POA) is not allowed.

Qualifying U.S. Credit for Foreign National Borrowers

- For foreign national borrowers with a valid Social Security number, a credit report should be obtained. Requirements found in the Credit section of this guide apply.
- Restrictions when qualifying with U.S. credit:
  - Minimum Credit Score: 680
  - Investment property only

Housing History – Foreign National

A housing history for the borrower's primary residence is not required. Refinance transactions (including cash out) require the most recent 12-month housing history for the subject property.

Foreign National Income

- DSCR Income Doc Type – See section 8 – Debt Service Coverage (Investment Property) for DSCR calculation methods.
- See Foreign National matrix for eligibility.

Foreign National Assets

Reserve

Six (6) months of PITIA reserves are required.

Assets held in Foreign Accounts

Assets held in foreign accounts may be used as a source of funds to close and to meet applicable reserve requirements. One of the following options may be utilized:

- Transferred to a U.S. domiciled account in the borrower's name at least ten (10) days prior to closing unless funds are held in a foreign bank with U.S. branches insured by the FDIC; **or**
- Verified funds for closing to be wired directly to the closing agent. Wire transfer to include bank name, accountholder name, and account number. Bank used as source of wire transfer must match the bank holding the assets verified in the loan file.

Documenting Assets Held in Foreign Accounts:

- Assets must be verified in U.S. Dollar equivalency at the current exchange rate via either www.xe.com or the Wall Street Journal conversion table

- A copy of the most recent statement of that account.
- See the 6.2 - Asset Documentation section of this guide for eligible sources and types of assets.
- Reserves may remain in a foreign bank account.

Gift Funds

Gift funds are not allowed.

Canadian Citizens Only - 2nd Home Occupancy

- Eligibility and pricing based on the Foreign National program.

Min Credit Score	Max Loan Amount	Purchase	Rate/Term Refinance	Cash-Out Refinance
680	1,000,000	75	65	65
	1,500,000	70	60	60

- Doc Type:
  - Standard Doc 12 months: See Standard Income Section 7.5.
    - Income must be converted to U.S. dollars.
  - Asset Utilization: See Asset Utilization Section 7.11.
    - Funds can remain in foreign bank but must be converted to U.S. dollars.
- DTI may not exceed 50%.
  - All debt disclosed on the loan application not already included on the credit report must be factored into the DTI
- Eligible property types: Single Family, 2-4 units, Condominiums, Condo Hotel
- Canadian credit report is required.
  - Minimum credit score: 680
    - LLPA and eligibility to be based on Canadian credit report score.
  - One (1) credit score is required for each borrower
  - Eligible scores to be provided from Equifax or TransUnion
    - A single score is eligible. However, if two (2) scores are provided, use the lower of the two (2).
  - Full Doc 12 months:
    - The highest score amongst all borrowers is used as the decision credit score
  - Asset Utilization:
    - The lowest score amongst all borrowers is used as the decision credit score.
  - All debt on the credit report is to be provided by the creditor.
  - Reserved: Twelve (12) months are required. Reserves may be reduced to six (6) months with a 5% LTV reduction
  - Borrower must have SIN (Social Insurance Number). SIN beginning with the number nine (9) issued to Temporary Foreign Worker (TFW) is not allowed.
  - Copy of Canadian Permanent Resident Card (if applicable) and travel document (Passport)
  - Government-issued driver’s license or identification card to establish primary residence
  - Automatic Payment Authorization (ACH) Form is required

3.2 Non-Occupant Co-Borrowers

Non-occupant borrowers are credit applicants on a principal residence transaction who do not occupy the subject property.

- Not Allowed

3.3 First-Time Home Buyers

An individual is to be considered a first-time home buyer who (1) is purchasing the security property; and (2) had no ownership interest (sole or joint) in a residential property during the three-year period preceding the application date of the security property. Note: An individual who is a displaced homemaker or single parent also will be considered a first-time home buyer if he or she had no ownership interest in a principal residence (other than a joint ownership interest with a spouse) during the preceding three-year time period.

The following requirements apply to first-time homebuyer transactions:

- Primary residence only.
- DTI may not exceed 45%.
- Minimum six (6) months of reserves.
- 12-month rental history, reflecting 0x30, documented per Section 5.4 Housing History.
    - First-Time Homebuyers without a documented 12-month rental history
        - DTI may not exceed 43%
        - LTV may not exceed 80%

3.4 Ineligible Borrowers

- Irrevocable Trust
- Land Trust
- Blind Trust
- Borrowers with diplomatic immunity or otherwise excluded from US jurisdiction
- Not-for-profit entity

Any material parties (company or individual) to the transaction listed on HUD's Limited Denial of Participation (LDP) list, the federal General Services Administration (GSA) Excluded Party list, or any other exclusionary list.

3.5 Title Vesting and Ownership

3.5.1 Vesting for Consumer and Business Purpose Loans

Ownership may be fee simple or leasehold title. For more information regarding leaseholds, see Section 9.5 Leasehold Properties

Title must be in the borrower's name (owner-occupied property) at the time of application for refinance transactions.

Eligible forms of vesting are:

- Individuals
- Inter vivos revocable trust
- Joint tenants
- Tenants in Common

Ineligible forms of vesting are: Illinois land trusts

- Land trusts
- IRAs
- Blind trusts

Title vesting in an inter vivos revocable trust is permitted when the requirements set forth in this section are followed. The Fannie Mae® requirements should be followed to the extent this section is silent.

The trust must be established by one or more natural persons, solely or jointly. The primary beneficiary of the trust must be the individual(s) establishing the trust. The trust must become effective during the lifetime of the person establishing the trust. If the trust is established jointly, there may be more than one primary beneficiary as long as the income or assets of at least one of the individuals establishing the trust will be used to qualify for the mortgage.

The trustee must include either:

- The individual establishing the trust (or at least one of the individuals, if two (2) or more)
- An institutional trustee that customarily performs trust functions in, and is authorized to act as trustee under the laws of, the applicable state

The trustee must have the power to hold the title, and mortgage the property. This must be specified in the trust. One or more of the parties establishing the trust must use personal income or assets to qualify for the mortgage.

The following documentation is required:

- If the trust was created under California law:
    - A fully executed Certificate of Trust under Section 18100.5 of the California Probate Code, or
    - A copy of the Trust Agreement.

  If the trust was created under the laws of a state other than California:
    - Attorney's Opinion Letter from the borrower's attorney or Certificate of Trust verifying all the following:
        - The trust is revocable.
        - The borrower is the settler of the trust and the beneficiary of the trust.
        - The trust assets may be used as collateral for a loan.
        - The trustee is:
            - Duly qualified under applicable law to serve as trustee
            - The borrower
            - The settler
            - Fully authorized under the trust documents and applicable law to pledge, or otherwise encumber the trust assets.

3.5.2 Vesting for Business Purpose Loans (Investment Occupancy)

A Business Purpose Loan where the borrower is an entity is limited to the following structures: Limited Liability Company (LLC), Partnership, and Corporation.

The following requirement apply to all loans vested in an entity:

- Restricted to single-purpose entities for the ownership of business purpose investment property.
- Multi-level entity structures are allowed subject to entity documentation requirements met for all entities.
- Entity must be domiciled in a U.S. state.
- Entity is limited to a maximum of four 9) member(s) or manager(s).
- St least 50% of the member(s)/manager(s) must be a guarantor and execute a Personal Guaranty. Personal Guaranty from is available on the MK Lending website: www.mklending.com
- A guarantor must have authority to execute loan documents on behalf on the entity.
- Each Entity member providing a Personal Guaranty (full recourse) must complete a FNMA Form 1003 or similar credit application indicating clearly that such document is being provided in the capacity of guarantor. Only the debt appearing on the personal credit report of individual(s) providing a personal guaranty needs to be reflected on the FNMA Form 1003 loan application. The application of each member providing a personal guaranty and their credit score, and creditworthiness will also be used to determine qualification and pricing.
- No Correspondent Seller shall suggest or encourage the formation of an Entity for the purpose of obtaining a mortgage loan. Such structures shall be initiated and arranged by the members of the Entity.

Guarantor(s) Documentation

- Loan Application (e.g., FNMA Form 1003 or other application)
    - Completed for each member of the Entity providing a guaranty
    - Section labelled “Title will be held in what Name(s)” should be completed with only the LLC name
        - Signed by Individuals
- Credit report from at least one (1) guarantor. See Section 5 Credit Reports
- Loan documents
    - Business purpose loan disclosures as applicable (e.g., GFE, TIL, LE, CD, ECOA)
    - Any state or federally required settlement statement as applicable
- Note, Deed of Trust/Mortgage, and all applicable Riders must be executed by the guarantor in their capacity as authorized signer for the entity. See exhibit for Entity Signature Examples
- Personal Guaranty
    - The guaranty must be full recourse
    - The guaranty must reference the Note and loan amount
    - Personal guaranties from community property states (AZ, TX, WA) must be accompanied with a Spousal Consent to Pledge.

3.5.3 Entity Documentation Requirements

- **Limited Liability Company (LLC)**
  - Entity Articles of Organization or Partnership (or equivalent)
  - Evidence of good standing
    - Good standing is always required for the state in which the entity was formed (e.g., Certificate, screen shot from state website)
    - If the subject property is not located in the same state in which the entity was formed, evidence of good standing is also required from the state where the subject property is located (e.g., Certificate, screen shot from state website)
  - Entity documents authorizing the guarantor to execute loan documents on behalf of the entity (e.g., Operating Agreement, Certificate of Authorization)
    - If not available, a Borrowing Certificate is required
      - Borrowing Certificate (LLC Borrowing Certificate - Single Member or LLC Borrowing Certificate-Multiple Member)
  - Entity documents that include a list of members/managers and ownership percentage (e.g., organization structure)
  - EIN/Tax Identification Number
    - Single member LLC may use EIN or the guarantor social security number
    - Multi-member LLCs require an EIN

- **Corporation**
  - Filed Certificate/Articles of Incorporation (and all amendments)
  - By-Laws (and all amendments)
  - Evidence of good standing
    - Good standing is always required for the state in which the entity was formed (e.g., Certificate, screen shot from state website)
      - If the subject property is not located in the same state in which the entity was formed, evidence of good standing is also required from the state where the subject property is located (e.g., Certificate, screen shot from state website)
  - EIN/Tax Identification Number
  - Borrowing Resolution/Corporate Resolution granting authority of signer to enter loan obligation
  - Receipt of current year franchise tax payment or clear search

- **Partnership**
  - Filed Partnership Certificate (if a general partnership, filing with the SOS may not be required)
  - Partnership Agreement and all amendments
  - Evidence of good standing
    - Good standing is always required for the state in which the entity was formed (e.g., Certificate, screen shot from state website)
      - If the subject property is not located in the same state in which the entity was formed, evidence of good standing is also required from the state where the subject property is located (e.g., Certificate, screen shot from state website)
  - EIN/Tax Identification Number
  - Limited partner consents (where required by partnership agreement).

Documents must be completed and signed as follows:

- Signed as an individual(s):
  - Loan Application (FNMA Form 1003)
    - Completed for each member of the Entity providing a guaranty.
    - Section labelled "Title will be held in what Name(s)" should be completed with only the LLC name.
    - Signed by Individuals
  - Personal Guaranty
    - Completed for each member of the entity providing a guarantee.
    - The guaranty should be executed at loan closing and dated the same date as the Note.
    - Personal Guaranties from community property states (AZ, TX, WA) must be accompanied with a Spousal Consent to Pledge.
- Signed by the authorized signer for the entity:
  - Disclosures (e.g., GFE, TIL, ECOA)
  - Any state or federally required settlement statement
  - Note, Deed of Trust/Mortgage, and all Riders

3.5.4 Power of Attorney

A limited Power of Attorney is acceptable when all the following are met:

- It is specific to the transaction;
- It is recorded with the Mortgage/Deed of Trust;
- It contains an expiration date;
- It is used to execute only the final loan documents;
- The Borrower who executed the POA signed the initial FNMA Form 1003;
- An interested party to the transaction (such as seller, broker, loan officer, realtor, etc.) may not act as Power of Attorney.
- Not eligible for cash-out transactions or with Foreign National borrowers.

3.6 Occupancy Types

- Primary Residence – A primary residence is a property that the borrower occupies as his or her principal residence. May also be referred to as owner-occupied.
- Second Home – A second home is a property occupied by the borrower for some portion of the year. The following criteria applies:
  - Restricted to one-unit dwellings
  - Must be suitable for year-round occupancy
  - The borrower must have exclusive control over the property. Cannot be subject to any agreements giving control over occupancy to a management firm, rental pools, or timeshare arrangement.
- Investment Property – An investment property is owned but not occupied by the borrower.

3.7 Borrowers Statement of Occupancy

The borrower must acknowledge the intended occupancy of the subject property ("Primary Residence", "Second Home", or "Investment") by completing and signing the appropriate sections of the "Occupancy Certification" found in the Occupancy Certification of this guide.

3.8 Borrower Statement of Business Purpose (DSCR – Investment Property)

All DSCR transactions require the borrower to acknowledge the loan is a business purpose loan by completing and signing the appropriate sections of the Borrower Certification of Business Purpose form in this guide. MK Lending reserves the right to decline any loan that may indicate the property is not intended exclusively for investment purposes.

Common occupancy red flags include, but are not limited to:

- Subject property value significantly exceeds the value of the borrower's primary residence.
- The borrower is a first-time homebuyer and currently living rent free or renting his/her primary residence.
- Subject property could reasonably function as a second home.
- Borrower documents show subject property as current residence.

4 Transaction Types

4.1 Eligible Transactions

4.1.1 Purchase

- Proceeds from the transaction are used to finance the acquisition of the subject property.
- LTV/CLTV is based upon the lesser of the sales price or appraised value.
- Assignment of contract or finder's fees reflected on the purchase contract are not eligible to be included in the sales contract price or associated with the LTV/CLTV calculation.
- Ensure the transaction is compliant with the Higher Priced Mortgage Loan appraisal rule. See Section 9.2.1 HPML Appraisal Rule ("Property Flipping") for details.
- The loan file must include a fully executed agreement (purchase contract) of sale and counteroffer (if

applicable) reflecting the following:
  - The purchase contract cannot be expired
  - Borrower as the purchaser of the property
  - Seller as the vested owner on title
  - Correct sales price
  - Amount of down payment
  - Closing dates
  - Concessions and seller contributions

4.1.2 Rate/Term Refinance

Proceeds from the transaction are used to:

- Pay off an existing first mortgage loan and any subordinate loan used to acquire the property.
- Pay off any subordinate loan not used in the acquisition of the subject property, provided one of the following apply:
  - Closed-end loan, at least 12 months of seasoning has occurred.
  - HELOC, at least 12 months of seasoning has occurred, and total draws over the past 12 months are less than $2,000. (For business purpose transactions, any draw over the life of the loan may not have been used for personal use. Business purpose transactions will require a draw history schedule, along with an attestation from the borrower, in the credit file, that none of the advances were used for personal/consumer use).
- Buy out a co-owner pursuant to an agreement.
- Pay off an installment land contract executed more than 12 months from the loan application date.

Other considerations:

- Cash back in an amount not to exceed the lesser of 2% of the new loan amount or $5,000 can be included in the transaction.
- If the subject property was acquired greater than six (6) months from application date, the appraised value will be used to determine LTV/CLTV. If the property was acquired less than or equal to six (6) months from the application date, the lesser of the current appraisal value or previous purchase price plus documented improvements (if any) will be used to determine LTV/CLTV. The purchase settlement statement and any invoices for materials/labor will be required.
- Refinance of a previous loan that provided cash out, as measured from the previous note date to the application date, and is seasoned less than 12 months, will be considered a cash out refinance.

4.1.3 Cash-Out Refinance

- A refinance that does not meet the definition of a rate/term transaction is considered cash-out.
- See Loan/LTV Matrices for maximum cash-out amounts and restrictions.
- A mortgage secured by a property currently owned free and clear is considered cash-out.
- The payoff of delinquent real estate taxes (60 days or more past due) is considered cash-out.
- If the cash-out is for personal, family, or household use, the loan must also meet all applicable federal and state requirements of a consumer loan transaction even if the borrower is a company or the loan was initially intended for business purposes, including but not limited to the requirements of the Truth in Lending Act (15 U.S.C. § 1601 et seq.), Real Estate Settlement Procedures Act (12 U.S.C. § 2601 et seq.), Gramm-Leach Bliley Act (15 U.S.C. §§ 6802-6809), Secure and Fair Enforcement Mortgage Licensing Act (12 U.S.C. § 5601 et seq.) and Homeowners Protection Act (12 U.S.C. § 4901 et seq.).
- Cash-out eligible to satisfy the reserve requirements.
- Loans not eligible for cash-out:
  - Primary Residence or Second Home properties listed for sale in the past six (6) months.
  - Investment properties listed for sale in the past six (6) months, unless a three (3) year prepay penalty, per requirements in Section 4.7 Prepayment Penalty are met.

    - There has been a prior cash-out transaction within the past six (6) months
    - Payoff of a Land Contract/Contract for Deed.
    - Non-Owner Occupied investment property transactions (Investor DSCR) when proceeds from the loan transaction are used for consumer purpose, i.e., payoff personal debt, personal tax lien(s), personal judgments, personal collection, or lines of credit secured by the subject property.
- Cash-Out Seasoning is defined as the time difference between application date of the new loan and the property acquisition date.
    - A minimum borrower seasoning requirement of six (6) months is required for a transaction to be eligible for cash-out.
    - For properties owned 12 months or longer, the LTV/CLV is based upon the appraised value.
    - If the cash-out seasoning is less than 12 months, but greater than 6 months, the transaction property value is limited to the lower of the current appraised value or the property's purchase price plus documented improvements.
    - Cash-out seasoning of six (6) months or less is allowed with the following restriction:
        - The Seller has documented that the borrower acquired the property through an inheritance, or was legally awarded the property through divorce, separation, or dissolution of a domestic partnership.

