DSCR ACE

Program Code: DSCR ACE -30, -30 IO, -7/6, -7/6 IO

Investment Property										
FICO	Loan Amt	Max CLTV								
		DSCR ≥ 1			DSCR ≥ 0.75			DSCR < 0.75 (No Ratio)		
		Purchase	R/T	C/O	Purchase	R/T	C/O	Purchase	R/T	C/O
740+	≤ 1M	80%	80%	75%	80%	80%	75%	75%	75%	70%
	≤ 1.5M	80%	80%	75%	80%	75%	75%	70%	70%	65%
	≤ 2M	75%	75%	70%	70%	65%	65%	65%	65%	60%
	≤ 2.5M	75%	75%	65%	65%	NA				
720-739	≤ 1M	80%	80%	75%	80%	80%	75%	75%	75%	70%
	≤ 1.5M	80%	80%	75%	80%	75%	75%	70%	70%	65%
	≤ 2M	75%	75%	70%	70%	65%	65%	NA		
	≤ 2.5M	75%	75%	65%	65%	NA				
701-719	≤ 1M	80%	80%	75%	80%	80%	75%	75%	75%	70%
	≤ 1.5M	80%	80%	75%	80%	75%	75%	70%	70%	65%
	≤ 2M	75%	75%	70%	70%	65%	65%	NA		
	≤ 2.5M	75%	75%	65%	65%	NA				
680-699	≤ 1M	75%	75%	70%	75%	75%	70%	75%	75%	70%
	≤ 1.5M	75%	75%	70%	75%	75%	NA			
	≤ 2M	70%	70%	65%	65%	60%				
	≤ 2.5M	70%	70%	65%	NA					
660-679	≤ 1M	75%	75%	70%	75%	75%	70%	65%	65%	60%
	≤ 1.5M	75%	75%	70%	NA					
	≤ 2M	70%	70%	65%						
	≤ 2.5M	70%	70%	65%						
640-659	≤ 1M	75%	75%	60%	75%	75%	60%	60%	60%	60%
	≤ 1.5M	65%	65%	55%	NA					
	≤ 2M	65%	65%	NA						
	≤ 2.5M	60%	60%							
620-639	≤ 1M	65%	65%	55%						
	≤ 1.5M	50%	50%	50%						

- Interest Only:
    - Min Credit Score: 660 | Max LTV: Purchase/R&T: 75% | Cash-Out: 70%

  * Interest Only transactions DSCR is calculated using ITIA.
- Non-Warrantable Condo: 5% LTV Reduction
- Declining Market: 5% LTV Reduction off Max LTV
- FL with LTV over 70% will requires a Full Condo Review
- Short Term Rental: Max LTV: Purchase & Rate and Term 75% | Cash out Refinance: 70%

General Requirements

	Product	Term	Amort. Term	I/O Term	Qualifying Rate
Product Type	30-Yr Fixed	30 yr	30 yr	NA	Note Rate
	30-Yr Fixed IO	30 yr	20 yr	10 yr	
	7/6 ARM	30 yr	30 yr	NA	Note Rate
	7/6 ARM IO	30 yr	20 yr	10 yr	

Occupancy

- **Investment Property: Borrowers or Family Members not permitted to occupy subject**

Loan Amount

- Min: $125,000
- Max: $2,500,000

Loan Purpose

- **Purchase**
    - LTV/CLTV based upon the lessor of the sales price or appraised value
- **Rate/Term**
    - Borrower must be on title at time of loan application
    - Payoff of an existing first mortgage and any subordinate lien used to acquire the property.
    - Any subordinate lien Not used in the acquisition of the subject may be paid with loan transaction if the following apply:
        - Closed end loan
        - Heloc, at least 12 mths of seasoning has occurred and total draws over the past 12 mths are less than $10,000
    - Cash back in an amount not to exceed the lesser of 2% of the new loan amount or $10,000 can be included in the transaction.
    - LTV/CLTV is based upon the current appraised value, no seasoning required.
    - Net Tangible Benefit (NTB) to borrower required
- **Cash-Out**
    - No Seasoning Requirements, borrower must be on title prior to application
    - LTV/CLTV is based upon the current appraised value, No sesasoning required
    - A mortgage secured by a property currently owned free and clear is considered cash out.
    - The payoff of delinquent real estate taxes, federal taxes, state taxes and judgments (60 days or more past due) is considered cash out
    - Properties listed for sale must be taken off the market prior to the Promissory Note date
    - BUSINESS PURPOSE LOANS: PAYING OFF CONSUMER DEBT IS NOT ELIGIBLE
    - Delayed financing permitted (Must meet FNMA guides)

