

# Alt Doc Plus

**Program Code:** Alt Plus -30, -7/6, -5/6, -30 IO, -40 IO, -7/6 IO, -7/6 IO-40, -5/6 IO, -5/6 IO-40

FICO	Loan Amt	Max CLTV			
		Purchase & R/T		Cash-Out	
		Primary	2 <sup>nd</sup> Home/ Investment	Primary	2 <sup>nd</sup> Home/ Investment
740+	≤ 1M	90%	85%	80%	75%
	≤ 1.5M	85%	80%	75%	75%
	≤ 2M	85%	80%	75%	70%
	≤ 2.5M	80%	75%	70%	65%
	≤ 3M	75%	70%	65%	60%
720-739	≤ 1M	85%	85%	75%	75%
	≤ 1.5M	85%	80%	75%	75%
	≤ 2M	80%	80%	70%	70%
	≤ 2.5M	80%	75%	70%	65%
	≤ 3M	75%	70%	65%*	60%*
700-719	≤ 1M	85%	85%	75%	75%
	≤ 1.5M	85%	80%	75%	70%
	≤ 2M	80%	80%	70%	70%
	≤ 2.5M	75%	75%	65%	65%*
	≤ 3M	70%	70%*	60%*	60%*
680-699	≤ 1M	80%	80%	70%	70%
	≤ 1.5M	80%	80%	70%	70%
	≤ 2M	75%	75%	65%	65%*
	≤ 2.5M	70%	70%	60%	NA
660-679	≤ 1M	80%	80%	70%	70%
	≤ 1.5M	75%	75%	70%	70%
	≤ 2M	75%	70%	60%	60%*
	≤ 2.5M	70%*	65%*	NA	NA

- Asset Depletion/Asset Qualifier:** Max LTV/CLTV 85%, Min FICO 700, No Cash-Out, Primary
- Non-Occupant Co-Borrower:** Max LTV/CLTV 80%, Max DTI 43%, No Cash-Out, Primary, 1 Unit
- Non-Permanent Resident Alien:** Max LTV/CLTV 80%, No Cash-Out
- 2-4 Units/Condos:** Max LTV/CLTV 85%
- Non-Warrantable Condo:** Max LTV/CLTV 80%
- Declining Markets:** 5% LTV/CLTV Reduction
- Rural Property Max LTV/CLTV:** 75% for Primary, 70% for Second Home, No Cash-Out Allowed

<ul style="list-style-type: none"> <li>• <b>Interest Only:</b> Max LTV/CLTV 85%, Min FICO 700</li> <li>• If loan has credit event (BK/FC/SS/DIL/Mod (due to Default)/NOD/Lis Pendens/ &amp; 120+ days delinquent between 36-48 Mo, 1x30x12, 0x60x24) or reduced reserve, additional restrictions will apply:                         <ul style="list-style-type: none"> <li>○ 5% LTV/CLTV (* Not available)</li> <li>○ Max DTI 50%</li> <li>○ LTV/CLTV &gt; 60%: Max Cash-out \$500,000</li> <li>○ Asset Depletion/Asset Qualifier Max LTV/CLTV 75%</li> <li>○ Non-Occupant Co-Borrower Max LTV/CLTV 75%, Max DTI 43%</li> <li>○ Non-Permanent Resident Alien Max LTV/CLTV 75%</li> <li>○ 2-4 Units/Condos Max LTV/CLTV 75%</li> </ul> </li> </ul>					
<b>General Requirements</b>					
<b>DTI</b>	<ul style="list-style-type: none"> <li>• 50.01 - 55%                         <ul style="list-style-type: none"> <li>○ Min FICO 700</li> <li>○ Primary Residence Only</li> <li>○ No First Time Home Buyer</li> <li>○ Standard Reserve Only</li> <li>○ No Credit Event</li> </ul> </li> <li>• 50%</li> </ul>				
<b>Occupancy</b>	<ul style="list-style-type: none"> <li>• <b>Primary</b> <ul style="list-style-type: none"> <li>○ A primary residence is a property that the Borrower(s) currently resides in (refinance) or intends to occupy (within sixty (60) days) as his or her principal residence</li> <li>○ 1-2 Unit properties: Eligible</li> <li>○ 3-4 Unit properties: May be eligible case-by-case basis.</li> <li>○ Borrower <b>May Not</b> own an additional single-family residence of equal or greater value than subject property</li> </ul> </li> <li>• <b>Second Home</b> <ul style="list-style-type: none"> <li>○ A property is considered a second home when it meets all the following requirements:                             <ul style="list-style-type: none"> <li>▪ Must be located a reasonable distance away from the Borrower(s) principal residence</li> <li>▪ Must be occupied by the Borrower(s) for some portion of the year</li> <li>▪ Is restricted to a one-unit dwelling</li> <li>▪ Must be suitable for year-round occupancy</li> <li>▪ The Borrower(s) must have exclusive control over the property</li> </ul> </li> </ul> </li> <li>• <b>Investment</b> <ul style="list-style-type: none"> <li>○ Occupancy designation for an income producing property where the Borrower does not occupy the subject property</li> <li>○ Rural properties not permitted</li> </ul> </li> </ul>				
<b>Product Type</b>	<b>Product</b>	<b>Term</b>	<b>Amortization Term</b>	<b>I/O Term</b>	<b>Qualifying Rate</b>
	40-Yr Fixed IO	40 yr	30 yr	10 yr	Note Rate
	30-Yr Fixed	30 yr	30 yr	NA	
	30-Yr Fixed IO	30 yr	20 yr	10 yr	
	7/6 ARM	30 yr	30 yr	NA	Higher of Fully Indexed or Note Rate
	7/6 ARM IO	30 yr	20 yr	10 yr	