4.1.4 Delayed Financing

- Delayed purchase financing is eligible when a property was purchased by a borrower for cash within 180 days of the loan application.
    - The transaction is considered cash out refinance for pricing and eligibility. Cash-in-hand limits do not apply except for Foreign Nationals.
        - Foreign Nationals are subject to max cash-in-hand limits per the Foreign National matrix.
    - The original purchase transaction was an arms-length transaction.
    - The source of funds for the purchase transaction are documented (such as bank statements, personal loan documents, or a HELOC on another property).
    - The maximum LTV/CLTV ratio for the transaction is based upon the lower of the current appraised value or the property's purchase price plus documented improvements.
    - The preliminary title search or report must confirm that there are no existing liens on the subject property
    - The new loan amount can be no more than the actual documented amount of the borrower's initial investment subject to the maximum LTV/CLTV for cash-out transactions.

4.2 Listing Seasoning

For all refinances:

- **Primary/Second Home:**
    - Properties previously listed for sale must be seasoned at least six (6) months from the listing contract expiration date to the loan application date.
    - The value will be based on the lesser of the lowest list price or appraised value.
- **Investment Properties:**
    - A listing expiration of less than six (6) months is permitted with a prepayment penalty. If a property is listed for sale, the listing must be cancelled prior to the note date.
    - The value will be based on the lesser of the lowest list price or appraised value.

4.3 Non-Arm's Length Transactions

4.3.1 Non-Arm's Length Transaction

Non-arm's length transactions are purchase transactions in which there is a relationship or business affiliation between the seller and the buyer of the property. Examples of non-arm's length transactions include family sales, property in an estate, employer/employee sales, and flip transactions.

When the property seller is a corporation, partnership, or any other business entity, it must be ensured that the borrower is not an owner of the business entity selling the property.

A non-arm's length transaction is not intended to bail out a family member who has had difficulties making their mortgage payment. A thorough review of the title report in these cases is required, as well as the payment history pattern (verification of the Seller's mortgage [VOM]).

4.3.2 Eligible Non-Arm's Length Transactions

- Renter(s) purchasing from landlord.
  - 24 months of cancelled checks to prove timely payments are required.
  - A verification of rent (VOR) is not acceptable.
- Purchase between family members.
  - Full Documentation only.
  - Gift of Equity requires a gift letter, and the equity gift credit is to be shown on the CD.
  - Must provide a 12-month mortgage history on the existing mortgage securing the subject property, confirming the Family Sale is not a foreclosure bailout.

4.3.3 Non-Arm's Length Restrictions

- Borrower to provide verification of earnest money deposit.
- Maximum LTV/CLTV of 80%.
- For-Sale-By-Owner (FSBO) transactions must be arm's-length.
- Employer to employee sales or transfers are not allowed (e.g., newly constructed properties).
- Property trades between buyer and Seller are not allowed.
- Commission earned by buyer/borrower cannot be used for down payment or monthly PITIA reserves.

4.4 Interested Party Contributions (Seller Concessions)

Owner Occupied

- Maximum contribution:
  - 6% for LTVs < 80%
  - 4% for LTV > 80%

Non-Owner Occupied

- May not exceed 3%

All Interested Party Contributions must be properly disclosed in the sales contract, appraisal, loan estimate and closing disclosure and be compliant with applicable federal, state, and local law.

Interested party contributions include funds contributed by the property seller, builder, real estate agent/broker, mortgage lender, or their affiliates, or any other party with an interest in the real estate transaction. A borrower participating in the transaction (i.e., borrower acting as their own agent) may contribute funds (i.e., commission) up to the maximum contribution limits referenced above.

Interested party contributions may only be used for closing costs and prepaid expenses (Financing Concessions) and may never be applied to any portion of the down payment or contributed to the borrower's financial reserve requirements. If an Interested Party Contribution is present, both the appraised value and sales price must be reduced by the concession amount that exceeds the limits referenced above.

4.5 Escrows – Impound Accounts

Escrow funds/impound accounts are required to be established for all HPML loans purchased by MK Lending. Escrows may be established for funds collected by the seller, originator or servicer as required to be paid under the security instrument. Escrow funds include, but are not limited to, taxes, insurance (hazard, flood, and other insurance) premiums, water/sewer taxes and ground rents.

Escrow Waivers

- Flood Insurance premiums not allowed to be waived
- Escrow funds/impound accounts can be waived for property taxes and hazard insurance, for non-HPML loans or exempt business purpose loans when the following requirements are met:
  - LTV less than or equal to 80%
  - Minimum decision credit score of 720
  - Minimum 12-months of reserves
  - For all 1st liens, if both taxes and insurance aren't escrowed, LLPA adjustments apply

4.6 Secondary Financing

- Private-party secondary financing not allowed
- Secondary financing must be subordinated and included in CLTV
- HELOC CLTV must be calculated at the maximum available line amount unless the borrower can provide documentation showing the line of credit is past its draw period

4.7 Prepayment Penalty

Investment Property Only

Where permitted by applicable laws and regulations on an investment property, a prepayment charge may be assessed in the period between one (1) and five (5) years following the execution date of the Note. The following prepayment structures may be used:

- Prime/Credit (Full/Alt Doc)
  - Six (6) months of interest – The prepayment charge will be equal to six (6) months of interest on the amount of the prepayment that exceeds 20% of the original principal balance. The charge applies to loans that pay off due to sale or refinance, or curtailments that exceed 20% of the original principal balance in a given 12- month time period. (Not eligible under cross-collateral, 5-8 unit, or 2-8 mixed use.)

- DSCR & DSCR Multi
  - A fixed percentage of 5% - The prepayment charge will be equal to a fixed percentage of 5% and applied to any curtailment or the entire outstanding principal balance during the prepay period. The charge applies to loans that pay off due to sale or refinance.

See rate sheet for further detail. The prepayment penalty can be disclosed within the body of the Note or in a separate rider.

The following state restrictions apply:

- Prepayment penalties are not allowed on loans vested to individuals in NJ.

5 Credit

A credit report is required for each individual borrower, including any member of an entity providing a personal guaranty. The credit report should provide merged credit data from the three major credit repositories: Experian, TransUnion, and Equifax. Either a three-bureau merged report, or a Residential Mortgage Credit Report is required.

The credit report used to evaluate a loan may not reflect a security freeze. If the borrower(s) unfreeze credit after the date of the original credit report, a new tri-merged report must be obtained to reflect current and updated information from all repositories.

5.1 Gap Credit Reporting

A gap credit or Undisclosed Debt Monitoring report is required no more than 10 days prior to loan closing or any time after closing. Any new debt must be included in determining the DTI ratio. Business purpose DSCR transactions are excluded from this requirement.

5.2 Fraud Report

Data integrity is crucial to quality loan file delivery and mitigation of fraud risk. All parties to the transaction (Borrowers/Guarantors, Sellers, Brokers, Loan Officers, and Real Estate Agents) must be included in the fraud report performed by an automated fraud and data check vendor solution (i.e., Fraud Guard, CoreLogic, DataVerify, TransUnion TLOxp, LexisNexis: SmartLinx, Instant ID, or other industry recognized fraud and data vendor). A copy of the findings report from the vendor must be provided in the loan file with all "high" alerts, or "red flags" addressed and/or cleared by the seller (lender).

Sellers may clear "high" alerts or "red flags" directly through the vendor solution or with an attestation. The attestation must address each "high" alert, or "red flag" noted in the fraud report. MK Lending may request additional documentation to address high fraud risk.

Fraud Reports for loans secured by multiple properties (Cross Collateral) do not need to reference every property, all other requirements apply.

5.3 Credit Inquiries

The creditor must obtain verification from borrower in the form of a signed statement attesting that their current obligations are accurate. Additionally, any credit inquiries listed on the report within 90 days of the report date must be explained, DSCR transaction excluded. If new credit was extended, borrowers must provide documentation on the current balance and payment. If no credit was extended, borrower must state the purpose of the inquiry. Sellers must inform borrowers that they are obligated to inform the Seller of any new extension of credit, whether unsecured or secured, that takes place during the underwriting process and up to the consummation of the loan.

5.4 Housing History

- For Prime/Credit (Full/Alt Doc), a housing payment mortgage history is required for all Real Estate Owned evidencing the payment activity for the most recent 12-months.
- For DSCR & DSCR Multi, transactions require a 12-month housing payment history for primary residence and subject property (if refinance). See 8.2.3 Housing History - DSCR for Housing History.
- All required payment history will be used for program eligibility
- Housing payments must be paid current as of 45 days of the loan application date
- Any Real Estate Owned free & clear require a Property Profile Report or similar document
  - Property taxes, hazard insurance, and homeowner's association dues (if applicable) are to be verified and included in DTI
- Borrower(s) who sold a primary residence within the past six (6) months, currently residing rent-free, and purchasing a new primary residence are allowed.
  - 12-month mortgage history required on previous primary residence.
- Less than 12-month history is allowed with the following restrictions:
  - DTI may not exceed 43%.
  - LTV may not exceed 80%.
  - Any available portion of a 12-month housing history must be paid as agreed.
- If the borrower is renting current residence, then a most recent rental history is required reflecting paid as agreed.

5.4.1 Mortgage Verification

Mortgage(s) on Credit Report

The lender must review the credit report to determine the payment status of all reported mortgage accounts for the previous 12 months. Rolling late payments are not considered a single event. Each occurrence of a contractual delinquency is considered individually for loan eligibility.

If a complete 12-month mortgage history is not reported on the credit report, the lender must use one of the following to complete the borrower's payment history:

- Credit supplement; or
- Request for Verification of Mortgage Form completed by the creditor; or
- Loan payment history from the servicer; or
- Borrower’s proof of payment (e.g., cancelled check, ACH payment, bank transfer, etc.)

<u>Mortgage(s) Not Reporting on Credit Report</u>

The lender must document mortgage history not reporting on credit report with all the following:

- Request for Verification of Mortgage Form completed by the creditor:
  - A 12-month mortgage history is required for Prime/Credit (Full/Alt Doc) for all properties.
  - A 12-month mortgage history is required for DSCR & DSCR Multi 1-4 Residential, 5-8 Residential for the borrower/guarantor’s primary residence and subject property (if refinance).
- Evidence of monthly payments made by the borrower for most recent 6 months:
  - Cancelled checks, ACH payment, bank transfer, etc.
  - Payments made in cash are not eligible.
- Copy of Note with terms of the loan:
  - Notes with a balloon feature with an expired maturity date exceeding 30 days require an extension to avoid being counted as delinquent.
- If subject transaction is a refinance, mortgage payoff statement is required from the creditor:
  - Payoff statement that reflects late fees, deferred balance, or delinquent interest are subject to housing history and/or credit event criteria.

5.4.2 Rental Verification

A 12-month rental history is required for all MK Lending programs when the borrower is renting their current primary residence. The following documents are required:

- A verification of rent (VOR)
  - A third-party VOR is required for any file when the borrower is currently renting.
  - Any VOR completed by a private party or any non-institutional landlord must be supported by alternative documentation showing the most recent 6-month history (cancelled checks, rental statements including payment history, etc.).

5.4.3 Departure Residence

- If the borrower’s current principal residence is pending sale but the transaction will not close prior to the subject transaction, the current PITIA and proposed PITIA must be used in qualifying the borrower. The current PITIA may be excluded provided the credit file is documented with the following:
  - The executed sales contract for the current residence, and
  - Confirmation that any financing contingencies have been cleared.
- If the borrower plans to convert their departure residence to a rental property, the current PITIA and proposed PITIA must be used in qualifying the borrower. The current PITIA may be offset using 75% of the lower of actual or market rent. The rental income must be documented with all the following:
  - Market Rent Analysis, Single Family Comparable Rent Schedule (FNMA Form 1007).
  - Copy of a current lease.
  - Evidence of proof of receipt of damage deposit and first month’s rent.

5.5 Consumer Credit

5.5.1 Installment Debt

Installment debt is a monthly obligation with fixed payments and terms. Payments on installments must be included in the borrower’s debt-to-income (DTI) ratio.

Payments can be excluded if there are 10 or fewer monthly payments remaining to pay the debt in full. If the payment is substantial and exceeds 5% of the borrower's qualifying income, the overall transaction should be reviewed to ensure the remaining payments will not impact the borrower's ability to handle the new mortgage payment.

Installment debt paid in full or prior to closing can be excluded from the debt-to-income ratio. Supporting documentation, such as a credit supplement or direct verification from the creditor, must be obtained as evidence the debt has been paid in full.

5.5.2 Lease Payments

Lease payments must be considered as recurring monthly debt obligations and included in DTI ratio calculation. This is regardless of the number of months remaining on the lease. This is because the expiration of a lease agreement for rental housing or an automobile typically leads to either a new lease agreement, the buyout of the existing lease, or the purchase of a new vehicle or house.

5.5.3 Student Loans

If a monthly student loan payment is provided on the credit report, the Seller may use that amount for qualifying purposes. If the credit report does not reflect the correct monthly payment, the Seller may use the monthly payment that is on the student loan documentation (the most recent student loan statement) to qualify the borrower. If the credit report does not provide a monthly payment for the student loan, or if the credit report shows $0 as the monthly payment, the Seller must determine the qualifying monthly payment. For deferred loans or loans in forbearance, the Seller may calculate:

- a payment equal to 1% of the outstanding balance (even if this amount is lower than the actual fully amortizing payment), or
- a fully amortizing payment using the documented loan repayment terms.

5.5.4 Deferred Installment Debt

Deferred installment debts must be included as part of the borrower's recurring monthly debt obligations. For deferred installment debts other than student loans, if the borrower's credit report does not indicate the monthly amount that will be payable at the end of the deferment period, the Seller must obtain copies of the borrower's payment letters or forbearance agreements so that a monthly payment amount can be determined and used in calculating the borrower's total monthly obligations.

5.5.5 Revolving Debt

Revolving debt is open-ended debt in which the principal balance may vary from month to month. The minimum required payment, as stated on the credit report or current account statement, should be used to calculate the debt-to-income ratio. If no payment is stated on the credit report, the greater of $10 or 5% of the current balance should be included in the DTI ratio calculation. Revolving accounts can be paid off prior to or at closing in order to exclude the payment from the debt ratio. Supporting documentation, such as a credit supplement or direct verification from the creditor, must be obtained as evidence the debt has been paid in full.

Equity lines of credit secured by real estate should be included in the housing expense. If the credit report does not show a minimum payment amount, the Seller must use 5% of the outstanding balance to be included in the DTI ratio calculation.

Any non-mortgage account can be no more than 30 days delinquent at time of application. Any delinquent account must either be brought current or paid off at closing. All mortgage accounts must be current at application and remain paid as agreed through closing.

5.5.6 Open 30-Day Charge Accounts

For open 30-day charge accounts that do not reflect a monthly payment on the credit report, or 30-day accounts that reflect a monthly payment that is identical to the account balance, lenders must verify borrower funds to cover the account balance. The verified funds must be in addition to any funds required for closing costs and reserves.

5.5.7 Timeshares

Timeshare obligations will be treated as a consumer installment loan.

5.5.8 Business Debt

A business debt is a financial obligation of a business but may also be the responsibility of the business owner, making that person also liable for the debt. If the debt is reflected on the borrower's personal credit report, the borrower is personally liable for the debt, and it must be included in the debt-to-income ratio. When a self-employed borrower claims that a monthly obligation that appears on his or her personal credit report (such as a Small Business Administration loan) is being paid by the borrower's business, the lender must confirm that it verified that the obligation was actually paid out of company funds to exclude the debt.

Any of the following supporting documentation can be included in the credit file to exclude business debt:

- Most recent six (6) months of cancelled checks drawn against the business account
- Tax returns reflecting the business expense deduction
- Business bank account statement showing assets remaining after funds to close and reserve requirements are deducted, with a balance greater than or equal to the balance of the debt.

If the debt is less than six (6) months old, the payment must be included in the DTI ratio.

5.5.9 Contingent Liability on Cosigned Obligations (Debt Paid by Others)

Contingent liability applies, and the debt must be included in the underwriting analysis, if an individual applying for a mortgage is a cosigner/co-obligor on:

- Car loan
- Student loan
- Mortgage
- Any other obligation

If the Seller obtains proof that the borrower is not the party who is repaying the debt, the Seller may exclude the debt. In order to exclude debts from the borrower's DTI ratio, the Seller must obtain the most recent 12 months' canceled checks (or bank statements) from the other party making the payments that document a 12-month payment history with no delinquent payments.

5.5.10 Loans Secured by Financial Assets

When a borrower uses his or her financial assets—life insurance policies, 401(k) accounts, individual retirement accounts, certificates of deposit, stocks, bonds, etc.—as security for a loan, the borrower has a contingent liability.

The seller is not required to include this contingent liability as part of the borrower's recurring monthly debt obligations provided the seller obtains a copy of the applicable loan instrument that shows the borrower's financial asset as collateral for the loan. If the borrower intends to use the same asset to satisfy financial reserve requirements, the lender must reduce the value of the asset (the account balance, in most cases) by the proceeds from the secured loan and any related fees to determine whether the borrower has sufficient reserves.

Payment on any debt secured by virtual currency is an exception to the above policy and must be included when calculating the debt-to-income ratio.

5.5.11 Consumer Credit Charge-Offs and Collections

Delinquent credit, such as charge-offs of non-mortgage accounts and collections, have the potential to affect loan position or diminish borrower equity.