Borrower Experience	▪ **Experienced Investor**: Borrower must have at least twelve (12) months of experience managing income-producing real estate within the most recent thirsty-six (36) months from the origination of the Note ▪ **First Time Investors** allowed when the below are met: o First Time Investors can be a First Time Homebuyer o Housing payment 0X30X12; o Living Rent Free Not Permitted
Max Cash-Out Limit	▪ LTV > 65%: Max Cash-out $600,000 ▪ 60< LTV ≤ 65%: Max Cash-out $ 1.0 Mil ▪ LTV ≤ 60% Unlimited Cash out
Property Type	▪ Single Family, Attached, Detached ▪ 2-4 Units ▪ Condominiums (Warrantable and Non-Warrantable) o Non-Warrantable Condo: 5% LTV reduction off Max LTV o FL with LTV over 70% will requires a Full Condo Review
Rural Property	▪ Not permitted
State Restrictions	▪ FL condos with LTV over 70% requires a Full Condo Review ▪ Properties located in Baltimore City, MD are Not Eligible ▪ State or Local High Cost not permitted
Escrow Impound	▪ Mandatory Impound for ▪ LTV > 80% ▪ HPML (High Price Mortgage Loan) ▪ FLOOD INSURANCE
Prepayment Penalty	▪ Investment Properties only ▪ Prepayment periods up to 5-years eligible, see rate sheet ▪ 5% of the unpaid principal balance. ▪ Not permitted in Maryland(MD) ▪ New Jersey (NJ) : Permitted only if closing in the name of an Entity: C-Corp or S-Corp Only. ▪ **California (CA) and Colorado (CO) requires ≥ 6 months of prepay**
Document Age	▪ 90 days prior to the note date o Credit Report o Income o Asset o Title o CPL o Certificate of Good Standing ▪ 120 days prior to the note date o Appraisal Report o Flood Certificate

<table>
<tr><th colspan="2">Income Requirements</th></tr>
<tr><td>Long-term Rental</td><td>

Purchase:

Monthly gross rents are determined by using the Lower of the current lease or estimated market rent on Form 1007 or 1025.
If property is currently tenant occupied, sales agreement to confirm monthly rent and lease transferred to the borrower at closing required.
Vacant or unleased property is allowed without LTV restrictions
If the 1007/1025 Market Rent is Higher than the transferred Lease the higher market rent may be used to qualify with no additional documentation required

Refinances: Form 1007/1025 with Lease Agreement

If using the CURRENT active lease which is higher than the market rent, provide 2 most recent consecutive months of rent received
If the lease has been converted to month-to-month, then provide the most recent 2 months proof of receipt to evidence continuance of lease.
If using higher NEW lease amount to qualify, provide lease with 2 months of receipt
The subject property must have either just completed renovations and is supported in the appraisal or ended a previous lease to be eligible to use a new lease to qualify
If the 1007/1025 Market Rent is Higher than the Lease the higher market rent may be used to qualify with no additional documentation required
Vacant or unleased property is allowed without LTV restrictions

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<tr><td>Short-Term Rental (STR)</td><td>

Refinance or Purchase transactions are eligible (LTV restrictions for Short Term Rental)
Monthly gross rents based upon a 12-month average to account for seasonality required from a 3rd Party Rental Management Service. (ie: AirBNB, VRBO, etc.)
Acceptable Methods to Determine Gross Monthly Rental Income:

Statement from 3rd Party must identify the subject property, rents collected for 12 mths, and all management fees (management fees must be excluded from rental income)
A 1007, 1025, or STR Rental rate Analysis prepared by the appraiser may be used to determine market rents. (if long-term rent is used instead of STR rents, do not apply the 20% expense factor
Borrower may provide 12 months of bank statements showing short-term rental deposits. Must include rental records supporting the deposits and identifying the subject property

DSCR Calculation: Gross rents reduced by 20% to reflect extraordinary costs(If actual expense exceeds 20%, the actual expense factor should be used.; Minimum 20%). (Gross Rents * .80) divided by Starting Payment

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Underwriting Guidelines	
Credit Score	▪ Middle of three scores provided for any borrower. ▪ If only two credit scores, the higher of two will be used. ▪ The highest MID-FICO score amongst all borrowers will be used to qualify on DSCR. ▪ All additional borrowers/co-borrowers must meet the minimum fico requirement of 620
Tradelines	▪ If the primary credit qualifying borrower has three credit scores, the minimum tradeline requirement can be waived. ▪ 1 open and reporting 24-months; (with activity in the most recent 90 days); OR ▪ 2 open and reporting 12-months (with activity in the most recent 90 days)
Housing History	▪ SUBJECT PROPERTY AND PRIMARY HOME TO BE VERIFIED. ▪ 1x30x12: No reduction ▪ 0x60x12: o Purchase Max LTV 70% o Refinance Max LTV 65% ▪ Twelve (12) months housing history is required. Rent free is not permitted. ▪ **Not considered living rent free or having no housing history in the following scenarios:** o Borrower(s) live in a marital home. Borrowers living rent free with a spouse are acceptable with a rent-free letter from the spouse and evidence of the spouse's mortgage or current lease. If owned free and clear, a property profile is acceptable. o Borrower(s) sold a primary home within the past 6 months and are purchasing a primary home. o Borrower(s) who own their primary home free and clear with proof that property taxes are paid current. o Documented 12 month payment history on other Real Estate owned plus proof of ownership
Credit Event Seasoning	▪ **BK/FC/SS/DIL/ Non-Covid Forbearance /Modification /Deferral/ 1x120x12 Mtg Late are All considered Credit events and must meet seasoning:** A minimum seasoning of 24 months is required. o >=36 Mo – No reduction o >=24 Mo: • Purchase Max LTV 75% • Refinance Max LTV 70%
Collections/Charge Offs/Judgments and Liens	▪ Medical Collections may remain open ▪ Collections and charge-offs with a cumulative balance of greater than $2,000 must be paid prior to closing. ▪ All judgments and liens must be paid prior to closing
Past Due Accounts	▪ Must be paid prior to closing

Assets Requirements	▪ Most recent 30 days bank statements. **(VOD Not Permitted)**
Reserves	▪ Loan Amt ≤1.5 M: No reserves ▪ Loan Amt > 1.5 M: 2-months **PITIA** ▪ Cash out may be used to satisfy requirement ▪ No requirement for additional reserves for other financed properties, Subject Property reserves only ▪ Must be own fund **(Gift Not Permitted for reserves)**
Asset Source	▪ Checking/Savings/Stocks/Bonds ▪ IRA, Keogh, and 401(k) Retirement Accounts (80% of vested balance excluding outstanding loans secured against it if under eligible retirement age, 100% of vested balance excluding outstanding loans secured against its eligible retirement age) Must Include Terms of Withdrawal. ▪ Life Insurance: Cash value must be verified by a letter from the insurance company otherwise the surrender value must be used ▪ Foreign funds for closing costs and down payment must be transferred to a traditional bank account in U.S. Dollars (USD) at least 10 days prior to closing or proof sent directly to the settlement agent or escrow account. ▪ The use of business assets for self-employed borrowers for down payment, reserves, and closing costs are allowed. The borrowers on the loan must have >25% ownership of the business and must be the owners of the account. ▪ Virtual currency: BTC,ETH are eligible funds for down payment, closing costs, and reserves; however, for down payment and closing costs the crypto must be liquidated into a U.S. bank account, while for reserves the borrower may use 60% of the current valuation with proof of ownership and a Coinbase valuation within 30 days of the Note date, or 100% if the cryptocurrency is transferred into a U.S. financial institution before closing. ▪ **1031 Exchange** may be used for down payment and closing (not permitted for reserves). The following documents are required: o 1031 Exchange Agreement o Purchase contract for subject property to acknowledge this is a 1031 Exchange o Copy of purchase agreement for vacated property to ensure it included the 1031 Tax Deferred Exchange verbiage o Settlement Statement from relinquished property verifying funds ▪ **Reverse 1031 exchange is not permitted.**
Gift Funds	▪ Gift funds cannot be counted towards reserves ▪ 100% Gift Funds are allowed for down payment and closing cost
Acreage	▪ Property up to 10-acres, not meeting the rural definition, eligible
Interested Party Contributions	Max 6%
Borrower Eligibility	▪ U.S. Citizen ▪ Permanent Resident ▪ Non-Permanent Resident: o Borrowers with U.S. Credit and Acceptable Visa