<b>Product Type (Cont.)</b>	7/6 ARM IO-40Yr Term	40 yr	30 yr	10 yr	Higher of Fully Indexed or Note Rate
	5/6 ARM	30 yr	30 yr	NA	
	5/6 ARM IO	30 yr	20 yr	10 yr	
	5/6 ARM IO-40Yr Term	40 yr	30 yr	10 yr	
<b>Loan Purpose</b>	<ul style="list-style-type: none"> <li>• <b>Purchase</b> <ul style="list-style-type: none"> <li>○ Sellers must have owned the property more than 12 months.</li> <li>○ Otherwise, the transaction is subject to review as a flip transaction (See flip transaction guide below)</li> </ul> </li> <li>• <b>Rate/Term</b> <ul style="list-style-type: none"> <li>○ A Rate / Term Refinance transaction is when the new loan amount is limited to the payoff of a present mortgage for the purpose of changing the interest rate and/or term of mortgage only with no additional cash or advancing of new money on the loan unless it is below the limited cash out amount.</li> <li>○ A seasoned non-first lien mortgage is (1) a purchase money mortgage or (2) a closed end or HELOC mortgage that has been in place for more than twelve (12) months and/or not having any draws greater than \$2,000 in the past twelve (12) months</li> <li>○ Current appraised value to be used. No more seasoning restrictions</li> <li>○ Limited cash to the Borrower must not exceed the greater of \$5,000 or 2% of the principal amount of the new mortgage to be considered a Rate / Term refinance</li> <li>○ Refinance of a previous Cash-Out seasoned &lt; 1 year will be considered Cash-Out refinance</li> </ul> </li> <li>• <b>Cash-Out</b> <ul style="list-style-type: none"> <li>○ To be eligible for a Cash-Out Refinance the Borrower must have owned the property for a minimum of six (6) months prior to the <b>note date</b></li> <li>○ Properties listed for sale by the Borrower within the last twelve (12) months are not eligible</li> <li>○ If the property is owned less than twelve (12) months but greater than six (6) months at the time of <b>note date</b>, the <b>maximum</b> LTV / CLTV will be based on the lesser of the original purchase price plus <b>fully</b> documented improvements <b>such as invoices and / or confirmed by the appraiser</b>, or current appraised value. The prior settlement statement will be required for proof of purchase price</li> <li>○ Refinance of a previous Cash-Out seasoned &lt; 1 year will be considered Cash-Out refinance</li> </ul> </li> </ul>				
<b>Loan Amount</b>	<ul style="list-style-type: none"> <li>• Min: \$150,000</li> <li>• Max: \$3,000,000</li> </ul>				
<b>Max Cash-Out Limit</b>	<ul style="list-style-type: none"> <li>• LTV/CLTV &gt; 60%: Max Cash-out \$750,000 (No Credit Event   Standard Reserve)</li> <li>• LTV/CLTV ≤ 60%: Unlimited Cash-out</li> </ul>				
<b>Property Type</b>	<ul style="list-style-type: none"> <li>• Single Family</li> <li>• 2-4 Units</li> <li>• Condo (Full Review Required)</li> <li>• Non-Warrantable Condo (Full Review Required)</li> </ul>				
<b>Rural Property</b>	<ul style="list-style-type: none"> <li>• Primary(Max LTV/CLTV: 75%)</li> <li>• <b>Second home(Max LTV/CLTV: 70%)</b></li> <li>• No Cash-Out</li> </ul>				
<b>State Restrictions</b>	<ul style="list-style-type: none"> <li>• FL Condo: Up to 7 stories. No High Rise Condo (8+)</li> </ul>				

