

DSCR Plus

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

Investment Property							
FICO	Loan Amt	Max CLTV					
		DSCR ≥ 1		DSCR ≥ 0.75		DSCR < 0.75 (No Ratio)	
		Pur & R/T	Cash Out	Pur & R/T	Cash Out	Pur & R/T	Cash Out
740+	≤ 1M	80%	75%	75%	70%	75%	65%
	≤ 1.5M	75%	70%	70%	65%	70%	60%
	≤ 2M	75%	60%	65%	60%	65%	60%
720-739	≤ 1M	80%	75%	75%	70%	70%	60%
	≤ 1.5M	75%	70%	70%	65%	65%	60%
	≤ 2M	75%	60%	65%	NA	NA	NA
700-719	≤ 1M	75%	70%	75%	65%	65%	60%
	≤ 1.5M	75%	70%	70%	65%	65%	60%
	≤ 2M	70%	60%	65%	NA	NA	NA
680-699	≤ 1M	75%	65%	70%	60%	65%	60%
	≤ 1.5M	70%	60%	NA	NA	NA	NA
	≤ 2M	65%	NA	NA	NA	NA	NA
660-679	≤ 1M	70%	65%	60%	60%	60%	60%
	≤ 1.5M	65%	60%	NA	NA	NA	NA
	≤ 2M	60%	NA	NA	NA	NA	NA
<ul style="list-style-type: none"> ▪ 2-4 Units / Condo / Non-Warrantable Condo Max LTV/CLTV: 75% ▪ Interest Only: <ul style="list-style-type: none"> ○ DSCR ≥ 1 Max LTV/CLTV: 75% ○ DSCR is 0.75-0.99 Max LTV/CLTV: 70% ○ DSCR < 0.75 or No DSCR: Not allowed ○ Min FICO 700 ▪ Declining Market: 5% LTV Reduction ▪ Foreign National Borrower: See Foreign National Borrower Restriction ▪ *Non-Permanent Resident Alien: <ul style="list-style-type: none"> ○ Max 75% LTV/CLTV ○ Cash-Out not allowed 							
General Requirements							
DSCR Calculation	<ul style="list-style-type: none"> ▪ Debt Service Coverage Ratio is the Monthly Gross Rents divided by the PITIA of the subject property 						

	<ul style="list-style-type: none"> DSCR = Eligible monthly rent / PITIA (Loans with an interest only feature may use the ITIA payment) DSCR loans will be qualified at original Note Rate, regardless of ARM or Fixed 				
Occupancy	<ul style="list-style-type: none"> Investment 				
Product Type	Product	Term	Amort. Term	I/O Term	Qualifying Rate
	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	
	7/6 ARM IO-40Yr Term	40 yr	30 yr	10 yr	
	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	
Loan Purpose	<ul style="list-style-type: none"> Purchase Rate/Term Cash-Out Non-Arm's Length transactions are ineligible 				
Loan Amount	<ul style="list-style-type: none"> Min: \$125,000 Max: \$2,000,000 				
Cash-Out	<ul style="list-style-type: none"> Max Cash-Out <ul style="list-style-type: none"> LTV > 60%: Max Cash-out \$500,000 LTV ≤ 60%: Unlimited Cash-out Total equity withdrawn can't exceed above limits Cash-out not allowed for first time investor 				
Property Type	<ul style="list-style-type: none"> Single Family 2-4 Units¹ Condo¹ (Must be Fannie Mae Warrantable) Non-Warrantable Condo¹ (May be permitted case-by-case) <p>¹ Max LTV/CLTV: 75%</p>				
Restrictions to Non-Warrantable Condo	<ul style="list-style-type: none"> Stacking of non-warrantable features are not permitted A single owner / entity may not own more than 30% of the units Commercial Space must be typical to the market, have no negative impact and comprise 49% or less of project space Investor Concentration up to 70% No more than 25% of the total units in the project may be 60 days or more past due on their Condo / HOA dues. This figure includes delinquencies for special assessments Mandatory upfront or periodic membership fees for the use of recreational amenities, such as country club facilities and golf courses are not allowed All common areas must be 100% complete 				