- Individual collection and non-mortgage charge-off accounts equal to or greater than $250, and accounts that total more than $2,000, must be paid in full prior to or at closing. See below for exceptions:
  - Medical collections may remain open.
  - A second mortgage or junior lien that has been charged off is subject to foreclosure seasoning periods for grade determination, based on the charge-off date.
  - Collections and charge-offs that have expired under the state statute of limitations on debts may be excluded from the DTI calculation. Evidence of expiration must be documented.
  - For DSCR transactions, charge-offs and collections can be ignored unless they are title impacted.

Charge-offs and collections not excluded by the above bullet points must be paid or may stay open if using one or a combination of both of the following:

- Payments for open charge-offs or collections are included in the DTI (subject to program DTI restrictions). If a payment amount is not known, 5% of the balance may be used as the payment.
- Reserves are sufficient to cover the balance of the charge-offs or collections and meet reserve requirements.

5.5.12 Consumer Credit Counseling Services

Borrower enrollment in Consumer Credit Counseling Services (CCCS) is allowed when a minimum of 12 months have elapsed on the plan, and evidence of timely payments for the most recent 12 months is provided. The CCCS Administrator must also provide a letter allowing the borrower to seek financing on a new home while enrolled in the plan.

A monthly CCCS plan payment must be included in the DTI calculation.

5.5.13 Judgment or Liens

All open judgments, garnishments, and all outstanding liens must be paid off prior to or at loan closing.

5.5.14 Income Tax Liens

All tax liens (federal, state, and local) must be paid off prior to or at loan closing unless the requirements listed below are met:

- The file must contain a copy of the approved IRS installment agreement with the terms of repayment, including the monthly payment amount and total amount due (Only one plan allowed).
- A minimum of two (2) payments has been made under the plan with all payments made on time and the account is current. Acceptable evidence includes the most recent payment reminder from the IRS, reflecting the last payment amount and date and the next payment amount owed and due date.
- The maximum payment required under the plan is included in the DTI calculation.
- The balance of the lien, or repayment plan, must be included when determining the maximum CLTV for the program.
- Refinance transactions require a subordination agreement from the taxing authority for liens against the subject property.

5.5.15 Disputed Tradelines

- Revolving account: See Section 5.5.5 - Revolving Debt
- Installment account: See Section 5.5.1 - Installment Debt
- Mortgage account: Housing history restrictions apply
- Collection/charge-off account: See Section 5.5.11 - Consumer Credit Charge-Offs and Collections

5.6 Bankruptcy History

Recent bankruptcies are not allowed. All bankruptcies must be settled a minimum of twelve (12) months. Specific programs may have longer periods, see Product Matrices for details. Evidence of bankruptcy resolution is required. The length of time is measured from the discharge/dismissal date to the Note date.

5.7 Foreclosure Seasoning

Foreclosures must be completed a minimum of twelve (12) months. Specific programs may have longer periods, see Product Matrices for details. The length of time is measured from the settlement date to the Note date. In the case of a foreclosure which was included in a bankruptcy, the seasoning timeline will start from the earlier of the date of discharge of bankruptcy and the foreclosure completion date.

5.8 Short Sale / Deed-In-Lieu Seasoning

Short Sales and Deeds-in-Lieu of Foreclosures must be completed a minimum of twelve (12) months. Specific programs may have longer periods, see Product Matrices for details.

In the case of a short sale/deed-in-lieu which was included in a bankruptcy, the seasoning timeline will start from the earlier of the date of discharge of bankruptcy and the short sale/deed-in-lieu completion date.

5.9 Forbearance, Modification, or Deferrals

Forbearances, modifications, and deferrals are considered under housing payment history as outlined below:

Greater than 12 Months from Note Date:

Forbearance, loan modifications, or deferrals (including COVID-19 related events) completed or reinstated greater than 12 months from the Note date of the subject transaction and having a 0x30x12 Housing History are allowed under all programs including Prime.

Within 12 Months of Note Date:

- Forbearance, loan modifications, or deferrals (including COVID-19 related events) completed or reinstated within 12 months of the Note date of the subject transaction will be treated as a 0x90x12 under Credit program Housing History for eligibility and pricing.
- Forbearance, loan modifications, or deferrals (including COVID-19 related events) completed or reinstated within 12 months of the Note date of the subject transaction are not eligible under Prime Program, Investor Solutions – DSCR, DSCR Multi (5-8 multi)
- Refer to Investor Solutions – DSCR and Foreign National Investment matrix for applicable Housing History and Credit Event Seasoning restrictions related to these programs.

5.10 Credit Score

Loan eligibility is based upon the representative credit score, also referred to as the Decision Credit score. A valid Decision Credit score requires at least one (1) borrower to have a minimum of two (2) credit scores. To determine a borrower(s) credit score, use the lower of two (2) or middle of three (3) credit scores.

- For a loan file with one borrower, that borrower's score is the decision credit score.
- For loan files with multiple borrowers: Determine a decision credit score for each borrower/guarantor (lower of two or middle of three), use highest decision credit score amongst all borrowers/guarantors to determine loan eligibility.

5.11 Tradelines

5.11.1 Standard Tradelines

Prime/Credit (Full/Alt Doc): If the primary borrower has three (3) credit scores, the minimum tradeline requirement is waived. For loans when the primary borrower has less than three credit scores, each borrower must meet the minimum tradeline requirements, unless the co-borrower is the spouse of the borrower. In that case, only one spouse is required to meet the minimum tradeline requirements outlined below.

DSCR & DSCR Multi: For each borrower who has three (3) credit scores, the minimum tradeline requirement is waived (all borrowers must be evaluated individually). Each borrower with less than three (3) credit scores must meet the minimum tradeline requirements outlined below.

The ***minimum tradeline requirements*** are as follows:

- At least three (3) tradelines reporting for a minimum of 12 months, with activity in the last 12 months, or
- At least two (2) tradelines reporting for a minimum of 24 months, with activity in the last 12 months.

Borrowers who do not meet one of the above tradeline requirements, but have a minimum of two credit scores, can alternatively satisfy the tradeline requirement by meeting the requirements below:

- No fewer than eight (8) tradelines are reporting, one (1) of which must be a mortgage or a rental history.
- At least one (1) tradeline has been open and reporting for a minimum of twelve (12) months.
- The borrower has an established credit history of at least eight (8) years.
- Tradelines with recent serious adverse history are not acceptable
- Student loans can be counted in credit depth as long as they are in repayment and not being deferred.

The following are not acceptable to be counted as tradelines:

- "non-traditional" credit as defined by Fannie Mae®
- collection accounts
- self-reported tradeline
- any liabilities in deferment status
- foreclosures
- deed-in-lieu of foreclosure
- accounts discharged through bankruptcy
- short sales
- authorized user accounts
- pre-foreclosure sales
- charge-offs

5.12 Obligations Not Appearing on Credit Report

5.12.1 Housing and Mortgage-Related Obligations

Housing and mortgage-related obligations include property taxes, insurance premiums, and similar charges that are required by the creditor (i.e., mortgage insurance), ground rent, and leasehold payments. All properties owned by the borrower must be fully documented in this regard on the Schedule of Real Estate Owned (REO) section of the FNMA Form 1003 loan application. These obligations must be verified (subject to the program criteria) using reasonably reliable records such as taxing authority or local government records, homeowner's association billing statements, or information obtained from a valid and legally executed contract.

5.12.2 Current Debt obligations, Alimony, and Child Support

A Seller may use a credit report to verify a borrower's current debt obligations, unless the Seller has reason to know that the information on the report is inaccurate or disputed. Obligations that do not appear on the credit report, such as alimony and child support, must be documented through other methods according to Fannie Mae® guidelines.

When the borrower is required to pay alimony, child support, or separate maintenance payments under a divorce decree, separation agreement, or any other written legal agreement - and those payments must continue to be made for more than 10 months - the payments must be considered as part of the borrower's recurring monthly debt obligations. However, voluntary payments do not need to be taken into consideration and an exception is allowed for alimony. For alimony obligations, the Seller has the option to reduce the qualifying income by the amount of the alimony obligation in lieu of including it as a monthly payment in the calculation of the DTI ratio. If the Seller exercises this option, a copy of the divorce decree, separation agreement, court order, or equivalent documentation confirming the amount of the obligation must be obtained and retained in the loan file.

6 Assets

THE FOLLOWING APPLY TO ALL TRANSACTIONS UNLESS OTHERWISE STATED.

6.1 Asset Requirements

Acceptable asset documentation is required to be included in each loan file. The borrower must meet the minimum contribution amount per the program requirements. Assets should be liquid or able to be liquidated without restriction by the borrower. The documentation requirement for all transactions is a single account statement covering a one (1) month period and dated within 90 days of the loan note date.

6.2 Asset Documentation

The following may be used as asset documentation for down payment, closing costs, and reserves. See applicable Loan/LTV matrix for minimum reserve requirement.

- Account statements (e.g., checking, savings, share, or brokerage accounts)
  - Statements must include the following:
    - Name of financial institution
    - Reflect borrower as the account holder (Funds held jointly with a non-borrowing spouse are considered 100% of the borrower’s funds)
    - Account number
    - Statement date
    - Time period covered by the statement
    - Available balance in U.S. dollar denomination
  - Assets held in foreign accounts must be translated to English and verified in US Dollar equivalency at the current exchange rate via either http://www.xe.com or the Wall Street Journal conversion table.
- Assets held in in a Trust require the following:
  - Obtain written documentation (e.g., bank statements) of the value of the trust account from either the trust manager or the trustee, and
  - Document the conditions under which the borrower has access to the funds
- Accounts verified using a third-party vendor participating in the Fannie Mae Day 1 Certainty® process.
- Verification of Deposit completed by the verifying financial institution (FNMA Form 1006).
- Borrowed funds secured by an asset are an acceptable source of funds for the down payment, closing costs, and reserves, since borrowed funds secured by an asset represent a return of equity. Assets that may be used to secure funds include automobiles, artwork, collectibles, real estate, or financial assets, such as savings accounts, certificates of deposit, stocks, bonds, and 401(k) accounts. When qualifying the borrower, monthly payments on loans secured by non-financial assets must be included in the debt-to-income calculation for non- DSCR transactions. When loans are secured by the borrower’s financial assets, monthly payments for the loan do not have to be considered as long-term debt. See Section 5.5.10 Loans Secured by Financial Assets for complete details.

Large deposits on any of the above asset documentation must be sourced. Large deposits are defined as any single deposit that represents more than 50% of the borrower’s qualifying monthly income. Large deposits do not need to be sourced on Investor Solutions – DSCR loans.

- Stocks/bonds/mutual funds - 100% of the account(s) value may be considered for assets.
- Vested retirement account (e.g., IRA, 401k, Keogh, 403b) - 70% of the vested balance may be considered for assets. For down-payment and closing costs, if funds haven’t been liquidated, confirm the borrower can access/withdraw funds.
- Business accounts may be considered for assets. The amount of business assets that may be utilized is limited to the borrower’s ownership percentage in the business.

- Cash Value of Life Insurance - 100% of the cash surrender value less any loans may be considered for assets.
- Non-regulated Financial Assets
  - Crypto Currency – Bitcoin and Ethereum are eligible sources of funds for the down payment, closing costs and reserves. Crypto is not an eligible liquid asset for asset utilization/depletion.
    - Down payment and closing costs: currency must be liquidated and deposited into an established US bank account.
    - Reserves: Loan file must include a statement meeting the requirements under account statements to document ownership of the crypto holdings. Current valuation, within 30 days of the loan Note date, can only be determined from the Coinbase exchange. 60% of the current valuation will be considered eligible funds.

The following are not acceptable as asset documentation:

- Non-vested or restricted stock accounts
- Cash-on-hand
- Sweat equity
- Gift or Grant funds which must be repaid
- Down payment assistance programs
- Unsecured loans or cash advances

6.3 Reserves

- MK Lending loan program requires minimum reserves as outlined on the MK Lending Loan\LTV matrices.
- Net proceeds from a cash-out transaction may be used to meet reserve requirements.
- Reserve requirements are waived for Rate-And-Term Refinance transactions (Applies to loans under Prime Program, Credit Program and Investor Solutions secured by a 1-4 unit property) when the transaction results in a reduction to the monthly principal and interest payment of 10% or greater AND housing history is 1x30x12 or better. Waiver not eligible for DTI greater than 50%. For an Interest Only loan, the reduction is based on the amortizing payment used for loan qualification.
- Reserves for a loan with an Interest Only feature are based upon the Interest Only payment amount.
- For Adjustable-Rate Mortgages (ARM), the reserves are based upon the initial PITIA, not the qualifying payment.
- Proceeds from a 1031 Exchange cannot be used to meet reserve requirements.
- Gift funds may not be used to meet reserve requirements.

6.4 Gift Funds

Unless otherwise specified, Gift Funds are acceptable if ONE of the following applies:

1. For Owner-occupied properties: a minimum 5% down payment from their own funds.
2. For Investment properties: a minimum of 10% of the down payment from their own funds.

6.4.1 Eligible Donors and Documentation

A gift can be provided by:

- a relative, defined as the borrower’s spouse, child, or other dependent, or by any other individual who is related to the borrower by blood, marriage, adoption, or legal guardianship; or
- a fiancé, fiancée, or domestic partner.
- For any gift provided by a non-US citizen, the donor must be screened against the OFAC Specially Designated Nationals (SDN) list.

The donor may not be, or have any affiliation with, the builder, the developer, the real estate agent, or any other interested party to the transaction.

Documentation Requirements

Gifts must be evidenced by a letter signed by the donor, called a gift letter. The gift letter must:

- specify the dollar amount of the gift;

- specify the date the funds were transferred;
- include the donor's statement that no repayment is expected; and
- indicate the donor's name, address, telephone number, and relationship to the borrower.

When a gift from a relative or domestic partner is being pooled with the borrower's funds to make up the required minimum cash down payment, the following items must also be included:

- A certification from the donor stating that he or she has lived with the borrower for the past 12 months and will continue to do so in the new residence.
- Documents that demonstrate a history of borrower and donor shared residency. The donor's address must be the same as the borrower's address. Examples include but are not limited to a copy of a driver's license, a bill, or a bank statement.

Verifying Donor Availability of Funds and Transfer of Gift Funds

The lender must verify that sufficient funds to cover the gift are either in the donor's account or have been transferred to the borrower's account and reflected on the most recent bank statement. Acceptable documentation includes the following:

- a copy of the donor's check and the borrower's deposit slip,
- a copy of the donor's withdrawal slips and the borrower's deposit slip,
- a copy of the donor's check to the closing agent, or
- a settlement statement showing receipt of the donor's check.

When the funds are not transferred prior to settlement, the lender must document that the donor gave the closing agent the gift funds in the form of a certified check, a cashier's check, or other official check.

- Gift funds may not be used to meet reserve requirements.
- Gift of Equity allowed for Primary Residence or Second Homes. Must meet all other guidelines for Gift Funds.

7 Income

7.1 Income Analysis

THE FOLLOWING APPLY TO ALL INCOME DOCUMENTATION OPTIONS UNLESS OTHERWISE STATED IN THE SPECIFIC SECTION OF THE GUIDELINES.

Employment/Income Verification

- A minimum of two (2) year employment history for both wage/salary or self-employment, is required to be documented on the loan application (FNMA Form 1003). When the borrower has less than a two-year history of employment, the Seller should document positive factors to offset the shorter employment history, such as education or training.
- Any gaps in employment that span one or more months must be explained.
- Salary/Wage Earner – income derived from employment at a business. Compensation may be based upon a salary, hourly wage, bonus, commission, or overtime.
- Any borrower with a 25% or greater ownership interest in a business/entity or is paid using IRS form 1099 is considered self-employed.
- The following are common business structures:
  - Sole proprietorship
  - Limit Liability Company (LLC)
  - Partnerships
  - S-Corporation
  - Corporation
- If any borrower is no longer employed in the position disclosed on the FNMA Form 1003 at the MK Lending purchase date, MK Lending will not purchase the loan.

7.2 Debt-To-Income (DTI) Ratio

The Debt-to-Income (DTI) ratio is calculated and reviewed for adherence to MK Lending guidelines and the inclusion of all income and liability expenses. See the most recent program matrix for applicable details.

The DTI ratio consists of two components:

1. Total monthly debt obligations, which includes the qualifying payment for the subject property mortgage loan and other long-term and significant short-term monthly debts.
2. Total monthly income of all borrowers, to the extent the income is used to qualify for the mortgage.

The subject property mortgage loan is defined as the borrower's housing payment and includes PITIA and/or principal and interest on any subordinate lien financing.

The property taxes, Homeowner's Insurance (HOI), Flood Insurance, and HOA dues of a primary residence that is owned free and clear will be considered in the borrower's housing history determination and must remain current throughout the transaction.

The maximum DTI ratio for all income documentation types is 50%.

7.3 Residual Income

Residual Income is the amount of monthly income remaining once a borrower has paid all monthly debt obligations. Residual Income = Gross Monthly Income minus total monthly debt.

The Minimum Residual Income requirements are calculated using the table below; $250 is added for the first dependent and $125 for each additional dependent. A dependent is any person other than the borrower or spouse in the household.

Occupancy	Maximum LTV	Minimum Residual Income
Primary – Primary	90%	$2,500
Primary – Second	80%	$2,500
Credit – Primary	85%	$1,250
Credit - Second	80%	$2,500

7.4 Documentation Options

Prime/Credit (Full/Alt) Doc income documentation options are available. In addition to wage/salary income, Full documentation includes various other types of income. See 7.5.4 - Other Sources of Income for documentation requirements. Income should be calculated and documented according to MK Lending guidelines. If a specific source of income is not referenced in the MK Lending Guide, the Fannie Mae® guidelines for that income source may be used.