<b>Appraisals</b>	<ul style="list-style-type: none"> <li>• FNMA Form 1004, 1025, 1073 with interior / exterior inspection</li> <li>• Form 1007 Schedule of Rents is required for all Non-Owner-Occupied loans</li> <li>• Appraisals with condition or quality ratings of C5 or C6 not allowed</li> <li>• 2nd Appraisal required for loans &gt; \$2,000,000 or HPML flip transactions as defined by the CFPB</li> <li>• Original appraisals are valid for 120 days from the note date. Any appraisal dated greater than 120 days will require a recertification of value completed by the original licensed appraiser and is good for an additional 120 days. If the loan does not close within the initial recertification, then another update may be obtained but the original appraisal must be dated within 12 months of the note</li> </ul>
<b>Appraisal Review</b>	<ul style="list-style-type: none"> <li>• Collateral Underwriter (CU) as a secondary valuation if the score is &lt;=2.5</li> <li>• CDA if the score is &gt; 2.5</li> </ul>
<b>Ineligible Property Type</b>	<ul style="list-style-type: none"> <li>• Manufactured Homes</li> <li>• Log Homes</li> <li>• Condotels</li> <li>• Living/Work Condos</li> <li>• Working Farm</li> <li>• Zoning violation</li> <li>• Mixed Use</li> <li>• Boarding Houses</li> <li>• Group Homes</li> <li>• Timeshares</li> <li>• Homes on Native American Land (Reservations)</li> <li>• Unique Properties/Geodesic Domes</li> <li>• Assisted Living/Continuing Care Facilities</li> <li>• Properties Under Construction</li> <li>• Mandatory Country Club Memberships</li> <li>• C5 or C6 Property Condition Grades</li> <li>• Properties used for the cultivation, distribution, manufacture, or sale of Marijuana</li> </ul>
<b>Escrow Impound</b>	<ul style="list-style-type: none"> <li>• Allowed. Mandatory Impound for HPML (High Price Mortgage Loan)</li> </ul>
<b>Prepayment Penalty</b>	<ul style="list-style-type: none"> <li>• Investment Properties only</li> <li>• Prepayment periods up to 5-years eligible, see rate sheet</li> <li>• Six months of interest on prepayments that exceed 20% of the original principal balance in a given 12-month time period</li> </ul>
<b>Document Age</b>	<ul style="list-style-type: none"> <li>• Ninety (90) days prior to the note date</li> </ul>
<b>General Underwriting Guidelines</b>	
<b>Credit Score</b>	<ul style="list-style-type: none"> <li>• Middle of 3 scores or lower of 2</li> </ul>
<b>Tradelines</b>	<ul style="list-style-type: none"> <li>• Each Borrower's credit profile must include a minimum of two (2) trade lines within the last twenty-four (24) months that show a twelve (12) month history, or a combined credit profile between Borrower and co-Borrower with a minimum of three (3) tradelines</li> <li>• Accounts can be open or closed</li> <li>• Authorized user accounts must be used to calculate DTI but will not be included in the number of tradelines</li> </ul>

<b>Tradelines (Cont.)</b>	<ul style="list-style-type: none"> <li>Tradeline with any derogatory history within twenty-four (24) months cannot be included in the minimum tradeline count</li> </ul>
<b>Housing History</b>	<ul style="list-style-type: none"> <li>0x30x12 &amp; 0x60x24</li> </ul>
<b>Housing Event Seasoning</b>	<ul style="list-style-type: none"> <li>BK/FC/SS/DIL/Mod (due to Default)/NOD/Lis Pendens/ &amp; 120+ days delinquent &gt; 48 Mo</li> </ul>
<b>Reserves</b>	<ul style="list-style-type: none"> <li><b>Loan Amount ≤ 1,000,000</b> <ul style="list-style-type: none"> <li>Standard: 6 Months</li> <li>Reduced: 3 Months</li> </ul> </li> <li><b>Loan Amount ≤ 2,000,000</b> <ul style="list-style-type: none"> <li>Standard: 9 Months</li> <li>Reduced: 6 Months</li> </ul> </li> <li><b>Loan Amount ≤ 3,000,000</b> <ul style="list-style-type: none"> <li>Standard: 12 Months</li> <li>Reduced: 9 Months</li> </ul> </li> <li>Reduced Reserve option available with price adjustment. See additional restriction below:           <ul style="list-style-type: none"> <li>Cash out may be used to satisfy requirement</li> <li>Must be own fund</li> <li>Additional Financed Properties: 2 Months incremental PITIA per financed property</li> </ul> </li> </ul>
<b>Restriction</b>	<ul style="list-style-type: none"> <li>If loan has credit event (BK/FC/SS/DIL/Mod (due to Default)/NOD/Lis Pendens/ &amp; 120+ days delinquent between 36-48 Mo, 1x30x12, 0x60x24) or reduced reserve, additional restrictions will apply:           <ul style="list-style-type: none"> <li>5% LTV/CLTV reduction (* Not available)</li> <li>Max DTI 50%</li> <li>LTV/CLTV &gt; 60%: Max Cash-out \$500,000</li> <li>Non-Warrantable Condo max LTV/CLTV 75%</li> </ul> </li> </ul>
<b>Assets Requirements</b>	<ul style="list-style-type: none"> <li>1 month bank statement or VOD with 30-day average</li> <li>Any large deposit must be sourced</li> </ul>
<b>Asset Source</b>	<ul style="list-style-type: none"> <li><b>Eligible</b> <ul style="list-style-type: none"> <li>Business accounts may only be used to meet down payment and/or reserve requirements if the Borrower(s) are <b>50% owners</b> of the business and requires A letter from the accountant for business</li> <li>Publicly traded Stocks / Bonds / Mutual Funds – 100% may be used for reserves</li> <li>Vested Retirement Accounts – 100% may be considered for reserves</li> <li>Bitcoin or other forms of cryptocurrency are permitted for both funds to close and reserves provided the cryptocurrency has been converted or liquidated to cash. Seasoning requirements not applicable given liquidation</li> <li>Life insurance policy current cash value or loan against the cash value may be used for down payment, closing costs or reserves</li> <li>Foreign assets are acceptable and must be sixty (60) days seasoned with two (2) most recent bank statements. A currency calculation must be provided. Foreign assets from OFAC restricted countries are not allowed.</li> <li>1031 administrator / agent or permitted for down payment and closing costs</li> </ul> </li> </ul>