	<ul style="list-style-type: none"> • HOA Should be in control. Projects under builder, developer control may be considered on a case-by-case basis and will require an Exception approval, subject to an additional LLPA • HOA Reserves must demonstrate a minimum of 10% • Projects involved in pending litigation that involve minor matters with no impact on the safety, structural soundness, habitability, or functional use of the project are acceptable as long the pending lawsuit(s) meets the following <ul style="list-style-type: none"> ◦ Do not affect marketability of the units ◦ Potential for damages do not exceed 25% of the HOA reserves OR with documentation from the insurance carrier and attorney representing the HOA or insurance carrier that the insurance carrier has agreed to provide the defense and the association's insurance is sufficient to cover the litigation ▪ Lawsuits that involve safety, structural soundness, habitability, or functional use are not eligible
Rural Property	<ul style="list-style-type: none"> ▪ Not permitted
State Restrictions	<ul style="list-style-type: none"> ▪ Maximum loan amount is limited to \$2,000,000. If either or both of the following apply: <ul style="list-style-type: none"> ◦ The appraisal report identifies the property as a declining market; ◦ The subject property is in a state of NJ or FL ▪ Florida Condominiums: <ul style="list-style-type: none"> ◦ Up to 7 Stories. No High Rise Condo (8+) ◦ A structural inspection is required if the project is greater than 5 stories and over 30 years old or 25 years old if within 3 miles of the coast. ◦ Projects with an unacceptable or no inspection are not eligible. ▪ Investment properties are ineligible in Baltimore, Maryland
Escrow Impound	<ul style="list-style-type: none"> ▪ Mandatory (Taxes, Insurance, and Flood)
Appraisals	<ul style="list-style-type: none"> ▪ FNMA Form 1004, 1025, 1073 with interior/exterior inspection ▪ Appraisal review product required unless 2nd appraisal obtained ▪ 2nd Appraisal required for loans > \$2,000,000 ▪ Transferred Appraisal are acceptable
Ineligible Property Type	<ul style="list-style-type: none"> ▪ Manufactured Homes ▪ Residential units with >= 5 units ▪ Log Homes ▪ Faux Log Homes (properties with a Log Cabin aesthetic, may be eligible with exception, subject to LLPA) ▪ Condotels ▪ Cooperatives ▪ Condominium projects with registration services or restrictions on owner's ability to occupy ▪ Unique Properties ▪ Unpermitted Additions ▪ Mixed Use Properties ▪ Builder Model Leaseback ▪ Boarding Houses ▪ Barndominiums ▪ Group Homes ▪ Fractional Ownership/Timeshares ▪ Assisted Living/Continuing Care Facilities ▪ Mandatory Country Club Memberships

	<ul style="list-style-type: none"> ▪ Zoning Violations ▪ Properties under Construction ▪ Agricultural zoned properties (may be considered case-by-case, exception required, subject to LLPA) ▪ Multiple dwellings on same lot (legal ADU acceptable. Limited to one) ▪ Working Farms ▪ C5 or C6 Property Condition Grades ▪ Live/Work Condos ▪ Earth Berm Homes ▪ Geodesic Domes ▪ Houseboats ▪ Homes on Native American Land (Reservations) ▪ Properties used for the cultivation, distribution, manufacture, or sale of Marijuana ▪ Theme Park Resort Properties
Prepayment Penalty	<ul style="list-style-type: none"> ▪ Investment Properties only ▪ Prepayment periods up to 5-years eligible, see rate sheet ▪ Six months of interest on prepayments that exceed 20% of the original principal balance in a given 12-month time period
Document Age	<ul style="list-style-type: none"> ▪ Ninety (90) days prior to the note date