7.4.1 IRS Form 4506-C

A signed copy of IRS Form 4506-C is required in every Full documentation credit file. See specific income documentation type if transcripts are required.

If the transcript request is returned with a code 10, or the borrower is a victim of taxpayer identification theft, the following must be provided to validate income:

- A copy of the IRS rejection with a code of "Unable to Process" or "Limitation"
- Proof of identification theft, as evidenced by one (1) of the following:
  - Proof that the identification theft was reported to and received by the IRS (IRS Form 14039).
  - A copy of the notification from the IRS alerting the taxpayer to possible identification theft.
- In addition to one (1) of the documents above, if applicable, a Tax Transcript showing fraudulent information.
- Record of Account from the IRS - Adjusted Gross Income and Taxable Income should match the borrower's personal tax return (Form 1040). Validation of prior tax year's income (The income for the current year must be in line with prior years.

7.4.2 Taxpayer First Act

The Taxpayer First Act includes a provision that persons receiving tax return information must obtain the express permission of taxpayers prior to disclosing that tax return information to any other person. “Tax return information” is defined under the IRS Code, 26 U.S.C. § 6103.

Therefore, if a Seller or servicer obtains tax return information during the origination or servicing of a mortgage loan, the Seller or servicer must obtain express consent from the taxpayer to be able to share the tax information with another party. Such sharing would extend to actual or potential owners of the loan, such as MK Lending Corp. or any other loan participant.

To ensure compliance with the law, the Taxpayer Consent Form must be provided with the document in all loan files that include tax returns.

7.5 Full Documentation

The Full Documentation option is available to borrowers who meet the requirements listed below. This documentation option is available to borrowers who have experienced recent credit events and allows for higher LTVs for borrowers with clean payment histories.

7.5.1 Restrictions

- See the MK Lending Matrices for maximum LTV/CLTV and DTI.
- A minimum credit score of 600.
- A minimum two (2) year history of receipt of wage/salary or self-employment income is required.

7.5.2 Full Documentation (12 Months)

Eligibility and pricing differences exist for the 12-month documentation options, see Loan/LTV Matrices and rate sheets for details.

Wage/Salary Income

- The borrower’s most recent paystubs reflecting 30 days of pay and YTD earnings, along with IRS W-2 forms or W-2 transcripts covering the most recent one (1) or two (2) years depending upon documentation option selected; or
- Income verification provided by a FNMA approved 3rd party Vendor (e.g., The Work Number®) evidencing income from the most recent 1 or 2 years (as applicable) along with year-to-date earnings.
- When tax returns are required, as in the case of income earned from subject or non-subject investment property REO, the most recent one (1) year of tax returns should be provided. The definition of “most recent” is the last return scheduled to have been filed with the IRS. Any borrower who applied for a tax return extension must provide a copy of the extension in the credit file along with the prior one (1) year of tax returns based upon the documentation method selected.

Self-Employment Income

- Tax transcripts for the most recent one (1) year. In certain cases, tax returns will be required as transcripts will not provide the details required to establish eligible qualifying income for the borrower. Or
- The most recent one (1) year of tax returns (including evidence of filing). If applicable, both personal and business (including all K-1s and schedules), signed and dated by each borrower.
  - Evidence of filing may include one of the following:
    - IRS Form 8879 e-File Signature Authorization for the provider that prepared the return, or
    - E-mail provided from the software used to prepare the return showing successful submission of the return to the IRS.
    - If evidence of filing is not provided, tax transcripts for personal and corporate (IRS Form 1120) returns are required.

- If the borrower pays themselves wage income, a YTD paystub must be included in the file.
- When analyzing tax returns, the following may be added back to the applicant's income calculation:
  - Depreciation
  - Depletion
  - Business use of home
  - Amortization/casualty loss
  - Ordinary income (loss) from other partnerships
  - Nonrecurring other (income) loss
  - Any expense(s) that can reasonably be documented to be one-time and non-recurring
  - Net operating loss carryforwards from years prior to the tax returns provided
- If the tax return date exceeds 90 days from the note date, a YTD Profit and Loss Statement (P&L), signed and dated by the borrower, up to and including the most recent month preceding the loan application date and two (2) business checking account statements for the two (2) most recent months reflected on the P&L. The P&L may be either: prepared by a 3rd party or prepared by the borrower. If a gap exists between the tax return ending date and the start date of the YTD P&L, a gap-year P&L is also required. The qualifying income is determined from the tax returns; the P&L is used to determine the stability of that income. The bank statements for the two (2) most recent months must reflect deposits that support the sales from the P&L and the qualifying income from the prior year(s) tax returns.

7.5.3 Employment Status

In all cases, the borrower's current employment status is required. Employment status can be established as follows:

Wage/salary borrowers:

- A YTD paystub dated within 30 days of Note date, or
- A verbal VOE dated no more than 10 calendar days prior to Note date. Sellers may use any type of verification form. The VOE should include the following data:
  - Borrower name
  - Loan ID number
  - Current position
  - Verification that borrower's employment is currently active
  - Employer name/company name
  - Employer contact name and title
  - Name of individual who completed the VOE
  - Business phone number must be independently verified, or
- A verification via e-mail exchange with the borrower's current employer dated no more than 10 calendar days prior to Note date. Due diligence must be conducted to confirm the e-mail address for the employer is accurate. The VOE should include the following data:
  - Work e-mail address of the individual contacted at the employer
  - Borrower name
  - Current position
  - Current employment status

Self-Employed Borrowers:

- If the most recent tax return in the file is dated within 90 days of the note date, no additional verification required.
- If the tax return exceeds 90 days of the note date, a YTD Profit & Loss Statement (P&L) dated within 90 days of note date, along with the two most recent months of bank statements.

7.5.4 Other Sources of Income

Alimony or Child Support

Alimony or child support income is allowed with third-party documentation evidencing receipt of at least six (6) months. Document the support will continue for at least three (3) years by one of the following:

- Copy of final divorce decree or final separation agreement describing the payment terms.
- Any other type of written legal agreement or court decree describing the payment terms.

Auto Allowance

The borrower must have received payments for at least two (2) years. Add the full amount of the allowance to monthly income and the full amount of the lease or financing expenditure to the monthly debt obligations.

Capital Gains

Capital Gains income must be averaged over two (2) years and documented with the following:

- Most recent two (2) years of personal tax returns, including an IRS Form 1040, Schedule D.
- Third-party documentation to evidence that additional assets may be sold to support the qualifying income.
- The third-party documentation must evidence the capital gain income will continue for a minimum of three (3) years.

Capital losses do not have to be considered.

Disability Income – Long Term

Generally, long-term disability will not have a defined expiration date and should be expected to continue. Obtain a copy of the borrower's disability policy or benefits statement to verify the following:

- eligibility for the benefits,
- amount and frequency of payments, current proof of receipt,
- and if there is a contractually established termination or modification date.

Employed by a Relative

Income for borrowers who are employed by a relative must be verified using Full Standard Documentation for two (2) years, including the following:

- Federal income tax returns for the most recent two (2) years
- W-2s for the most recent two (2) years
- Paystub(s) covering the most recent 30-day period.

Clarification of the potential ownership of family-owned businesses by the borrowers may also be required. A borrower may be an officer of a family-operated business, but not an owner. Verification of a borrower's status should be provided by written confirmation obtained from a CPA or legal counsel.

Employment Offers or Contracts

For borrower(s) starting new employment, the loan file must contain a copy of an executed offer or contract plus the first paystub. The first paystub must be dated prior to the Note date.

Foreign Income

Foreign income is income earned by a borrower (US Citizen or Perm Resident Alien) who is employed by a foreign corporation or a foreign government and is paid in foreign currency. Borrowers may use foreign income to qualify if they provide copies of the following:

- Signed federal income tax returns or transcripts for the most recent two (2) years that include foreign income.
- Standard documentation requirements based upon the source and type of income.
- Any documents not in English or US currency must be translated.

Foster Care Income

Income received from a state or county sponsored organization for providing temporary care for one or more children may be considered acceptable stable income if the following requirements are met:

- Verify the foster-care income with letters of verification from the organizations providing the income.

- Documentation verifying that the borrower has received foster care income for a minimum one-year period.
- Qualifying income is based upon the current amount received.

Housing/Parsonage Income

Housing or parsonage income may be considered qualifying income if there is documentation that the income has been received for the most recent 24 months and the allowance is likely to continue for the next three (3) years. The following documentation is required:

- The two (2) most recent years of tax returns are required.
- Written documentation, such as a Written Verification of Employment (WVOE) provided by the church, must be obtained.
- The housing allowance, although not subject to federal income taxes, is subject to self-employment taxes. Gross income on Schedule SE of the borrower’s IRS Form 1040 should include the housing allowance paid.

The housing allowance may be added to income but may not be used to offset the monthly housing payment.

Interest/Dividends

Verify the borrower’s ownership of the assets on which the interest or dividend income was earned. Documentation of asset ownership must be in compliance with the 2 - Age of Document Requirements section.

- Document a two-year history of the income, as verified by copies of the borrower's federal income tax returns.
- Develop an average of the income received for the most recent two (2) years.
- Subtract any assets used for down payment or closing costs from the borrower’s total assets before calculating expected future interest or dividend income.

Non-Taxable Income

If the income is verified to be nontaxable, and the income and its tax-exempt status are likely to continue, the seller may develop an “adjusted gross income” for the borrower by adding an amount equivalent to 25% of the nontaxable income to the borrower’s income.

Notes Receivable Income

Note receivable income may be used for qualifying income subject to the following:

- Verify that the income can be expected to continue for a minimum of three (3) years from the date of the mortgage application.
- Obtain a copy of the Note to establish the amount and length of payment.
- Document regular receipt of income for the most recent 12 months using either cancelled checks, bank statements, or federal tax returns.
- Payments on a Note executed within the past 12 months, regardless of the duration, may not be used as stable income.

Pension, Retirement, Annuity

If retirement income is paid in the form of a distribution from a 401(k), IRA, or Keogh retirement account, determine whether the income is expected to continue for at least three (3) years after the date of the mortgage Note. In addition, the borrower must have unrestricted access to the accounts without penalty. Document regular and continued receipt of the income with the following:

- Pension/Social Security/VA
    - Award letter(s) from the organizations providing the income, or
    - Two prior years 1099-R will be acceptable in lieu of award letter, and
    - 30-days current proof of receipt

- 401K/Keogh/IRA
    - Account Statement(s) reflecting available balance for withdrawals.
    - One year 1099-R forms,
    - One month proof of current receipt.
    - Minimum history of withdrawals for 12-months required.

Rental Income

Rental income may be used for qualifying income subject to the following documentation requirements:

- Rental income from other properties must be documented with the borrower's most recent signed federal income tax return that includes Schedule E. Leases are required for properties where rental income is being used to qualify and the property was acquired during or subsequent to the most recent tax filing year or the rental property was out of service for an extended period. For commercial properties a copy of the lease or rent roll is required
- Proposed rental income from the comparable rent schedule, reflecting long term rental rates, may be used for qualifying if there is not a current lease or assignment of lease on purchase of an investment property
- Properties with expired leases that have converted to month to month per the terms of the lease will require bank statements for the lesser of 2 months or the time period after the lease expired
- A 25% vacancy factor must be applied to the gross rent used for qualifying. Multiply the gross rent by 75% and subtract the PITIA to arrive at the rental income/loss used for qualifying
- Commercial properties owned on schedule E must be documented with a rent roll and evidence that the primary use and zoning of the property is commercial

- Application of Rental Income:
    - Primary Residence
        - The monthly qualifying rental income (as defined above) must be added to the borrower's total monthly income. (The income is not netted against the PITIA of the property.)
        - The full amount of the mortgage payment (PITIA) must be included in the borrower's total monthly obligations when calculating the debt-to-income ratio.

    - Investment Property
        - If the monthly qualifying rental income (as defined above) minus the full PITIA is positive, it must be added to the borrower's total monthly income.
        - If the monthly qualifying rental income minus PITIA is negative, the monthly net rental loss must be added to the borrower's total monthly obligations.
        - The full PITIA for the rental property is factored into the amount of the net rental income (or loss); therefore, it should not be counted as a monthly obligation.
        - The full monthly payment for the borrower's principal residence (full PITIA or monthly rent) must be counted as a monthly obligation.

Restricted Stock Units

Restricted stock units (RSUs) are issued to an employee through a vesting plan and distribution schedule. RSUs give an employee interest in company stock but have no tangible value until vesting is complete. The RSUs are assigned a fair market value when they vest and are considered ordinal income with a portion of the shares withheld to pay income taxes upon vesting. The employee receives the remaining shares and can sell them at their discretion. Restricted stock options may be used as qualifying income when all the following requirements are met:

- Income has been consistently received for the prior two (2) years and is verified it will continue for three (3) years.
- RSU income is calculated using the past two (2) year average.
- If the RSU income is declining, proof of stability must be provided, and the most conservative average used for qualifying.
- Borrowers must be employed at the same company that issued the RSUs.
- Employer must be a publicly traded entity (e.g., a Fortune 500 company).
- Non-vested restricted stock is not an acceptable source of income or reserves.
- Vested RSUs may not be considered as qualifying income if they are also used for down payment, closing costs, and/or reserves.

The following documentation is required:

- Evidence that stock is publicly traded.
- The most recent vesting schedule or issuance agreement showing continuance of RSU income.
- Evidence of the payouts of RSUs for the past two (2) years. Acceptable verification includes any of the following:
    - Tax returns for the last two (2) years, reflecting RSU income.
    - Year-end paystubs reflecting the RSU payout.

- An employer-provided statement paired with a brokerage or bank statement, showing the transfer of shares or funds, that includes the (a) date of the payout and (b) the number of vested shares and their cash equivalent distributed to the borrower.

Royalty Income

- Obtain copies of the following:
  - Royalty contract, agreement, or statement confirming amount, frequency, and duration of the income.
  - The borrower's most recent signed federal income tax return, including IRS Form 1040 and Schedule E.
- Confirm that the borrower has received royalty payments for at least 12 months and that the payments will continue for a minimum of three (3) years after the date of the mortgage Note.

Teacher Income

Teachers are paid on a 9-month, 10-month, or 12-month basis. The pay structure should be determined before calculating the monthly income. If unable to determine the pay frequency, documentation such as a copy of their contract or documents from the school district's personnel office may be required.

Tip Income

Tips and gratuity income may be considered if the receipt of such income is typical for the borrower's occupation (i.e., waitperson, taxi driver, etc.). Tip income should be received for at least two (2) years.

Documentation will be based upon the documentation type selected (12 or 24 months). Obtain one (1) or two (2) years of federal income tax returns along with a year-to-date paystub. Income should be averaged over the time-period verified. If the tip income is not reported on the paystubs or tax returns, then it may not be included in qualifying income.

Trust income

Confirm the trust income by obtaining a copy of the trust agreement or the trustee's statement confirming the amount, frequency, and duration of payments:

- Trustee statement evidencing borrower is a beneficiary and income will continue for three (3) years.
- If the borrower creates the trust as trustee, the assets within the trust must be verified with 3rd party documentation (i.e., bank statements). Income will be calculated using asset utilization methodology.
- Unless this income is received monthly, documentation of current receipt of the income is not required if the income is on the borrower's most recent tax return.

Unemployment Benefit Income

Income derived from unemployment compensation is generally not allowed due to the limited duration of its receipt. Seasonal unemployment, however, can be considered if the borrower is employed in a field where weather affects the ability to work, and where unemployment compensation is often received (i.e., construction). The income can be used to qualify with a two-year employment history in the same field of work and a two-year history of receipt of unemployment compensation. Income should be averaged over the time-period verified.

VA Benefits

Document the borrower's receipt of Veteran Administration (VA) benefits with a letter or distribution form from the VA, along with a one-month proof of receipt. Verify that the income can be expected to continue for a minimum of three (3) years from the date of the mortgage Note. (Verification is not required for VA retirement or long-term disability benefits.) Education benefits are not acceptable income because they are offset by education expenses.

Variable – Overtime/Bonus/Commission

Variable income sources are eligible provided the borrower has a minimum 2-year history of receiving such income in the same line of work. Variable income earned for less than one (1) year may not be used for qualifying income.

Variable earnings must be averaged over the most recent one (1) or two (2) years based upon the documentation type, and include the following:

- Most recent year-to-date pay stub reflecting the variable earnings;
- W-2 forms covering the most recent 1-year or 2-year period;
- A completed Written Verification of Employment – FNMA Form 1005 detailing base, overtime, commission, or bonus earnings.

Ineligible Income Sources

- Boarder income
- Educational benefits
- Gambling winnings
- Mortgage Credit Certificates
- Mortgage Differential Payments
- Refunds of federal, state, or local taxes
- Cannabis (see below)

Guidelines for income derived from cannabis:

- Self-employed income (active or passive) derived from a company involved in cultivation, transportation, retailing, etc. is not allowed regardless of percentage of company ownership.
- Income from borrowers who are wage earners in the industry are allowed.

7.6 Alt Doc – Bank Statements

Personal bank statements or business bank statements may be used to document self-employment income.

Bank statements may be obtained from the borrower, or the Seller can use a third-party asset vendor participating in the Fannie Mae Day 1 Certainty® process.

The MK Lending Business Bank Statement calculator is available for download from the www.mklending.com website.