<b>Asset Source (Cont.)</b>	<ul style="list-style-type: none"> <li>• <b>Ineligible</b> <ul style="list-style-type: none"> <li>○ Assets being used for dividend and interest income may not be used to meet reserve requirements</li> <li>○ Gift of Equity is not allowed</li> <li>○ Rent credits not permitted</li> <li>○ Restricted stock is ineligible for to be used for reserves</li> <li>○ Sale of Personal Assets</li> <li>○ Employer assistance</li> </ul> </li> </ul>
<b>Gift Funds</b>	<ul style="list-style-type: none"> <li>• Gift funds cannot be counted towards reserves</li> <li>• Purchase transactions only</li> <li>• LTV/CLTV &lt; 75%: 100% gift allowed for down payment</li> <li>• LTV/CLTV ≥ 75%: Min 5% contribution</li> <li>• <b>Gift funds not permitted on Second Home &gt; 80% LTV / CLTV</b></li> </ul>
<b>Bank Statement Income</b>	<ul style="list-style-type: none"> <li>• <b>Borrowers who are using more than three (3) businesses to qualify must use Personal Bank Statement option</b></li> <li>• <b>Documentation Requirements:</b></li> <li>• Twelve (12) or twenty-four (24) months consecutive, bank statements required</li> <li>• Bank statements must be most recent available at time of application and must be consecutive</li> <li>• Business Narrative (<a href="#">Click to view form</a>)</li> <li>• Business narrative must include details relating to the size / score and operating profile of the business, including the following:             <ul style="list-style-type: none"> <li>○ Description of business / business profile</li> <li>○ Location and associated rent</li> <li>○ Number of employees / contractors</li> <li>○ Estimated cost of goods sold if any</li> <li>○ Materials / Trucks / Equipment</li> <li>○ Commercial or Retail client base</li> </ul> </li> <li>• An internet search of the business is required with documentation to be included in the credit file to support the business narrative. Underwriter certification (or notation on the 1008) if there are not returns when attempting an internet search</li> <li>• Verification of business existence that the business is fully operational / active required within ten (10) calendar days of closing</li> <li>• Multiple bank accounts may be used</li> <li>• Co-mingling:             <ul style="list-style-type: none"> <li>• Co-mingling of personal and business accounts is not permitted in personal bank accounts. Evidence of co-mingling will require the loan to be submitted / qualified as a business bank statement loan</li> </ul> </li> <li>• Two (2) months of business bank statements must be provided to validate borrower utilizes separate banking accounts</li> <li>• <b>Personal Bank Statements</b> <ul style="list-style-type: none"> <li>○ Documentation Analysis:                 <ul style="list-style-type: none"> <li>▪ Two (2) months of business bank statements are required. These statements should evidence activity to support business operations and reflect transfers to the personal account                     <ul style="list-style-type: none"> <li>▪ A borrower who only utilizes a personal account for business activity and does not have an associated business account is eligible to qualify</li> <li>▪ Co-mingling of personal and business receipts is not permitted</li> </ul> </li> </ul> </li> </ul> </li> </ul>

**Bank Statement  
Income (Cont.)**

- If bank statements provided reflect payments being made on obligations not listed on the credit report, a thorough analysis must be performed and LOE provided from the Borrower
  - Any deposits into a personal account deemed to derive from a source other than the business (rents, SSI, joint account holder wage income, IRS refunds) must be excluded from the analysis
  - Unusually large deposits exceeding 50% of monthly income (as defined by Fannie Mae) into bank accounts must be explained via LOE and must be consistent
  
- Business requirements:
  - Validation of a minimum of two (2) years existence of the business is required from a Licensed Tax Preparer
  - Ownership percentage must not be less 25% and documented via CPA letter
  - Borrowers who own more than three (3) businesses must use personal bank statements option
  