	o Transactions with individuals with diplomatic immunity who are not subject to United States jurisdictions are not eligible.
Ineligible Borrower	▪ Borrowers with diplomatic immunity or otherwise excluded from U.S. jurisdiction ▪ Borrowers not on title (refinances) ▪ Borrowers from OFAC sanctioned countries ▪ Residents of any country not permitted to transact business with U.S. companies are ineligible (as determined by any U.S. government authority) ▪ Any material parties (company or individual) to transaction listed on HUD's Limited Denial or Participation (LDP) list, the federal General Services Administration (GSA) Excluded Party list, or any other exclusionary list. ▪ Borrowers less than 18-years-old ▪ Trusts or land trusts (revocable trusts may qualify for ownership vesting only)
Power of Attorney	▪ 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 ▪ Not permitted on Entities: LLC, Corporations, Entity Borrowers, Etc ▪ Not permitted on Cash-Out transactions
Appraisals	▪ Form 1007 or 1025 Comparable Rent Schedule survey prepared by the appraiser is required ▪ Loan Amounts ≥ $2,000,000 require 2 appraisals. ▪ Flip transactions require 2 appraisals ▪ Transferred appraisal acceptable as long as original appraisal is dated less than 120 days from Note Date. ▪ Original appraisals are valid for 120 days from the note date. A recertification of value will be required after 120 days and is valid up to 180 days. If original appraisal is dated more than 180 days from note date, a new appraisal report is required.
Appraisal Review	▪ Desk Review Product to be ordered on all loans with an CU Score over 2.5, with the exception of those with a full second appraisal.
Declining Market	▪ 5% LTV reduction off Matrix Max LTV.
Minimum Property Standards	▪ Single Family: Minimum 600 sq ft ▪ Condos: Minimum 400 sq ft ▪ 1-4 Units: Minimum 400 sq ft per individual unit
Properties Listed for Sale	▪ Subject property must be taken off the market on or before the Promissory Note date. ▪ LOE required from the borrower to confirm in writing the reason for the listing as well as proof it was taken off the market. (if listing was cancelled prior to application nothing else will be required) ▪ For properties listed within the most recent three months, the LTV will be based on the lesser of the most recent list price or the current appraised value.

Ineligible Property Type	▪ Agricultural properties including working farms, ranches, and orchards ▪ Manufactured/Mobile Home ▪ Appraised condition rating of C5 or C6 ▪ Assisted living facilities ▪ Barndominiums ▪ Boarding houses, homes that rent out by the room, or bed/breakfast properties ▪ Co-op/timeshare ▪ Condotels ▪ Condo cooperative share loans ▪ Dome or geodesic homes ▪ Homes on Indian reservations, Indian Leased Land ▪ Hawaii properties located in lava zones 1 and/or 2 ▪ Houseboats ▪ Log homes ▪ Mixed-Use & Commercial properties ▪ Properties not readily accessible by roads that meet local standards ▪ Properties not suitable for year-round occupancy regardless of location ▪ Properties with zoning violations ▪ Properties used for the cultivation, distribution, manufacture, or sale of marijuana. ▪ Vacant land or land development properties
Limitation of Financed Properties /Exposure	▪ Maximum loan to a single borrower shall not exceed $10 million or 10 loans.