7.6.1 Restrictions (Applies to Personal/Business Bank Statements and P&L Methods)

- See the MK Lending Matrices for maximum LTV and DTI.
- Borrowers must be self-employed for at least two (2) years. The employment section of the URLA must be completed with a minimum of two (2) years self-employment history.
- The business being used to source income must be in existence for a minimum of two (2) years as evidenced by one of the following:
  - CPA Letter, or
  - Business License, or
  - Bank statement from 24 or more months prior to note date reflecting activity, or
  - Other reasonable evidence of business activity.
- Minimum credit score is 600.
- Nonprofit Entity not eligible
- Income and expense documentation must be prepared or validated by an acceptable 3rd party source with knowledge of the borrower's business.
- Funds/Deposits in a IOLTA (Trust) ineligible source
- Tax returns and 4506-C are not required for the bank statement program.
- Alt Doc income may be combined with other income sources that are documented as Standard Doc but not associated with self-employment, such as wage income from spouse or domestic partner. When wage income is combined with Alt Doc, a tax return is not required for the standard full income documentation. If the 4506- C form is provided, Box 8 should be checked to obtain a transcript of W-2 earnings.

7.6.2 Bank Statement Options/Income Analysis

In addition to the factors described in the 7.1 – Income Analysis section of this guide, Sellers should consider the following:

- Deposits should be reviewed for consistency.
- Deposits from alternative payment processing applications (i.e., Square, Venmo) are eligible.
- Inconsistent or large deposits should be sourced or excluded from the analysis. The definition of an inconsistent or large deposit is any deposit exceeding 50% of the average monthly sales of the business.
- Changes in deposit pattern must be explained.
- Income documented separately, but included as deposits in the statement under review, must be backed out of deposits.

Personal Bank Statement Review

A **personal bank account** is held in the individual borrower(s) name. The following documentation requirements and analysis methods apply:

Documentation Requirements

- 12 months of consecutive PERSONAL bank statements, the most recent statement dated within 90-days of the note date.
- Most recent two (2) months of BUSINESS bank statements.
- Verify that the borrower owns 20% of the business by providing one of the following:
  - CPA letter, Tax Preparer letter, operating agreement, or equivalent, reflecting the borrower's ownership percentage.

Calculation Method

- Only transfers or deposits from the business account(s) are eligible deposits. Qualifying income calculated using the sum of the total eligible deposits from the statements reviewed divided by the number of statements. The most recent bank statement must be consistent with the qualifying income.
- If the personal account is jointly owned, and the joint owner is not an owner of the business, deposits that are not readily identifiable as transfers from the business accounts or business deposits must be excluded unless sourced.
- ATM deposits may be included if a consistent pattern of such deposits is present.
- Two (2) months of business bank statements, which must:
  - Evidence activity to support business operations.
  - Reflect transfers to the personal account.

Business and Co-Mingled Bank Statement Review

A **business bank statement** used for ongoing operations of the business must reflect the name of the business as completed on the URLA or loan application.

- Verify that the borrower has ownership of at least 25% of the business by providing one of the following:
  - CPA letter, Tax Preparer letter, operating agreement, or equivalent; reflecting the borrower's ownership percentage.
- Net income from the analysis of the bank statements is multiplied by the borrower's ownership percentage to determine the borrower's qualifying income.

A **co-mingled bank statement** is a personal account used by a borrower for both business and personal use. A separate business account is not required.

- Verify that the borrower has 100% ownership of the business by providing one of the following:
  - CPA letter, Tax Preparer letter, operating agreement, or equivalent; reflecting the borrower's ownership percentage.
- The borrower must be the sole owner of the business listed on the URLA or loan application
- Borrower and spouse with combined 100% ownership of the account are eligible

Business and Co-Mingled Bank Statement Review (Continue)

Standard Expense Ratio – (50%)

Documentation Requirements

- A standard 50% expense factor will be applied to the total of eligible deposits.
- 12 months of consecutive business bank statements, the most recent statement dated within 90 days of the note date.
- If the business operates more efficiently or typically has a materially different expense factor (higher or lower than standard expense factor), then an expense factor from a CPA/accountant, IRS Enrolled Agent, tax preparer or P&L may be used to determine qualifying income.

Income Calculation Method

- Total deposits from all bank statements, less any inconsistent deposit(s), multiplied by 50%, multiplied by ownership percentage, divided by the number of bank statements reviewed.
- Deposits x (.50) x (ownership %) / 12 = qualifying income
  - Example: $360,000 x .50 = $180,000 x 1.00 = $180,000 / 12 = $15,000

3rd Party Prepared Business Expense Statement Letter

Documentation Requirements

- 12 months of consecutive business bank statements, the most recent statement dated within 90-days of the note date and;
- Business expense statement letter to include:
  - Name of the business
  - Business expenses as a percentage of the gross annual sales/revenue
  - Prepared or reviewed by a 3rd party with knowledge of the business (e.g., CPA/accountant, IRS Enrolled Agent, or tax preparer)
  - Signed by the 3rd party preparer/reviewer

Income Calculation Method

- Total expenses are calculated by multiplying the total deposits by the expense factor provided (subject to a minimum total expense percentage of 10%), multiplied by ownership percentage, divided by the number of bank statements.
- Deposits x (expense ratio) x (ownership %) / 12 = qualifying income.
  - Example: $360,000 x .75 = $270,000 x .50 = $135,000 / 12 = $11,250

3rd Party prepared P&L Statement

Documentation Requirements

- 12 months of consecutive business bank statements, the most recent statement dated within 90-days of the note date and;
- P&L covering 12 months (determined by the months of bank statements provided),
- prepared or reviewed and acknowledged by a CPA/accountant, IRS Enrolled Agent, or tax preparer. Documentation is required to evidence the preparer's business.

Income Calculation Method

- P&L Sales/Revenue must be supported by the provided bank statements. Total deposits reflected on the bank statements, minus any inconsistent deposits, must be greater than or no more than 20% below the sales/revenue reflected on the P&L. The bank statements and P&L must cover the same time period. If the deposits support the sales, qualifying income is the lower of:
  - The Net Income indicated on the P&L divided by the number of statements (12), or
  - Total deposits reported on the bank statements, minus any inconsistent deposits, divided by the number of statements (12).
- When analyzing the P&L Statement, the following may be added back to the applicant's income calculation:
  - Depreciation
  - Depletion
  - Amortization/casualty loss

7.4.3 Non-Sufficient Funds

Non-sufficient funds (NSF) or negative balances reflected on the bank statement must be considered. Overdraft protection fees associated with a pre-arranged link to a savings account or line of credit must also be considered unless one of the following conditions exist:

- Overdraft protection from a depository account: Occurrences may be excluded if statements for the linked account confirm that (a) the linked account balance at the time of the transfer exceeded the amount of the overdraft transfer, (b) the linked account's balance did not report as zero or negative at any point during the statement period of the transfer, and (c) the linked account did not itself receive overdraft protection proceeds during the statement period of the transfer.
- Overdraft protection from a line of credit: Occurrences may be excluded if statements for the linked account confirm that (a) the line's credit limit was not exceeded during the statement period of the transfer, and (b) a payment amount which equals or exceeds the sum of all overdraft protection occurrences analyzed in the statement period is made within 30 days after the statement close date.
- Occurrences included in the analysis are subject to the following tolerances:
    - An occurrence is defined as one or more checks returned the same day.
    - If there are one (1) or more occurrences in the most recent three-month time period, up to three (3) occurrences are allowed in the most recent 12-month time period.
    - If there are zero (0) occurrences in the most recent three-month time period, up to five (5) occurrences in the most recent 12-month time period are acceptable.
- Exception requests for tolerance deviations must include (a) a letter of explanation from the borrower outlining the reason for the occurrences and an explanation of how and when the issue leading to the occurrences was rectified, and (b) additional compensating factors outlined by the underwriter supporting the viability of income.
- The underwriter must consider the financial strength of a self-employed borrower's business.

7.7 Alt Doc – Rental Income

Rental income may be included in loan qualification for Alt Doc income types, to be considered the following documentation must be provided:

- **Long Term Rental:**
    - A copy of the lease(s) for the rental property.
    - Must provide two (2) months of proof of the receipt of rental income. The deposits must be to a separate bank account. Any deposits in the business bank statements used in the business income analysis are not eligible.
        - 75% of the verified monthly rental income can be used to offset the PITIA of the rental property.
        - If the deposits cannot be validated in a separate account, the full PITIA of the rental unit must be included in the qualifying DTI ratio.
    - If the transaction type is a purchase of an investment property, and income from the subject property is considered in the underwriting, proposed rental income from the comparable rent schedule, reflecting long term rental rates, may be used for qualifying if there is not a current lease or assignment of lease.

- **Short Term Rental:**
    - Property leased on a short-term basis utilizing an on-line service such as Airbnb gross monthly rents can be determined by using a 12-month look back period to account for seasonality.
    - Rents for the look back period must be documented with either 12-monthly statements or an annual statement provided by the on-line service. In the event the borrower owns a single rental property, bank statements with deposits clearly identified/sourced as rental income can be substituted. If two or more rental properties owned, statements from an online service must be provided to associate rents received with the specific property.
        - 75% of the verified monthly rental income can be used to offset the PITIA of the rental property.
    - A screen shot of the online listing must show the property(s) activity marketed as a short-term rental

- **Application of Rental Income:**
  - **Primary Residence**
    - The monthly qualifying rental income (as defined above) must be added to the borrower's total monthly income. (The income is not netted against the PITIA of the property.)
    - The full amount of the mortgage payment (PITIA) must be included in the borrower's total monthly obligations when calculating the debt-to-income ratio.
  - **Investment Property**
    - If the monthly qualifying rental income (as defined above) minus the full PITIA is positive, it must be added to the borrower's total monthly income.
    - If the monthly qualifying rental income minus PITIA is negative, the monthly net rental loss must be added to the borrower's total monthly obligations.
    - The full PITIA for the rental property is factored into the amount of the net rental income (or loss); therefore, it should not be counted as a monthly obligation. The full monthly payment for the borrower's principal residence (full PITIA or monthly rent) must be counted as a monthly obligation.

7.8 Alt Doc – CPA/EZ Profit & Loss Statement Only

Permitted for self-employed borrowers with a minimum of 25% ownership of the business. The Profit & Loss Statement (P&L) must be prepared by a 3rd party Certified Public Accountant (CPA), an IRS Enrolled Agent (EA), or a CTEC registered tax preparer.

- **Required documentation**
  - 12-Month CPA, EA, or CTEC compiled P&L Statement representing total business sales and expenses for the time period covered by the P&L Statement.
  - Preparer to provide a signed document with the following:
    - Confirmation of review or completion of the most recent tax return or financial statement(s); and
    - Indicate borrower's ownership percentage of the business.
  - Current/active state CPA license number as verified by license or screenshot from state licensing authority.
  - Current/active IRS Enrolled Agent (EA) certification from IRS (e.g., screenshot of IRS web site).
  - Current/active CTEC certification from California (e.g., screenshot of CTEC web site).

- **Qualifying income:**
  - Net income from the P&L Statement divided by the time period covered (12-months) multiplied by the borrower's ownership percentage.
  - Expenses on the P&L must be reasonable for the industry, MK Lending reserves the right to request additional information.

- **The following may be added back to the qualifying income calculation:**
  - Depreciation.
  - Depletion.
  - Amortization/casualty loss.

7.9 Alt Doc – IRS Form 1099

Permitted for individual(s) earning 100% commission or for independent contractors.

- 1-year of 1099s or 1099 transcript(s) permitted
  - One of the following Business expense analysis methods:
    - 90% Net Margin (10% Expense Factor), or
    - 3rd Party prepared P&L (CPA, EA, accountant, tax preparer)
- A minimum 2-year self-employment history is required (e.g., 1099 income) as documented from the Employment section of the loan application.
- Qualifying income is the 12 monthly average from the total number of 1099's minus the expense factor from the method chosen above

- YTD earnings must be documented when the 1099 reporting period is greater than 90 days from the note date. YTD earnings must support the ongoing receipt of income shown on the 1099s by:
  - Checks or a single check stub(s) with YTD totals if available, or
  - Bank statements (YTD).
    - The YTD earnings from the total of check stubs or the tally of deposits from bank statements must be within 10% or greater than prior year earnings.
- The Alt Doc Loan/LTV matrix should be utilized, see the Product Matrices.

7.10 Alt Doc – Written Verification of Employment (WVOE)

A written Verification of Employment may be utilized when documenting wages/salary income. The following criteria applies:

- Two year history with the same employer is required.
- Completed FNMA Form 1005
- Minimum credit score:
  - Prime - 660
- Primary Residence Only
- 24-month 0x30 housing history required.
- Paystubs, Tax Returns, 4506-C, or W-2's not required.
- Eligible for Prime only
  - See Loan/LTV matrix for restrictions.
- Must be completed by Human Resource, Payroll Department or Officer of the Company.
- Two (2) Months Personal Bank Statements required to support the WVOE. The bank statements must reflect deposits from the employer supporting at least 65% of gross wage/salary reflected on the WVOE.
- First-Time Home Buyer maximum LTV 70%, no gift funds allowed.
- Borrower(s) employed by family members or related individuals are not eligible.
- An internet search of the business is required with documentation to be included in the credit file to support the existence of the business.
- Other sources of income, documented using Alt Doc, are eligible and can be used to determine total household qualifying income.
  - For the borrower utilizing the WVOE, no other active employment income may be utilized, passive income such as rental income can be included.

7.11 Alt Doc – Asset Utilization

Asset Utilization may be used as the sole source of income for loan qualification or to supplement other income sources. When used to supplement other income sources, the minimum asset requirements under the qualification method is waived.

7.11.1 Restrictions

- Minimum 660 credit score
- See MK Lending Matrices for the max LTV
- See MK Lending Matrices for Max DTI
  - DTI limits:
    - First-time homebuyer: 45%
    - Less than 12-months housing history: 43%
- Non-occupant co-borrowers not allowed
- Gift funds not eligible

7.11.2 Asset Utilization Qualifying Method

Debt Ratio Calculation: Minimum Eligible Assets required is the lower of $1,000,000 or 150% of the loan balance. Qualifying income based upon Total Assets Eligible for Depletion, less down payment, less out of pocket closing costs, less required reserves, divided by 84.

7.11.3 Asset Utilization Income Documentation

Required documentation consists of the following:

- All individuals listed on the asset account(s) must be on the Note and Mortgage;
- Assets considered for this program must be verified with most recent three (3) monthly account statements, quarterly statement, or a VOD;
- Assets must be seasoned 120-days;
- Income other than Asset Utilization must be documented in accordance with the Prime program.

7.11.4 Assets Eligible for Depletion

Assets must be liquid and available with no penalty; additional documentation may be requested to validate the origin of the funds:

- 100% of Checking, Savings, Money Market Accounts, and US Treasuries with maturity < 1-year;
- 100% of the cash surrender value of life insurance less any loans may be considered for assets;
- 70% of Stocks, Bonds, and Mutual Funds;
- 70% of Retirement Assets: Eligible if the borrower is of retirement age (at least 59 ½);
- 60% of Retirement Assets: Eligible if the borrower is not of retirement age.

Eligible trust assets include:

- Assets held in a revocable trust where the trustee to the trust is the borrower.
- Assets in an irrevocable trust where the borrower is the beneficiary, and the borrower has immediate access to the assets of the trust.
- Based upon the assets held in the trust, the above asset percentages apply.

7.11.5 Assets Ineligible for Depletion

- Equity in Real Estate;
- Privately traded or restricted/non-vested stocks;
- Any asset which produces income already included in the income calculation:
- Any assets held in the name of a business;
- Assets held in an irrevocable trust where the beneficiary of the trust is not the borrower;
- Assets held in a charitable giving trust, donor advised fund, or similar entity where the intended beneficiary is not the borrower.

8 Debt Service Coverage (Investment Property)

Debt Service Coverage Ratio transactions are available to experienced investors purchasing or refinancing investment properties for business purposes. The typical borrower is expected to have a history of managing income-producing rental properties or has a significant equity down payment in a purchase transaction. The borrower is required to execute a Borrower Certification of Business Purpose and an Occupancy Certification. For examples of these forms, see the following links: Borrower Certification of Business Purpose / Occupancy Certification.

8.1 Borrower Experience

8.1.1 Experienced Investor

- An experienced investor is an individual borrower having a history of owning and managing commercial or non-owner occupied residential real estate for at least one (1) year in the last three (3) years. For files with more than one borrower, only one borrower must meet the definition.
- Experience can be documented by one of the following:
    - Complete the REO schedule on the FNMA 1003 loan application, or

- Provide a property profile report, or
- Other 3rd party documentation

8.1.2 First-Time Investor

First-Time Investor is a borrower not meeting the Experienced Investor definition, but who currently owns a primary residence for at least one (1) year.

First Time Investors are eligible subject to the following restrictions:

- Minimum credit score: 680
- If reported, no mortgage late payments during the past thirty-six (36) months.
- Minimum of 36-months seasoning from any credit event
- Cash-out transactions not eligible
- First time homebuyers not eligible

DSCR transactions are considered business purpose loans and monthly cash flow is used to determine a DSCR ratio. A DSCR ratio greater than 1.00 reflects a positive monthly cash flow and a DSCR ratio less than 1.00 reflects a negative monthly cash flow but is typically offset by the value of the property securing the loan.

8.2 1-4 Family Residential Property

8.2.1 Property Income Analysis

Gross monthly rents are used to determine the DSCR. A 1007 or 1025 Comparable Rent Schedule survey prepared by the appraiser is required on all DSCR transactions. See the appropriate Long Term or Short Term requirements below for rental income documentation and DSCR calculation.

Long Term Rental Documentation and DSCR Calculation

- **Purchase Transactions**
  - 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.
  - A vacant or unleased property is allowed without LTV restriction.

- **Refinance Transactions**
  - Required documentation:
    - FNMA Form 1007 or 1025 reflecting long term market rents, and lease agreement.
    - If the lease has converted to month-to-month, then provide the most recent two (2) months proof of receipt to evidence continuance of lease. If unable to provide evidence of receipt, the unit will be treated as vacant and subject to the 5% LTV reduction and use of market rent.
  - Monthly Gross Rents are determined by the higher of actual lease amount or market rent from 1007/1025. If using a higher monthly 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 or 1025. If the actual rent exceeds the market more than 120%, the rents are capped at 120%.
  - A vacant or unleased property is allowed, and the maximum LTV allowed is restricted by 5%.