- Qualifying Income:
  - For personal bank statement documentation, it is the lower of the following:
    - Personal bank statement average (total eligible deposits / 12 or 24 months)
    - If a Borrower has declining income and is qualifying with twenty-four (24) months of bank statements, the last twelve (12) months of income will be utilized to qualify
    - Monthly income disclosed on the initial signed 1003
  
- **Business Bank Statements**
  - Documentation Analysis:
    - Large deposits exceeding 50% of monthly into bank accounts must be explained via LOE and must be consistent with the business profile. If LOE is sufficient, no sourcing required
    - NSF's may require a Borrower LOE documenting they are not due to financial mishandling or insufficient income. A maximum of 3 NSF occurrences within a twelve-month period are allowed. If there are zero occurrences in the most recent three-month period, up to 6 occurrences in the most recent twelve-month period are acceptable. NSF's should be covered with deposits shortly after they are incurred.
    - Expense line items that can be added back to the business net income include depreciation, depletion, amortization, casualty losses, and other losses or expenses that are not consistent and recurring
    - Transfers from other bank accounts into the business bank accounts will require conclusive evidence that the source of transfer is business related income
  
- Business Requirements:
  - Validation of a minimum of two (2) years existence of the business is required from a Licensed Tax Preparer
  - Ownership percentage must be documented via CPA letter
  - Minimum 50% business ownership required
  - Borrowers utilizing business bank statements that own > 50% but < 100% of a business will be qualified at the net income multiplied by their ownership percentage

<b>Bank Statement Income (Cont.)</b>	<ul style="list-style-type: none"> <li>• <b>Income Qualification (Three Options)</b> <ul style="list-style-type: none"> <li>○ Option 1 (Expense Ratio)                             <ul style="list-style-type: none"> <li>▪ Percentage of gross deposits (twelve (12) months) using expense ratio factor based on business type and number of employees</li> <li>▪ Qualifying income will be the lower of the Expense Ratio formula or monthly income disclosed on the initial signed 1003</li> <li>▪ Expense ratio should be reasonable for the profession</li> <li>▪ Qualifying income should be multiplied by the Borrowers documented business ownership</li> <li>▪ Example: Borrower with \$25,000 monthly average deposits multiplied by a 50% expense factor = \$12.5k in qualifying income</li> </ul> </li> </ul> </li> </ul>												
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Employees</th> <th style="text-align: center;">0</th> <th style="text-align: center;">1-5</th> <th style="text-align: center;">&gt;5</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">                     Service Business (Offers Service)                      Examples: Consulting, Accounting, Legal, Therapy, Counseling, Financial Planning, Insurance, Information Technology                 </td> <td style="text-align: center;">15% Expense Factor</td> <td style="text-align: center;">30% Expense Factor</td> <td style="text-align: center;">50% Expense Factor</td> </tr> <tr> <td style="text-align: center;">                     Product Business (Sells Goods)                      Example: Retail, Food Services, Restaurant, Manufacturing, Contracting, Construction                 </td> <td style="text-align: center;">25% Expense Factor</td> <td style="text-align: center;">50% Expense Factor</td> <td style="text-align: center;">85% Expense Factor</td> </tr> </tbody> </table>	Employees	0	1-5	>5	Service Business (Offers Service) Examples: Consulting, Accounting, Legal, Therapy, Counseling, Financial Planning, Insurance, Information Technology	15% Expense Factor	30% Expense Factor	50% Expense Factor	Product Business (Sells Goods) Example: Retail, Food Services, Restaurant, Manufacturing, Contracting, Construction	25% Expense Factor	50% Expense Factor	85% Expense Factor
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<ul style="list-style-type: none"> <li>• Option 2 (3rd Party Profit &amp; Loss Statement)                             <ul style="list-style-type: none"> <li>○ Qualifying income is the lower of the Profit &amp; Loss (“P&amp;L”) net income from the validated third-party prepared P&amp;L or monthly income disclosed on the initial signed 1003</li> <li>○ Businesses qualifying with a P&amp;L statement showing less than a 15% expense ratio will be limited to a 15% ratio. Expense ratio should be reasonable for the profession</li> <li>○ Borrower prepared P&amp;L will not be permitted under any circumstances</li> <li>○ Business Bank Statements are used to validate third-party prepared P&amp;L. Gross revenue listed on P&amp;L must be within +/-10% of the total qualified deposits</li> <li>○ Following documentation is required:                                     <ul style="list-style-type: none"> <li>▪ Twelve (12) months complete business bank statements from the same account (transaction history print outs are not acceptable)</li> <li>▪ Business bank accounts, personal bank accounts addressed to a DBA or personal accounts with evidence of business expenses can be used for qualification</li> <li>▪ P&amp;L statement must be prepared by a Tax Professional   <ul style="list-style-type: none"> <li>▪ Tax Professional defined as a Certified Public Accountant (“CPA”), Tax Attorney, Enrolled Agent (“EA”), California Tax Educational Council member (“CTEC”)</li> </ul> </li> <li>▪ P&amp;L statement must cover the same months as the bank statements submitted</li> <li>▪ P&amp;L must be signed by the Borrower and the Tax Professional</li> <li>▪ Tax Professional must attest that they have audited the business financial statements or reviewed working papers provided by the Borrower</li> <li>▪ Tax Professional must attest that they are not related to the Borrower or associated with the Borrower’s business</li> <li>▪ Tax Professional must have filed the Borrower’s most recent two (2) years business tax returns</li> </ul> </li> </ul> </li> </ul>													



<b>Bank Statement Income (Cont.)</b>	<ul style="list-style-type: none"> <li>• Option #3 (3rd Party Expense Ratio)           <ul style="list-style-type: none"> <li>○ Qualifying income is the lower of the 3<sup>rd</sup> party prepared expense ratio net income or monthly income disclosed on the initial 1003</li> <li>○ To determine net income, multiple eligible business deposits by the following: (100% minus the Expense Ratio / 12 or 24 months)</li> <li>○ 3rd Party Prepared Expense Ratio floored at 15%</li> <li>○ The Expense Statement must be prepared and signed by a third-party Tax Professional specifying business expense as a percentage of the gross annual sales/revenue</li> <li>○ Self-employed Borrowers who have filed their own business tax returns are ineligible</li> <li>○ Following documentation is required:               <ul style="list-style-type: none"> <li>▪ Twelve (12) or twenty-four (24) months complete business bank statements from the same account (transaction history print outs are not acceptable)</li> <li>▪ Business bank accounts, personal bank accounts addressed to a DBA or personal accounts with evidence of business expenses can be used for qualification</li> <li>▪ Tax Professional must attest that they have audited the business financial statements or reviewed working papers provided by the Borrower</li> <li>▪ Tax Professional must certify that the Expense Statement represents an accurate summary of the applicable cash expenses of the business</li> <li>▪ Tax Professional must attest that they are not related to the Borrower or associated with the Borrower's business</li> <li>▪ Tax Professional must have filed the Borrower's most recent two (2) years business tax returns</li> <li>▪ Tax Professional license must be verified and signed</li> </ul> </li> </ul> </li> </ul>
<b>1099 Income</b>	<ul style="list-style-type: none"> <li>• <b>One (1) year IRS 1099</b> <ul style="list-style-type: none"> <li>○ Generally limited to single employer and in scenarios where the Borrower receives multiple 1099's, the Borrower must be in an industry where this is a common occurrence (entertainment, medical contractor, etc.)</li> <li>○ A 10% Expense Factor will be applied</li> <li>○ Three (3) months bank statements (YTD must cover minimum of thirty (30) days)</li> <li>○ Not permitted as qualifying income – interest, dividends, capital gains, etc.</li> <li>○ 4506-C 1099 transcript</li> </ul> </li> <li>• Verbal Verification of Employment (VVOE)           <ul style="list-style-type: none"> <li>▪ Must be completed withing ten (10) calendar days of the closing date</li> <li>▪ VVOE should include name of contact at place of employment, phone number and title along with company name, address and Borrower's job description and title</li> <li>▪ A Borrower who is no longer employed at the same employer listed on the initial 1003 will not be eligible</li> </ul> </li> </ul>
<b>Asset Depletion / Asset Qualifier Income</b>	<ul style="list-style-type: none"> <li>• Our asset-based programs are designed to meet the Ability to Repay ("ATR") requirements. This is accomplished by requiring a debt to income ("DTI") in our Asset</li> <li>• Depletion program and the requirement of a residual income calculation in our Asset Qualifier program. The unrestricted liquid assets of both programs can be comprised of stocks / bonds / mutual funds, vested amount of retirement accounts and bank accounts</li> </ul>

**Asset Depletion /  
 Asset Qualifier  
 Income (Cont.)**

- For Asset Depletion, the utilization of financial assets will be considered as Borrower income to qualify for their monthly payments
- For Asset Qualifier, the utilization of financial assets will be used to calculate a Borrower's residual income
- A Borrower using Asset Depletion/Asset Qualifier cannot use other sources of employment income
- Non employment sources of income will be considered on a case-by-case basis
  
- **Program Requirements:**
  - Reserves are not required for the Asset Depletion and Asset Qualifier programs
  - Asset Depletion Requirements:
    - Borrowers must have a minimum of the lesser of \$1mm in Qualifying Assets OR must have Qualifying Assets  $\geq$  to 125% of the original subject loan amount
  - Asset Qualifier Requirements:
    - Total post-closing assets must be  $\geq$  to 125% of the original subject loan amount
  - Not permitted:
    - Cash-Out
    - Gift funds
    - Business Assets
    - Trust Assets
    - Foreign Assets
    - Non-Occupant Co-Borrower
    - Non-Owner Occupied or Second Homes
  