- **DSCR Calculation**
  - Debt Service Coverage Ratio is the Monthly Gross Rents divided by the PITIA of the subject property. See the MK Lending Eligibility Matrix for required Debt Service Coverage Ratios.
  - Gross rents divided by PITIA = DSCR

Short Term Rental (e.g., AIRBNB, VRBO, FLIPKEY) Documentation and DSCR Calculation

Short term rentals are properties which are leased on a nightly, weekly, monthly, or seasonal basis.

- **Short Term Rental Income – Purchase and Refinance Transactions**
  - A 5% LTV reduction applies to all transactions using short term rental income when the DSCR is >= 1.00 (Excludes Condo Hotel projects). When the DSCR is < 1.00, the sub-1.00 DSCR Eligibility Matrix must be used.
  - DSCR calculation:
    - 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.
    - (Gross Rents * .80) divided by PITIA = DSCR.

- **Any of the following methods may be used to determine gross monthly rental income:**
  - A 1007 or 1025 Comparable Rent Schedule survey prepared by the appraiser reflecting long-term or short-term market rents.
  - The most recent 12-month rental history statement from the 3rd party rental/management service.
    - The statement must identify the subject property/unit, rents collected for the previous 12 months, and all vendor management fees. The rental income will exclude all vendor or management fees.
  - The most recent 12-month bank statements from the borrower evidencing short term rental deposits. Borrower must provide rental records for the subject property to support monthly deposits.
  - AIRDNA (www.Airdna.co) Rentalizer and Overview reports must meet the following requirements:
    - Rentalizer (Property Earning Potential).
      - Only allowed for purchase transaction
      - Gross Rents equal the revenue projection from the Rentalizer Report.
        - The gross rents are subject to the application of the 20% extraordinary expense factor.
        - Revenue projection equals the average daily rental rate times the occupancy rate
      - Forecast Period must cover 12 months from the Note date
      - The occupancy rate must be > 60%
      - Must have five (5) comparable properties, all within the same ZIP code
      - Must be similar in size, room count, amenities, availability, and occupancy
      - Maximum occupancy limited to 2 individuals per bedroom.

- **Overview report (Evaluate a Market):**
  - Market grade by zip code
  - Market grade must be 60 or greater.

8.2.2 Debt Service Coverage Ratio (DSCR)

Debt Service Coverage Ratio is the Monthly Gross Income divided by the PITIA (or ITIA for interest-only loans) of the subject property. See the MK Lending Eligibility matrix for required Debt Service Coverage Ratios. See Section 1.3 for further guidance regarding Qualifying Payments.

EXAMPLE: SAMPLE DEBT SERVICE COVERAGE RATIO CALCULATION

Single Family Purchase Money Transaction
Monthly PITIA = $650
Estimated Monthly Market Rent (FNMA Form 1007) = $850
Existing Lease Monthly Rent = Not Available
Use Market Rent of $850 (Estimated Monthly Market Rent when a lease is not available for a purchase transaction).
Gross Rents ($850) ÷ PITIA ($650) = DSCR (1.30)

8.2.3 Housing History – DSCR

Housing history for the DSCR Doc type is limited to verifying the borrower's primary residence and the subject property if a refinance transaction. The documentation requirements under Section 5.4 – Housing History should be followed for verification.

Housing History

- Any mortgage reported on the credit report for any property owned by the borrower needs to be included in the housing history eligibility.
- For any non-subject property, non-primary mortgages not reporting to the credit bureau, additional housing history is not required.
- For refinance transactions of the subject property, when the existing financing is a Paid In Kind (PIK) loan, a copy of the note must be provided in the credit file to determine required payments. Notes allowing interest to accumulate during the term of the loan are eligible.

8.2.4 Restrictions

- See the MK Lending Matrices for the maximum LTV/CLTV.
- If the loan amount is < $150,000 the minimum DSCR is 1.25.
- Minimum credit score of 620.
- No rural properties maximum 2-acres.
- Gift funds permitted after a minimum 10% borrower contribution, documented per 6.2 – Asset Documentation
- The borrower may not occupy the subject property at any time.
- Cash-out on an investment property where loan proceeds are used for consumer purposes.

8.2.5 Borrower Application

- The borrower information section of the loan application (i.e., FNMA Form 1003) should be completed.
- The borrower's contact information must be provided on the loan application (i.e., FNMA Form 1003).
- No proof of borrower income is required.

8.2.6 Default Event

If a loan payment is delinquent for 60 days, MK Lending Corp.'s loan servicer will enforce the following provision from the 1-4 Family Rider (FNMA Form 3170): Paragraph "G" – Assignment of Leases.

8.3 5-8 Family Residential Property

8.3.1 Property Income Analysis

- Minimum DSCR >= 1.00
- DSCR = Eligible monthly rents/PITIA (Loans with an interest only feature may use the ITIA payment)
- Leased – Use lower of Estimated market rent or lease agreement.
- Vacant Unit(s) – Use 75% of market rents. Max: 1 vacancy on 2-3 Unit properties: 2 vacancies on 4+ Units.
- Reduce qualifying rents by any management fee reflected on appraisal report.
- Copies of any existing leases must be provided (Purchase and Refinance transactions).
- Income from commercial space must not exceed 49% of the total property income.
- Short-term rental use/income not eligible.

8.3.2 Borrower Experience

- Experienced Investors only, borrower must have a history of owning and managing commercial or non-owner occupied residential real estate for at least 1 year in the last 3 years.
- First-time investors are not eligible.

8.3.3 Eligible Property

- Residential unit(s) not permitted to be occupied by the borrower or the borrower's immediate family.

Eligible Property

- Residential 5 – 8 Units (Max 2-acres)
- Unleased Units
  - Maximum 1-unit on 2-3 unit property
  - Maximum 2-units on 4+ unit property

8.3.4 Property Condition

- No Fair or poor ratings.
- No environmental issues (Storage or use of hazardous material i.e., Dry Cleaners, Laundromat)
- No health or safety issues (As noted by appraiser, i.e., broken windows, stairs)
- No excessive deferred maintenance that could become a health or safety issue for tenants
- No structural deferred maintenance, (i.e., Foundation, roof, electrical, plumbing)

8.3.5 Prepayment Penalty

Eligible prepayment penalties limited to a fixed percentage

8.3.6 Eligibility Requirement

The maximum loan term cannot exceed 30 years.

8.3.7 Assets

For asset documentation requirements, follow Investor Solutions - DSCR 1-4 Family Residential guidelines. Gift funds are not allowed for 5-8 Residential

9 Property Eligibility

9.1 Appraisals

9.1.1 First Lien Appraisal Requirements 1-4 Unit Residential

MK Lending reserves the right to review all valuation reports and determine if the subject property value is supported.

Appraisers must meet all industry standards and be State Certified. State Licensed Appraisers and Trainees are not permitted. All real estate appraisals must be performed according to the Uniform Standards of Professional Appraisal Practice (USPAP) and Fannie Mae® guidelines, including Universal Appraisal Dataset (UAD) requirements. Appraisal assignments must be obtained in a manner that maintains appraiser independence and does not unduly influence the appraiser to meet a predetermined value. MK Lending reserves the right to restrict the use of any specific appraiser and/or appraisal management company at its discretion.

Sellers are responsible for reviewing the appraisal report for accuracy, completeness, and its assessment of the marketability of the subject property. The Seller needs to determine that the subject property provides acceptable collateral for the loan. For guidance in the manual review of an appraisal report, see the Appraisal Review Guide.

The age and price of the subject property should fall within the age and price range of properties in the subject neighborhood. Comparable properties should be selected from the same neighborhood when possible. Selection of a comparable outside the subject neighborhood should be addressed within the report. For condominiums, at least one comparable should be from outside the subject project. Ideally, comparable sales should be within six months of the report date. Older comparable sales that are the best indicator of value should be addressed in comments by the appraiser.

A Full Interior/Exterior appraisal report, including color photographs, requires use of one of the following forms depending on the property type:

- Uniform Residential Appraisal Report – Fannie Mae®/Freddie Mac Forms 1004/70
- Small Residential Income Property Report – Fannie Mae®/Freddie Mac Forms 1025/72
- Individual Condominium Unit Appraisal Report – Fannie Mae®/Freddie Mac Forms 1073/465
- Appraisal Update and/or Completion Report – Fannie Mae®/Freddie Mac Forms 1004D/442
- Single Family Comparable Rent Schedule – Fannie Mae®/Freddie Mac Forms 1007/1000

Sellers must order appraisals using one of two processes. The appraisal must either be ordered through an Appraisal Management Company (AMC) that complies with Appraiser Independence Requirements (AIR), or via the correspondent's own AIR-compliant process.

Appraiser License and Certification

The appraisal report forms identify the appraiser as the individual who:

- Performed the analysis, and
- Prepared and signed the original report as the appraiser.

This does not preclude appraisers from relying on individuals who are not state-licensed or state-certified to provide significant professional assistance, such as an appraiser trainee.

An unlicensed or uncertified appraiser, or trainee (or some other similar classification) may perform a significant amount of the appraisal (or the entire appraisal if they are qualified to do so). If an unlicensed or uncertified individual provides significant professional assistance, they must sign the left side of the appraisal certification as the Appraiser if:

- They are working under the supervision of a state-licensed or state-certified appraiser as an employee or sub-contractor,
- The right side of the appraiser certification is signed by that supervisory appraiser, and
- It is acceptable under state law.

Appraisal Age

When an appraisal report will be more than 120 days old on the date of the Note, regardless of whether the property was appraised as proposed or existing construction, the appraiser must inspect the exterior of the property and review current market data to determine whether the property has declined in value since the date of the original appraisal. This inspection and the results of the analysis must be reported on the Appraisal Update and/or Completion Report (FNMA Form 1004D).

- If the appraiser indicates on FNMA Form 1004D that the property value has declined, then the seller must obtain a new appraisal for the property.
- If the appraiser indicates on FNMA Form 1004D that the property value has not declined, then the seller may proceed with the loan in process without requiring any additional fieldwork.

Not eligible for MK Lending purchase: Properties for which the appraisal indicates condition ratings of C5 or C6, or a quality rating of Q6, as determined under the Uniform Appraisal Dataset (UAD) guidelines. MK Lending will consider purchase if the issue has been corrected prior to loan funding and with proper documentation.

Second Appraisal

A second appraisal is required when any of the following conditions exist:

- The loan balance exceeds $2,000,000 for either a single property loan or the allocated loan balance of a property within a cross-collateral loan.
- (2nd appraisal not required when Form 71A Multifamily or a commercial narrative report utilized).
- The transaction is a flip as defined in the Property Flipping section of this guide.
- As required under the Appraisal Review Products section of this guide.

When a second appraisal is provided, the transaction's "Appraised Value" will be the lower of the two appraisals. The second appraisal must be from a different company and appraiser than the first appraisal.

Appraisal Evaluation

Neighborhood Analysis

- Neighborhood boundaries should be described using the four (4) cardinal directions, streets, waterways, other geographic features, and natural boundaries that define the separation of one neighborhood from another.
- Neighborhood characteristics should be described with types and sizes of structures, architectural styles, current land uses, site sizes, and street patterns or designs.
- Factors that affect value and marketability should be mentioned in as much detail as possible – e.g., proximity of the property to employment and amenities, public transit, employment stability, market history, and environmental considerations.

Existing Construction

- If the appraiser reports the existence of minor conditions or deferred maintenance items that do not affect the safety, soundness, or structural integrity of the property, the appraiser may complete the appraisal "as is." These items must be reflected in the appraiser's opinion of value.
- When there are incomplete items or conditions that do affect the safety, soundness, or structural integrity of the property, the property must be appraised subject to completion of the specific alterations or repairs. These items can include a partially completed addition or renovation, or physical deficiencies that could affect the safety, soundness, or structural integrity of the improvements, including but not limited to, cracks or settlement in the foundation, water seepage, active roof leaks, curled or cupped roof shingles, or inadequate electrical service or plumbing fixtures. In such cases, the Seller must obtain a certificate of completion from the appraiser before the mortgage is delivered to MK Lending.
- Permanent and Functioning Heat Source - A permanent heat source is required except for properties located in geographic areas where it is typical not to have heat source and has no adverse effect on marketalitity.

Subject Section

The appraiser is required to research and identify whether the subject property is currently for sale or if it has been offered for sale in the 12 months prior to the effective date of the appraisal. If the answer is 'No,' the data source(s)

used must be provided. If the answer is 'Yes,' the appraiser must report on each occurrence or listing and provide the following information:

- Offering price(s)
- Offering date(s)
- Data source(s) used
- For example, if the subject property is currently listed for sale and was previously listed eight months ago, the appraiser must report both offerings.

Actual and Effective Ages

There is no restriction on the actual age of the dwelling. Older dwellings that meet general requirements are acceptable. Improvements for all properties must be of the quality and condition that will be acceptable to typical purchasers in the subject neighborhood. The relationship between the actual and effective ages of the property is a good indication of its condition. A property that has been well-maintained generally will have an effective age somewhat lower than its actual age. On the other hand, a property that has an effective age higher than its actual age probably has not been well-maintained or might have a specific physical problem. In such cases, the Seller should pay particular attention to the condition of the subject property in its review of any appraisal report. When the appraiser adjusts for the "Year Built," he or she must explain those adjustments.

Accessory Units

MK Lending will purchase a one-unit property with an accessory unit. An accessory unit is typically an additional living area independent of the primary dwelling unit and includes a fully functioning kitchen and bathroom. Some examples may include a living area over a garage and basement units. Whether a property is defined as a one-unit property with an accessory unit or a two-unit property will be based on the characteristics of the property, which may include, but are not limited to, the existence of separate utilities, a unique postal address, and whether the unit is rented. The appraiser is required to provide a description of the accessory unit and analyze any effect it has on the value or marketability of the subject property.

If the property contains an accessory unit, the property is eligible under the following conditions:

- The property is defined as a one-unit property with an accessory unit.
  - Multiple accessory units are not permitted
- The appraisal report demonstrates that the improvements are typical for the market through an analysis of at least one comparable property with the same use.
- Rental income may be used for the accessory unit subject to the following:
  - Appraisal to reflect zoning compliance is legal
    - Permit is not required to establish zoning compliance
  - Appraisal to include at least one comparable with an accessory unit
  - Refinance – The market rent for the accessory unit should be documented on FNMA Form 1007 and the file must include a copy of the current lease agreement with two (2) months proof of current receipt
  - Purchase
    - Owner-Occupied/2nd Home: Income from the accessory unit may not be used as qualifying income
    - Non Owner-Occupied: User the lower of the market rent on FNMA Form 1007 or actual rent.

Outbuildings

A Seller must give properties with outbuildings special consideration in the appraisal report review to ensure that the property is residential in nature. Descriptions of the outbuildings should be reported in the Improvements and Sales Comparison Approach sections of the appraisal report form.

Type of Outbuilding	Suitability
Minimal outbuildings, such as small barns or stables, that have relatively insignificant value in relation to the total appraised value of the subject property	The appraiser must demonstrate, using comparable sales with similar amenities, that the improvements are typical of the residential properties in the subject area for which an active, viable residential market exists.
An atypical minimal building	The property is acceptable provided the appraiser's analysis reflects little or no contributory value for it.
Significant outbuildings, such as silos, large barns, storage areas, or facilities for farm-type animals	The presence of the outbuildings may indicate that the property is agricultural in nature. The Seller must determine whether the property is residential in nature, regardless of whether the appraiser assigns value to the outbuildings.

Transfer of Appraisal

First Lien Transactions

- A transferred appraisal report is acceptable provided the report meets the lender's appraisal requirements for independence.

9.1.2 Appraisal Requirements 5-8 Residential

5-8 Unit Residential Properties

A full interior inspection with photos is required for all units. The sales comparison approach should be used as the appraised value.

One of the following appraisal forms are acceptable:

- FHLMC Form 71A, FNMA Form 1050 or similar short form can be used to appraise 5+ residential properties, or
- A narrative report can be utilized and must include the sales approach with repeat sales analysis in value determination.

Appraisal Attachments Required

- Rent Roll
- Income and Expense Statement
- Photos of subject including exterior/interior and street scene
- Aerial photo
- Sketch or floor plan of typical units
- Map
- Appraiser qualifications

Property Condition

- No fair or poor ratings
- No environmental issues (Storage or use of hazardous material i.e., Dry Cleaners, Laundromat)
- No health or safety issues (As noted by appraiser, i.e., broken windows, stairs)
- No excessive deferred maintenance that could become a health or safety issue for tenants
- No structural deferred maintenance, (i.e., Foundation, roof, electrical, plumbing)

9.1.3 Appraisal Review Requirements

Appraisal Review Products 1-4 Residential

An appraisal review product is required on every loan file unless a second appraisal is obtained. The appraisal review product should provide an "as is" value for the subject property (the "Appraisal Review Value") as of the date of the subject loan transaction.

The following options are eligible review products:

- The Seller may submit the appraisal report to Collateral Underwriter® (CU®) or Loan Collateral Advisor® (LCA). An eligible score is 2.5 or less. The file must include a copy of the Submission Summary Report (SSR). (Only one score required, if both scores (CU & LCA) provided, both required to be 2.5 or less). If the score exceeds 2.5, the file must include either an enhanced desk review, field review, or second appraisal. or
- An enhanced desk review product from one of the following choices:
  - ARR from Stewart Valuation Intelligence FKA Pro Teck
  - CDA from Clear Capital
  - ARA from Computershare
  - CCA from Consolidated Collateral Analysis
- If the enhanced desk review product reflects a value more than 10% below the appraised value or cannot provide a validation, the file must include either a field review or a second appraisal. A field review or a second appraisal is acceptable. These may not be from the same appraiser or appraisal company as the original report.