- **Eligibility**
  - Borrowers must have a minimum of \$450K in Qualifying Assets across both Asset Depletion/Asset Qualifier
  - Assets used for qualifying must be seasoned for one hundred twenty (120) days
  - Bitcoin or other form of cryptocurrency can be utilized as "Qualifying Assets" to the extent the cryptocurrency was converted or liquidated to cash and the cash holding meets seasoning requirements of one hundred twenty (120) days. Cryptocurrency that has not been converted or liquidated to cash (still in cryptocurrency form) cannot be utilized as a Qualifying Asset
  - Net Assets:
    - If the assets or a portion of the assets are being used for down payment or costs to close, those assets should be excluded from the balance before analyzing a portfolio for income qualification
  - Qualifying Assets:
    - Net assets multiplied by the following percentages:
      - 100% checking / savings / money accounts
      - 80% of the remaining value of stocks / bonds / mutual funds
      - 70% for all vested retirement assets
  
- **Qualifying Income:**
  - Asset Depletion: Qualifying Assets with utilization draw schedule of seven (7) years (Qualified Assets divided by eighty-four (84)) will be used as qualifying income
  - Asset Qualifier: To determine residual income, Qualifying Assets will be divided by eighty-four (84) months. From this number, subtract the Borrower's total monthly debt obligation (total liabilities) to come up with the Borrower's residual income.

<b>Asset Depletion / Asset Qualifier Income (Cont.)</b>	<ul style="list-style-type: none"> <li>• <b>Residual Income:</b> <ul style="list-style-type: none"> <li>▪ Residual income equals Gross Qualifying Income – Monthly Debt</li> <li>▪ If the loan is an HPML, or if the DTI exceeds 43%, borrowers must have a minimum monthly residual income as required below:               <table border="1" data-bbox="605 352 1414 541"> <thead> <tr> <th># in Household – Required Amount</th> </tr> </thead> <tbody> <tr> <td>1 - \$1,500</td> </tr> <tr> <td>2 - \$2,500</td> </tr> <tr> <td>Add \$150 for additional family members</td> </tr> </tbody> </table> </li> </ul> </li> </ul>	# in Household – Required Amount	1 - \$1,500	2 - \$2,500	Add \$150 for additional family members
# in Household – Required Amount					
1 - \$1,500					
2 - \$2,500					
Add \$150 for additional family members					
<b>Rental Income</b>	<ul style="list-style-type: none"> <li>• Must document proof of 100% ownership</li> <li>• Fully Executed Lease agreement if Refinance transaction</li> <li>• Two (2) months cancelled checks to show proof of rental payments, or if subject is recently rented, a copy of two of the following will be acceptable (first month's rent, last month's rent, security deposit, <b>75% utilized for qualifying income</b>)</li> <li>• Evidence that rent is market rate (free online source is permitted)</li> <li>• If existing lease from seller is transferring to borrower, the lease that predates the mortgage could have a superior claim to the mortgage. The seller is responsible for ensuring clear title and first lien enforceability</li> <li>• Departing residence positive rental income cannot be used to qualify. Departing residence PITIA/ITIA can be offset by 75% of projected net rental income, a copy of two of the following will be acceptable (first month's rent, last month's rent, security deposit). Departing residence rental that produces a loss must be included in DTI</li> </ul>				
<b>Continuity Obligation</b>	<ul style="list-style-type: none"> <li>• Continuity of obligation occurs on a refinance transaction when at least one of the Borrower(s) (or members of the LLC) on the existing mortgage is also a Borrower / LLC on the new refinance transaction secured by the subject property</li> <li>• When an existing Mortgage will be satisfied as a result of a refinance transaction, the following requirements must be met:       <ul style="list-style-type: none"> <li>○ At least one Borrower on the refinance mortgage held title to for the most recent six-month period and the mortgage file contains documentation evidencing that the Borrower has been making timely mortgage payments, including the payments for any secondary financing, for the most recent six-month period</li> <li>○ At least one Borrower on the refinance Mortgage inherited or was legally awarded the Mortgaged Premises by a court in the case of divorce, separation, or dissolution of a domestic partnership; 6 months cash-out and rate/term seasoning not applicable in these cases.</li> </ul> </li> </ul>				
<b>Subordinate Financing</b>	<ul style="list-style-type: none"> <li>• New subordinate financing (institutional) allowed for purchase transactions only</li> <li>• Primary residences only</li> <li>• If a HELOC is present the LTV / CLTV must be calculated by dividing the sum of the original loan amount of the first mortgage, the line amount of the HELOC (whether or not there have been any draws), and the unpaid principal balance of all other subordinate financing by the lower of the property's sales price or appraised value</li> <li>• All subordinate loan obligations must be considered, verified, and considered when calculating the Borrower's DTI</li> <li>• If the subordinate financing is a HELOC secured by the subject property, monthly payments equal to the minimum payment required under the HELOC terms considering all draws made on or before closing of the subject transaction</li> <li>• Existing subordination is permitted on refinances</li> </ul>				
<b>Flip Transactions</b>	<ul style="list-style-type: none"> <li>• When the subject property is being resold within three hundred sixty-five (365) days of its acquisition by the seller and the sales price has increased more than ten (10%), the</li> </ul>				

<b>Flip Transactions (Cont.)</b>	<p>transaction is considered a “flip”. To determine the three hundred sixty-five (365) day period, the acquisition date (the day the seller became the legal owner of the property) and the purchase date (the day both parties executed the purchase agreement) should be used</p> <ul style="list-style-type: none"> <li>• Must be arm’s length (the property was marketed openly and fairly through a multiple listing service) with no identity of interest between the buyer and property seller or other parties participating in the sales transaction</li> <li>• No pattern of previous flipping activity may exist in the last twelve (12) months.             <ul style="list-style-type: none"> <li>○ Exclude transaction: ownership transfers may include sales by government agencies, properties inherited or acquired through divorce, and sales by the holder of a defaulted loan</li> </ul> </li> <li>• Second Appraisal Required             <ul style="list-style-type: none"> <li>○ Greater than ten (10%) increase in sales price if seller acquired the property in the past ninety (90) days</li> <li>○ Greater than twenty (20%) increase in sales price if seller acquired the property in the past one hundred eighty (180) days</li> </ul> </li> </ul>
<b>Delayed Financing</b>	<ul style="list-style-type: none"> <li>• Allowed</li> </ul>
<b>Interested Party Contribution</b>	<ul style="list-style-type: none"> <li>• Max 6%</li> </ul>
<b>Ineligible Transactions</b>	<ul style="list-style-type: none"> <li>• Construction Loans</li> <li>• Rent Credits</li> <li>• Non-Arm’s Length</li> <li>• Conversion Loans</li> <li>• Lease Option</li> <li>• Builder Bailout &amp; Model leasebacks</li> </ul>
<b>Non-Permanent Resident Alien</b>	<ul style="list-style-type: none"> <li>• Cash-out not allowed</li> <li>• VISA Allowed: (E-1, E-2, E-3, EB-5, G-1 through G-5, H-1B, L-1, NATO, O-1, R-1, TN (NAFTA) R-1</li> <li>• Copy of unexpired passport and visa required</li> </ul>
<b>Ineligible Borrower</b>	<ul style="list-style-type: none"> <li>• Borrowers with diplomatic immunity</li> <li>• Non-Occupant Co-Borrower</li> <li>• Irrevocable or Blind Trusts</li> <li>• Asylum applicants</li> <li>• Land Trusts</li> <li>• ITIN Borrower</li> <li>• Self-employed Borrower deriving their income from any Cannabis related business</li> <li>• Borrower(s) with residence of any country not permitted to conduct business with US Companies as determined by US government authority</li> </ul>
<b>First Time Home Buyer</b>	<ul style="list-style-type: none"> <li>• First Time Home Buyer (FTHB) are individuals that have not owned a home or had a residential mortgage in the last 5 years.</li> <li>• Rent free FTHB are eligible with an LOE or rent-free letter.</li> <li>• If renting, VOR required and max payment shock of 250</li> </ul>

<b>Power of Attorney</b>	<ul style="list-style-type: none"> <li>• Limited Power of Attorney (POA) is acceptable for executing closing documents, is specific to the transaction, contains an expiration date, initial 1003 is signed by the Borrower executing the POA</li> <li>• Not permitted on Cash-Out transactions</li> </ul>
<b>Student Loan</b>	<ul style="list-style-type: none"> <li>• Student loan payments must be included regardless of deferment or repayment in the DTI ratio. If a payment amount is not identified, 1% of the current loan balance may be utilized</li> </ul>
<b>Solar Lease</b>	<ul style="list-style-type: none"> <li>• Must conform to FNMA guidelines</li> <li>• PACE loans (or any similar loans with payments that are included in property taxes or take lien priority) are not eligible</li> </ul>
<b>Payoff Debt to Qualify</b>	<ul style="list-style-type: none"> <li>• Installment and revolving debt paid at closing may be excluded from the debt-to-income ratio with           <ul style="list-style-type: none"> <li>○ A credit supplement,</li> <li>○ Verification from the creditor liability as paid in full or</li> <li>○ Evidence of payoff on Closing Disclosure</li> </ul> </li> </ul>
<b>Debts Paid by Others / Contingent Liabilities</b>	<ul style="list-style-type: none"> <li>• Contingent liabilities can be excluded from DTI if the Borrower provides evidence that their business or another individual / entity has made payments for twelve (12) months (0x30).</li> <li>• Any liability related to a separation or divorce can be omitted if ordered by family court.</li> <li>• Excludable if can be tied to business related activities (i.e., – vehicle) and twelve (12) months (0x30) proof that business pays. Expense must be evident on business financials.</li> <li>• Can exclude mortgage debt paid by third party. Third party must be on Note.</li> </ul>
<b>Maximum Financed Properties</b>	<ul style="list-style-type: none"> <li>• The maximum number of financed properties to any one Borrower is limited to twenty (20) residential properties</li> </ul>