Appraisal Review Product 5-8 Residential

- A commercial sales and income Broker Price Opinion (BPO) is required. The appraised value is considered valid if the BPO is greater than or not more than 10% below the value of the appraisal. If the BPO is more than 10% below the appraised value, then the BPO value is used to determine the loan LTV.

9.1.4 Minimum Property Requirements

Minimum Square Footage		
Single Family 700 sq. ft.	Condominium 500 sq. ft.	2-8 Units 400 sq. ft. per individual unit

All properties must:

- Be improved real property.
- Be accessible and available for year-round residential use.
- Contain a full kitchen and a bathroom.
- Represent the highest and best use of the property.
- Not contain any health or safety issues.

9.1.5 Personal Property

Any personal property transferred with a real property sale must be deemed to have zero transfer value, as indicated by the sales contract and the appraisal. If any value is associated with the personal property, the sales price and appraised value must be reduced by the personal property value for purposes of calculating the LTV/CLTV.

9.1.6 Escrow Holdbacks

Escrow holdbacks are not allowed. Any repair or maintenance required by the appraiser must be completed prior to loan purchase. MK Lending will not acquire any loan with an escrow holdback.

9.1.7 Declining Markets

The loan transaction is subject to an LTV/CLTV cap, program specific, if the property is in a declining market. Declining markets are determined by a) property location in a State/CBSA identified by MK Lending, or b) the appraisal report reflects a declining market under housing trends. The State/CBSA table is located on the MK Lending website www.mklending.com and can also be assessed using the link in the Loan/LTV matrix. The program specific LTV/CLTV caps are as follows:

Prime	Credit	DSCR	DSCR Multi
85% LTV Purchase 80% Refinance	80% LTV Purchase 75% Refinance	75% LTV Purchase 70% Refinance	Maximum LTVs don’t require a market adjustment

9.2 Property Types

9.2.1 Eligible Properties

- Single Family Detached
- Single Family Attached
- 2-4 Unit residential properties
- 5-8 Unit residential properties (DSCR only)

- Condominium (See Section 9.8 Condominiums for complete condominium eligibility criteria)
- Condo hotels (See Section 9.8.3 Condominium Hotels for complete condominium eligibility criteria)
- Modular homes
- Properties of 20 acres or less
- Leaseholds (in areas where leaseholds are common)

TILA Higher Priced Mortgage Loans (HPML) Appraisal Rule 1026.35(A)(1) (Property Flips)

- Applies to covered HPML transactions.
    - Qualified Mortgages (QM) are excluded.
- A property is considered a "flip" if either of the following are true:
    - The price in the borrower's purchase agreement exceeds the property Seller's acquisition price by more than 10% if the property Seller acquired the property 90 or fewer days prior to the date of the borrower's purchase agreement.
    - The price in the borrower's purchase agreement exceeds the property Seller's acquisition price by more than 20% if the property Seller acquired the property 91-180 days prior to the date of the borrower's purchase agreement.
        - The acquisition date is the day the seller became the legal owner. The purchase date is the day the borrower and the seller sign the home purchase agreement. Start with the day after the acquisition date and count up to and including the purchase date.
- If the property is a "flip" as defined above, the following additional requirements apply:
    - A second appraisal must be obtained.
    - If the loan is subject to Regulation Z, a copy of the second appraisal must be provided to the borrower in compliance with the federal HPML requirements.
    - The second appraisal must be dated prior to the loan consummation/note date.
    - The property Seller on the purchase contract must be the owner of record.
    - Increases in value should be documented with commentary from the appraiser and recent comparable sales.
    - Sufficient documentation to validate the actual cost to construct or renovate (e.g., purchase contracts, plans and specifications, receipts, invoices, lien waivers, etc.) must be provided, if applicable.

9.2.2 Ineligible Properties

- Vacant land or land development properties
- Properties not readily accessible by roads that meet local standards
- Properties not suitable for year-round occupancy, regardless of location
- Agricultural properties (including farms, ranches, or orchards)
- Manufactured or Mobile homes
- Co-op/timeshare hotels
- Cooperative share loans
- Properties used as boarding houses, bed/breakfast, or single room occupancy
- Properties with zoning violations
- Dome or geodesic homes
- Assisted living facilities
- Homes on Native American Land (Reservations)
- Log homes
- Hawaii properties located in lava zones 1 and/or 2
- Houseboats
- Fractional ownership
- Properties used for the cultivation, distribution, manufacture, or sale of marijuana
- Rural property:
    - A property is classified as rural if:
        - The appraiser indicates in the neighborhood section of the report a rural location; or
        - The following two (2) conditions exist:
            - The property is located on a gravel road, and
            - Two of the three comparable properties are more than five (5) miles from the subject property.

9.3 Acreage Limitation

- A maximum of 20 acres (DSCR transactions limited to 2 acres)
- No truncating allowed

9.4 State Eligibility

States where MK Lending has license are eligible for purchase by MK Lending.

9.5 Leasehold Properties

In areas where leasehold estates are commonly accepted and documented via the Appraisal, loans secured by leasehold estates are eligible for purchase. The mortgage must be secured by the property improvements and the borrower's leasehold interest in the land. The leasehold estate and any improvements must constitute real property, be subject to the mortgage lien, and be insured by the Seller's title policy.

The Seller must provide documentation and leaseholds must meet all Fannie Mae® eligibility requirements (i.e., term of lease).

9.6 MK Lending Exposure – Borrower Limitations

MK Lending' aggregate exposure to a single borrower and/or household shall not exceed $5,000,000 in current unpaid principal balance (UPB) or ten (10) loans.

9.7 Disaster Areas

Sellers are responsible for identifying geographic areas impacted by disasters and taking appropriate steps to ensure the subject property has not been adversely affected. The following guidelines apply to properties located in FEMA declared disaster areas, as identified by reviewing the FEMA website at www.fema.gov/disasters. In addition, when there is knowledge of an adverse event occurring near and around the subject property location, such as earthquakes, floods, tornadoes, or wildfires, additional due diligence must be used to determine if the disaster guidelines should be followed.

9.7.1 Appraisals Completed Prior to Disaster

An exterior inspection of the subject property, performed by the original appraiser, if possible, is required.

- The appraiser should provide a statement indicating if the subject property is free from any damage, is in the same condition as the previous inspection, and the marketability and value remain the same.
- An Inspection Report must include new photographs of the subject property and street view.
- Any damage must be repaired and re-inspected prior to purchase.

9.7.2 Appraisals Completed After Disaster Event

- The appraiser must comment on the adverse event and certify that there has been no change in the valuation.
- Any existing damage noted in the original report must be repaired and re-inspected prior to purchase.

9.7.3 Disaster Event Occurs After Closing but Prior to Loan Purchase

A loan is ineligible for purchase until an inspection is obtained based on the following:

- A Post Disaster Inspection (PDI) Report from a third-party vendor (i.e., Clear Capital, Stewart/Pro Teck) may be used. Any indication of damage reflected in the report will require a re-inspection by the appraiser.
  - If a re-inspection is required, the appraiser may utilize FNMA Form 1004D and comment on the event and certify that there has been no change to the value.

The guidelines for disaster areas should be followed for 120 days from the disaster declaration date as published by FEMA.

9.8 Condominiums

A condominium project is one in which individual owners hold title to units in the project along with an undivided interest in the real estate that is designated as the common area for the project. The units in the project must be owned in fee simple and the unit owners must have the sole ownership interest in and rights to the use of, the project's facilities, common elements, and limited common elements.

To qualify as an acceptable condominium unit, the condominium project must be common for the area and demonstrate good marketability.

- All Loans secured by condominium projects require a completed Homeowners Association (HOA) questionnaire and condominium review except for:
  - Site Condominium
  - 2-4 Unit project provided the following are met:
    - Project is not ineligible. See section 9.8.4 - Ineligible Projects.
    - Evidence of sufficient hazard, flood, and walls-in insurance coverage if the subject unit has individual coverage. If the insurance covers the entire project, it must be sufficient in the event of a total loss.
    - Homeowner's association dues to be included in DTI/DSCR if applicable
- Special assessment information is to be provided to determine if there is a critical repair. Provide purpose, amount, term, balance, status, and cost per unit.
- Any projects with significant deferred maintenance or have received a directive from a regulatory or inspection agency to mark repairs due to unsafe conditions are not eligible for purchase. Significant deferred maintenance includes deficiencies that meet one or more of the following criteria:
  - Full or partial evacuation of the building to complete repairs is required for more than seven days or an unknown period of time
  - The project has deficiencies, defects, substantial damage, or deferred maintenance that
    - are severe enough to affect the safety, soundness, structural integrity, or habitability of the improvements; or
    - has improvements in need of substantial repairs and rehabilitation including many major components; or
    - impedes the safe and sound functioning of one or more of the building's major structural or mechanical elements, including but not limited to the foundation, roof, load bearing structures, electrical system, HVAC, or plumbing; or
    - has critical repairs with one of the following characteristics:
      - mold, water intrusions or potentially damaging leaks to the project's building(s); or
      - unfunded repairs costing more than $10,000 per unit undertaken within the next 12 months (does not include repairs made by the unit owner or repairs funded through special assessment).
- Florida Condominiums:
  - For loans secured by a condominium unit in the state of Florida, if the project is over 30 years old (or 25 years if within 3 miles of the coast), a structural inspection is required for projects greater than 5 stories. The inspection needs to address items that substantially conform to the definition of a milestone inspection as defined in Florida statute 553.899.
    - Inspection must confirm there are no conditions severe enough to affect the safety, soundness, structural integrity, or habitability of the improvements
  - Projects with an unacceptable or no inspection are ineligible
- See the current Loan/LTV matrix for maximum LTV/CLTVs and loan amounts.
- MK Lending' project exposure maximum shall be $5,000,000 or 20% of the total units in the project, whichever is lower.
- Projects consisting entirely of detached (site) units will not require a project review and are eligible for single- family dwelling LTV/CLTV. Completion of the Homeowners Association (HOA) questionnaire is not required for site condominiums.
- Project has been created and exists in full compliance with applicable local jurisdiction, State, and all other applicable laws and regulations.
- Subject Unit Minimum Requirements: Minimum 500 Square Feet, Full Size Kitchen, minimum of one (1) bedroom.

- Commercial space allowed up to 50% of the project.
- No more than 20% of the total units in the project may be 60 days or more past due on the condominium/HOA fees.
- For condominium projects consisting of five or more units, single entity ownership is limited to 20% of the project.
- Investor concentration allowed up to 60%. A higher percentage may be considered when the subject transaction is an investment property when a history of a high percentage of rental units in the project can be demonstrated.
- The project developer may be in control of the condominium association provided the Master Agreement allows for the homeowners to take control upon either a predetermined percentage of unit sales or within a defined time frame.
- 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.
- Borrower must carry HO-6 coverage for replacement of such items as flooring, wall covering, cabinets, fixtures, built-ins, and any improvements made to the unit.
- Seller must confirm that the project documents do not give a unit owner or any other party priority over the rights of the first mortgagee.

9.8.1 Established Projects

- 90% of the total units in the project must be sold and conveyed to the unit owners.
- 40% of the total units in the project must be owner occupied.
- All phases are complete.
- HOA must be conveyed to the unit owners – no developer or builder-controlled projects allowed.
- All comparable sales may be from within the subject's project if the project is established and consists of 100 or more units. Recent sales of model match units, if available, must be utilized in the appraisal report.

9.8.2 New Projects

- 50% of the total units in the project or subject's phase must be sold and conveyed to the unit owners AND at least 50% of the units must be owner occupied.
- Project or subject's legal phase along with other development phases must be complete. All common elements in the project or legal phase must be 100% complete.
- Project may be subject to additional phasing.
- HOA should be in control – project under Developer or Builder control will be considered on a case-by-case basis only.

9.8.3 Condominium Hotels

- Condominium Hotel – (a.k.a. Condo Hotel, Condotel)
    - Projects where the units are individually owned, and the project offers hotel amenities.
        - Hotel amenities may include on-site registration, housekeeping services, and other hospitality services
        - A project that offers rentals of units on a daily, weekly, or monthly basis.
    - Occupancy Type: Primary, Second Home, or Investment.
    - Maximum LTV/CLTV (may vary by product – see Loan/LTV matrix):
    - Maximum Loan Amount;
        - Prime/Creditt: $2.5 million
        - Investor Solutions DSCR: $1.5 million
    - Minimum Loan Balance: $150,000
    - Investor concentration, within the subject project, may exceed established project criteria, up to 100%.
    - Gross rents (for all income doc types) 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.
    - Minimum square footage: 500

- Fully functioning kitchen – define as full-size appliances including a refrigerator and stove/oven
- Separate bedroom required
- Florida Condominiums:
  - For loans secured by a condominium unit in the state of Florida, if the project is over 30 years old (or 25 if within 3 miles of the coast), a structural inspection is required for projects greater than 5 stories. The inspection needs to address items that substantially conform to the definition of a milestone inspection as defined in Florida statue 533.889.
    - Inspection must confirm there are no conditions severe enough to affect the safety, soundness, structural integrity, or habitability of the improvements.
  - Projects with an unacceptable or no inspection are ineligible

9.8.4 Ineligible Projects

- A project subject to the rules and regulations of the US Securities and Exchange Commission.
- Timeshare or projects that restrict the owner's ability to occupy the unit.
- Houseboat project.
- Manufactured home projects.
- Assisted living facilities or any project where the unit owner's contract includes a lifetime commitment from the facility to care for the unit owner regardless of future health or housing needs.
- Multi-family units where a single deed conveys ownership of more than one, or all of the units.
- A common-interest apartment
  - A project in which individuals have an undivided interest in a residential apartment building and land and have the right of exclusive occupancy of a specific apartment unit in the building.
  - The project or building is often owned by several owners as tenants-in-common or by a homeowners' association.
- Fragmented or segmented ownership
  - Ownership is limited to a specific period on a recurring basis (i.e., timeshare, quarter share).
- Any project where the developer (or its affiliates) owns the Common and/or Limited Elements and leases the elements back to the HOA.
- Any project that has non-conforming zoning (can't be rebuilt to current density).
- Any project that requires Private Transfer Fees as a part of the transaction, and those fees do not benefit the association.
- Any project in need of critical repairs with one of the following characteristics:
  - mold, water intrusions or potentially damaging leaks to the project's building(s); or
  - unfunded repairs costing more than $10,000 per unit undertaken within the next 12 months (does not include repairs made by the unit owner or repairs funded through special assessment).
- Any project with significant deferred maintenance or has received a directive from a regulatory or inspection agency to mark repairs due to unsafe conditions.

9.8.5 Condominium Insurance Requirements

Coverage

- Borrowers must carry H06 coverage for replacement of such items as flooring, wall covering, cabinets, fixtures, built-ins, and any improvements made to the unit.
- Project meets all Fannie Mae® insurance requirements for property, liability, and fidelity coverage.

Fidelity of Employee Dishonesty Insurance for Condominiums

For condominium projects consisting of more than 20 units, fidelity insurance coverage equaling at least the sum of three months of assessments on all units in the project is required.

HO-6

If the master or blanket policy does not provide interior unit coverage (replacement of improvements and betterment coverage to cover any improvements that the borrower may have made) the borrower must obtain an HO-6 Policy or "walls-in" coverage. The HO-6 insurance policy must provide coverage in an amount as established by the HO-6 insurer.

Deductible

The maximum deductible amount must be no greater than 5% of the face amount of the policy.

Flood Insurance

- The condominium homeowners' owners must obtain an NFIP Residential Condominium Building Association Policy (RCBAP) with the following coverage:
  - Building Coverage must equal the lesser of:
    - 100% of the insurable value (replacement cost) of the building, including amounts to repair or replace the foundation and its supporting structure); or
    - The total number of units in the condominium building times $250,000
- Contents Coverage must equal the lesser of:
  - 100% of the insurable value of all contents (including machinery and equipment that are not part of the building) that are owned in common by the association members; or
  - The maximum amount of contents coverage sold by the NFIP for a condominium building

10 FORMS

1. MK Lending Corp. Appraisal Review Guide
2. Automatic Payment Authorization (ACH) Form
3. Borrower Certification of Business Purpose
4. Borrower Contact Consent Form
5. Condo/PUD Certification (Full Review)
6. LLC Borrowing Certificate – Multiple Member
7. LLC Borrowing Certificate – Single Member
8. Occupancy Certification
9. Consent of Spouse

SUBJECT PROPERTY

1) Does the subject property address match the documentation in the file (loan application, purchase contract, etc.)? If yes, validate the address via the USPS address validator.
2) Is the owner of record consistent with the loan file documentation? If it's a refinance, the borrower should reflect as the owner. If it's a purchase, does the owner match the purchase contract?

CONTRACT

1) Did the appraiser review the sales contract? The appraiser must review the sales contract on all purchase transactions.
2) Does the information in this section agree with the information in the sales contract?

NEIGHBORHOOD AND SITE

1) Pay attention to situations which could adversely affect the subject values, such as rural properties, property values declining, over-supply, marketing time greater than six (6) months. The appraiser may need to comment on the reason(s) and its effect on the subject's value.
2) Is the subject's value within the neighborhood's price range? If no, the appraiser must comment on its effect on the marketability of the subject.
3) Is the present land use predominately residential and similar to the subject's use? Is the present land use stable? If no, the appraiser must comment on these conditions.
4) Is the subject zoned legal non-conforming, or illegal? If legal non-conforming, ensure the property can be rebuilt if destroyed.
5) Are there any negative comments regarding the site? If so, verify that the noted condition will not affect marketability.
6) Is the subject located on a private road? If so, obtain a maintenance agreement.
7) Be aware of acreage and any possible guideline restrictions.

IMPROVEMENTS

1) Is there evidence of infestation, dampness, settlement in the foundation? If so, the appraiser must comment.
2) Are there any negative comments in the improvements section if the appraisal is not subject to repairs? If yes, the appraiser may need to comment further.
3) Are there any physical deficiencies or adverse conditions that affect the livability, soundness, or structural integrity of the property? If so, is the situation addressed?
4) Pay attention to any improvements/remodeling done in the past 1 - 5 years mentioned by the appraiser. What is their impact on the final value and/or any recent increase to value?

SALES COMPARISON APPROACH

1) Did the appraiser indicate a number of comparable properties currently listed and sold in the neighborhood? If no, request that from the appraiser.
2) Are comparable sales located within the subject's neighborhood based on location (urban, suburban, rural)? If no, ask the appraiser to comment.
3) Are comparable sales dated within six (6) months? If no, the appraiser must address this.
4) Are comparable sales similar to the subject in location, design, gross living area, room counts, age, condition, etc.? If not, the appraiser must explain why the comps chosen were used.
5) For condominiums, at least one comparable sale should be outside of the subject's complex.
6) Be aware of total adjustments exceeding 15% for net and 25% for gross adjustments as referenced in the MK Lending Corp. loan eligibility criteria.
7) Make sure that add-ons (garage/barn/pool/etc.) are addressed and any adjustments are not excessive.
8) Watch for ineligible condition(s) such as C5, C6 or Q6.

Complete an independent analysis of the information and documentation provided on the appraisal focusing on the four (4) items below.

1) Review photos of the subject. Does the subject appear to need repairs? If so, and the appraiser did not require repairs, the appraiser must comment on the observed issue and possibly provide the cost to cure.
2) Complete research via online tools such as Zillow, Google, etc., on comparable sales. Compare exterior and interior photos of the comparable sales to the subject to ensure they are not superior.
3) Review the sales history and listings in the subject's immediate neighborhood with online tools such as Zillow, MLS, etc., to ensure the best sale comparable(s) were used by the appraiser.
4) Review the street map that identifies the subject location and location(s) of the sale comparable(s). Verify that the comps are not clustered together in a superior neighborhood, separated from the subject by man-made barriers such as major roads/highways, etc.

RECONCILIATION

1) Is the appraisal made "subject to completion, repair, or inspection? If yes, check the condition for the completion/repair/inspection.

COST APPROACH

1) Is the land-to-value ratio typical for the area? If the site value has been provided, ensure the land-to-value ratio is not too high for the subject's neighborhood.
2) Is the indicated value by cost approach in-line with the sales comparison approach? If no, the appraiser must address this.

ADDENDA

1) Are all required addenda attached to the appraisal, including a map, sketch, and photographs?
2) Watch for adverse comments on any of the addenda.
3) Are the correct appraisal form(s) used? For example, condominiums should use Form 1073. A small residential income property appraisal report (Form 1025) should contain a Form 1007 single family comparable rent schedule, etc.

Automatic Payment Authorization (ACH) Form

❑ Yes, I would like to enroll in the free* monthly Automatic Payment Program

Name	Street Address	City, State, Zip Code
Daytime Phone Number	Evening Phone Number	
Mortgage Number		
Financial Institution Name	Financial Institution Phone No.	Financial Institution Address
Electronic ACH Routing Number	Account Number	☐ Checking ☐ Savings

Please specify the payment date most convenient for you, which must be within the applicable grace period. **If a payment date is not specified, or your loan is a daily simple interest loan, payments will be deducted on your current loan due date.**

Deduct my payment on the__________of each month (select a date within the grace period indicated on your note).

I hereby authorize_______________, including its successors and/or assigns, to initiate transfers from my checking or savings account at the financial institution indicated above for the purpose of making my monthly mortgage payment. I authorize the amount of each transfer to include my regularly scheduled payment including principal, interest, and escrow items I understand that, in accordance with the terms of my mortgage note and/or adjustments in my escrow for taxes and insurance, my payment may change from time to time as set forth in my loan documents. You are hereby authorized to change the amount of the draft from my checking or savings account, provided you notify me of the new payment amount at least 10 days prior to the draft date. I agree that the payment change notice provided to me under the Adjustable-Rate Mortgage Provisions of the Truth-in-Lending Act and/or escrow analysis form shall constitute notice of payment change as required by the Electronic Funds Transfer Act and Federal Reserve Board Regulation E.

The authorization is to remain in full force and effect until revoked in writing. Such revocation notification must be provided to the Initiating party no less than fifteen (15) business days prior to it taking effect. Please contact the Initiating Party immediately if you change financial institutions, change accounts within the same financial institution or if you wish to revoke this authorization.

I HEREBY AGREE TO THE TERMS AND CONDITIONS IN THIS FORM.

______________________________ ______________________________

Borrower Date Co-Borrower Date

Business Certification of Business Purpose

Loan Number:____

Borrower(s):____

Property Address:______________________________________

Original Principal Amount:__________________________________

This BORROWER CERTIFICATION OF BUSINESS PURPOSE LOAN is being executed and made effective as of **[ ] (Date)**. The undersigned borrower(s) and, if applicable, guarantor (collectively the "Borrower") certifies and represents to **[ ]** ("Seller") all of the following:

1. Borrower has requested that Seller make a loan in the **original principal amount mentioned above** ("Loan"), which is evidenced by that certain Promissory Note of even date herewith made in favor and payable to the order of Seller, which is secured by that certain Mortgage, Deed of Trust or Security Deed ("Security Instrument") of even date herewith encumbering all that certain real property referenced in the Security Instrument and commonly known as **property address above** ("Property").

2. Borrower has previously represented to Seller that the purpose of the Loan is solely for business or commercial purposes and not for any personal, family, or household purposes.

3. As previously represented, all proceeds from the Loan are to be used solely for business or commercial purposes and not for any personal, family, or household purposes.

4. The Property is not the principal or secondary residence of (i) the Borrower (including, for avoidance of doubt, any guarantors), or (ii) if the Borrower is not a natural person, any person who has a direct or indirect ownership interest in the Borrower.

5. Certain consumer protection laws, including the Truth in Lending Act (15 U.S.C. § 1601 et seq.), Real Estate Settlement Procedures Act (12 U.S.C. § 2601 et seq.), Gramm-Leach Bliley Act (15 U.S.C. §§ 6802-6809), Secure and Fair Enforcement Mortgage Licensing Act (12 U.S.C. § 5601 et seq.) and Homeowners Protection Act (12 U.S.C. § 4901 et seq.), do not apply to the origination of the Loan.

6. The Borrower has read and understands the contents of this Borrower Certification of Business Purpose.

IN WITNESS WHEREOF, this Certification has been duly executed by the Borrower as of the date first above written.

Borrower(s):

Signature	Date	Signature	Date
Type/Print Name		Type/Print Name	
Signature	Date	Signature	Date
Type/Print Name		Type/Print Name	

Borrower Contact Consent Form

To ensure we have the correct contact information for servicing your loan, please provide the following information.

By signing, I authorize my mortgage servicer, its transfers and/or assigns, to contact me regarding the servicing of my loan using the following contact information.

Mailing address for your mortgage statements and other correspondence:

_______ Same as the subject property.

_______ Please use this mailing address instead:

Address: ____________________

Unit Number: ____________________

City: ____________________

State: ____________________

Zip Code: ____________________

Country: ____________________

Cell Phone Number:

I understand that by providing a cell phone number and by signing this for, I am giving the holder of my mortgage Note and its billing servicer permission to use the cell phone number to contact me regarding my loan.

	Within the United States	*If you reside outside the United States*
Borrower:	( ) -	( ) -
Co-Borrower:	( ) -	( ) -
	(Area Code) Phone Number	(Country Code) Phone Number

Email Address:

I understand that by providing an email address, I am giving the holder of my mortgage Note and its billing servicer permission to use this email to contact me regarding my loan.

Borrower: ____________________

Co-Borrower: ____________________

Signature (s):

Borrower: ____________________

Co-Borrower: ____________________

Condo/PUD Certification (Full Review)

Click the link to download Condo/PUD Certification (Full Review) form

https://mklending.com/Upload/[CONDO%20CERT]%20%20Full%20Review%20101723.pdf

LLC Borrowing Certificate – Multiple Member

TO: [INSERT SELLER LEGAL NAME]

The undersigned, being all the members of [____________, a limited liability company]("Borrower"), do hereby certify that they are all of the managers and members of Borrower and, under the Borrower's [Operating Agreement][Limited Liability Company Agreement] and by these presents, the undersigned are each authorized and empowered for and on behalf of and in the name of Borrower and without any requirement for consent or approval by any other person or party, as Borrower's act and deed:

1. To borrow money from [SELLER LEGAL NAME] ("Seller") and to assume any liabilities of any other person or entity to Seller, in such form and on such terms and conditions as shall be agreed upon by those authorized above and Seller, and to sign and deliver such promissory notes and other evidences of indebtedness for money borrowed or advanced and/or for indebtedness assumed as Seller shall require; such promissory notes or other evidences of indebtedness may provide that advances be requested by telephone communication and by any member, manager, employee or agent of Borrower so long as the advances are deposited into any deposit account of Borrower with Seller; Borrower shall be bound to Seller by and Seller may rely upon any communication or act, including telephone communications, purporting to be done by any member, manager, employee or agent of Borrower, provided that Seller believes, in good faith, that the same is done by such person.
2. To mortgage, encumber, pledge, convey, grant, assign or otherwise transfer all or any part of Borrower's real or personal property for the purpose of securing the payment of any of the promissory notes, contracts, instruments, and other evidence of indebtedness authorized hereby, and to execute and deliver to Seller such deeds of trust, mortgages, pledge agreements and/or other security agreements as Seller shall require.
3. To perform all acts and execute and deliver all documents described above and all other contracts and instruments which Seller deems necessary or convenient to accomplish the purposes of this certificate and/or to perfect or continue the rights, remedies and security interests to be given to Seller, including, without limitation, any modifications, renewals and/or extensions of any of Borrower's obligations to Seller, however evidenced; provided that the aggregate principal amount of all sums borrowed and credits established pursuant to this certificate shall not at any time exceed the sum of [$____________] outstanding and unpaid.

The authority hereby conferred shall be deemed retroactive, and any and all acts authorized herein which were performed prior to the execution of this certificate are hereby approved and ratified. The authority hereby conferred is in addition to that conferred by any other certificate heretofore or hereafter delivered to Seller and shall continue in full force and effect until Seller shall have received notice in writing from Borrower of the revocation hereof, and such revocation shall be effective only as to credit which was not extended or committed to Borrower by Seller prior to Seller's receipt of such notice.

We further certify that the activities covered by the foregoing certifications constitute duly authorized activities of Borrower; that said certifications are now in full force and effect; and that there is no provision in any document pursuant to which Borrower is organized and/or which governs Borrower's continued existence limiting the power of the undersigned to make the certifications set forth herein, and that the same are in conformity with the provisions of all such documents.

IN WITNESS WHEREOF, the undersigned has hereunto executed this Certificate as of [__________, 20 _].

Signature	___________________________	Signature	___________________________
Printed Name	___________________________	Printed Name	___________________________
Title	___________________________	Title	___________________________
Signature	___________________________	Signature	___________________________
Printed Name	___________________________	Printed Name	___________________________
Title	___________________________	Title	___________________________

LLC Borrowing Certificate – Single Member

TO: [INSERT SELLER LEGAL NAME]

The undersigned, being the sole member of [____________, a limited liability company] ("**Borrower**"), does hereby certify that they are the sole and only member of Borrower and, under the Borrower's [Operating Agreement] [Limited Liability Company Agreement] and by these presents, the undersigned is authorized and empowered for and on behalf of and in the name of Borrower and without any requirement for consent or approval by any other person or party, as Borrower's act and deed:

1. To borrow money from [SELLER LEGAL NAME] ("**Seller**") and to assume any liabilities of any other person or entity to Seller, in such form and on such terms and conditions as shall be agreed upon by those authorized above and Seller, and to sign and deliver such promissory notes and other evidences of indebtedness for money borrowed or advanced and/or for indebtedness assumed as Seller shall require; such promissory notes or other evidences of indebtedness may provide that advances be requested by telephone communication and by any member, manager, employee or agent of Borrower so long as the advances are deposited into any deposit account of Borrower with Seller; Borrower shall be bound to Seller by and Seller may rely upon any communication or act, including telephone communications, purporting to be done by any member, manager, employee or agent of Borrower provided that Seller believes, in good faith, that the same is done by such person.
2. To mortgage, encumber, pledge, convey, grant, assign or otherwise transfer all or any part of Borrower's real or personal property for the purpose of securing the payment of any of the promissory notes, contracts, instruments, and other evidence of indebtedness authorized hereby, and to execute and deliver to Seller such deeds of trust, mortgages, pledge agreements and/or other security agreements as Seller shall require.
3. To perform all acts and execute and deliver all documents described above and all other contracts and instruments which Seller deems necessary or convenient to accomplish the purposes of this certificate and/or to perfect or continue the rights, remedies and security interests to be given to Seller, including, without limitation, any modifications, renewals and/or extensions of any of Borrower's obligations to Seller, however evidenced; provided that the aggregate principal amount of all sums borrowed and credits established pursuant to this certificate shall not at any time exceed the sum of [$__________________________] outstanding and unpaid.

The authority hereby conferred shall be deemed retroactive, and any and all acts authorized herein which were performed prior to the execution of this certificate are hereby approved and ratified. The authority hereby conferred is in addition to that conferred by any other certificate heretofore or hereafter delivered to Seller and shall continue in full force and effect until Seller shall have received notice in writing from Borrower of the revocation hereof, and such revocation shall be effective only as to credit which was not extended or committed to Borrower by Seller prior to Seller's receipt of such notice.

The undersigned further certifies that the activities covered by the foregoing certifications constitute duly authorized activities of Borrower; that said certifications are now in full force and effect; and that there is no provision in any document pursuant to which Borrower is organized and/or which governs Borrower's continued existence limiting the power of the undersigned to make the certifications set forth herein, and that the same are in conformity with the provisions of all such documents.

IN WITNESS WHEREOF, the undersigned has hereunto executed this Certificate as of [____________, 20__].

____

By (Signature)

____

Name (Printed)

____

Title

Occupancy Certification

Borrower:____

Co-Borrower(s):____

Property Address:____

I/We the undersigned certify that:

________ Primary Residence – I/we will occupy the Property as my/our principal residence within Sixty (60) days after the date of closing as stated in the Mortgage or Deed of Trust I/we executed. I/we will continue to occupy the Property as my/our principal residence for at least one year after the date of occupancy unless Seller otherwise agrees in writing.

________ Second Home – I/we will occupy the Property as a second home (vacation, etc.) while maintaining a principal residence elsewhere.

________ Investment Property – I/we will not occupy the Property as a principal resident or second home. I/we will not occupy the Property for more than 14 days in any calendar year. The Property is an investment to be held or rented rather than for household or personal use.

Investment Property Only (the following must be completed on an investment property loan)

________ I/we understand that consumer protection laws applicable to consumer loans will not apply to this loan, including the Truth in Lending Act (15 U.S.C. § 1601 et seq.), Real Estate Settlement Procedures Act (12 U.S.C.§ 2601 et seq.),
Gramm-Leach Bliley Act (15 U.S.C. §§ 6802-6809), Secure and Fair Enforcement Mortgage Licensing Act (12 U.S.C. § 5101 et seq.), and Homeowners Protection Act (12 U.S.C. § 4901 et seq.).

Refinance Only (the following must be completed on a refinance transaction)

________ I/We the undersigned, certify that the property referenced above is NOT currently listed for sale or under contract to be listed for sale.

I/We understand that it is illegal to provide false information in an application for a mortgage loan. Mortgage fraud is punishable by up to thirty (30) years in federal prison or a fine of up to $1,000,000, or both under the provisions of Title 18, United States Code, Sec. 1001, et seq.

I/We understand that failure to comply with the requirements in the Mortgage or Deed of Trust regarding occupancy of the property will entitle the Seller to exercise its remedies for breach of covenant under the Mortgage or Deed of Trust. Such remedies include, without limitation, requiring immediate payment in full of the remaining indebtedness under the Loan together with all other sums secured by the Mortgage or Deed of Trust, and exercise of power of sale or other applicable foreclosure remedies, to the extent permitted by the Mortgage or Deed of Trust.

Borrower	Date	Co-Borrower	Date
Co-Borrower	Date	Co-Borrower	Date

Consent of Spouse

I,________________________________, spouse of________________________________, acknowledge that I have read the______________________________, dated as of________________, by____________ ____(the "Guaranty"), and that I know the contents of the Guaranty. I am aware that the Guaranty contains provisions guaranteeing amounts for the benefit of___________________("Borrower") and in support of that certain promissory note incurred by Borrower and payable to the order of_____________________________ ____("Seller"), as well as other obligations under the Guaranty:

I hereby expressly approve of the Guaranty in its entirety, including, but not limited to, that my spouse guarantees to Seller the full and prompt payment when due, whether at the Maturity Date or earlier, the entire amount due under the promissory note (as defined in the Guaranty).

I am aware that the legal and related matters contained in the Guaranty are complex and that I have been advised to seek independent professional guidance or counsel with respect to this Consent. I have either sought such guidance or counsel or determined after reviewing the Guaranty carefully that I will, and hereby do, waive such right.

____
[Name of Spouse]

Spouse's Address [Address of Spouse]:____

[INSERT NOTARY ACKNOWLEDGEMENT]