Income Requirements

	<ul style="list-style-type: none"> ▪ Purchase Transactions: <ul style="list-style-type: none"> ○ Monthly Gross Rents are the monthly rents established on FNMA Form 1007 or 1025 reflecting long term market rents. ○ If the subject property is currently tenant occupied, the 1007 or 1025 must reflect the current monthly rent. Monthly gross rent is to be evaluated for each unit individually. <ul style="list-style-type: none"> ▪ If using the lower of the actual lease amount or estimated market rent, nothing further is required. ▪ If using a higher actual lease amount, evidence of 2-months of receipt is required, and the lease amount must be within 120% of the estimated market rent from the 1007/1025. If the actual rent exceeds the estimated market rent by more than 120%, the rents are capped at 120%. ○ A vacant or unleased property is allowed without LTV restriction. ○ Unit subject to rent control or housing subsidy must utilize current contractual rent to calculate DSCR. ▪ Refinance Transactions: <ul style="list-style-type: none"> ○ Required documentation: <ul style="list-style-type: none"> ▪ Original appraisal report reflecting tenant-occupied ▪ FNMA Form 1007 or 1025 reflecting long-term market rents, ▪ Lease agreement <ul style="list-style-type: none"> ○ Leases that have converted to month-to-month are allowed. ▪ A vacant property as indicated on the appraisal is allowed subject to the following: <ul style="list-style-type: none"> ○ LTV/CLTV limits: Lesser of 70%, or the LTV/CLTV based upon the DSCR/FICO/Loan balance matrix.
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Long-Term Rental Documentation and DSCR Calculation (Cont.)	<ul style="list-style-type: none"> ○ Monthly Gross Rents are determined by using the actual lease amount or estimated market rent from 1007/1025. Monthly gross rent is to be evaluated for each unit individually. <ul style="list-style-type: none"> ▪ If using the lower of the actual lease amount or estimated market rent, nothing further is required. ▪ If using a higher actual lease amount, evidence of 2-months of receipt is required, and the lease amount must be within 120% of the estimated market rent from the 1007/1025. If the actual rent exceeds the estimated market rent by more than 120%, the rents are capped at 120%. ○ Unit subject to rent control or housing subsidy must utilize current contractual rent to calculate DSCR ▪ DSCR Calculation: <ul style="list-style-type: none"> ○ Debt Service Coverage Ratio is the Monthly Gross Rents divided by the PITIA of the subject property. See this 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	<ul style="list-style-type: none"> ▪ Short-term rentals are properties which are leased on a nightly, weekly, monthly, or seasonal basis. ▪ Short-Term Rental Income – Purchase and Refinance Transactions: <ul style="list-style-type: none"> ○ LTV/CLTV is lesser of 75% for a purchase and 70% for a refinance, or the LTV/CLTV based upon the DSCR/FICO/Loan balance. ○ DSCR Calculation: <ul style="list-style-type: none"> ▪ Monthly gross rents based upon a 12-month average to account for seasonality required. ▪ Gross rents reduced by 20% to reflect extraordinary costs (i.e., advertising, furnishings, cleaning) associated with operating short-term rental property compared to non-short term property. If the rental documentation referenced below includes expenses, actual expenses should be compared to the 20% expense factor. If actual expenses are less than 20%, a minimum 20% expense factor is required to be utilized. If actual expense exceeds 20%, the actual expense factor should be used. ▪ (Gross Rents * .80) divided by PITIA = DSCR. ○ When short-term rental income is documented using multiple sources, the lowest source of monthly income is to be utilized for calculating DSCR. ○ Any of the following methods may be used to determine gross monthly rental income: <ul style="list-style-type: none"> ▪ Short-term rental (STR) analysis form or 1007/1025 may be used. The analysis must include the following: <ul style="list-style-type: none"> ○ Provide the source of the data used to complete the STR analysis. ○ Include comparable STR properties, focusing on room count, gross living area (GLA), location, and market appeal. ○ Include daily rental rate and occupancy percentage.

Short-Term Rental (e.g., Airbnb, VRBO, FlipKey) Documentation and DSCR Calculation (Cont.)	<ul style="list-style-type: none"> ○ Factor seasonality and vacancy into the analysis. ○ Must be completed by a licensed appraiser. ▪ 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 Rentalizer and Overview reports, accessed using the Explore Short-Term Rental data, must meet the following requirements: <ul style="list-style-type: none"> ● Rentalizer (Property Earning Potential Report) <ul style="list-style-type: none"> ○ Only allowed for purchase transaction ○ Gross rents equal the revenue projection from the Rentalizer Report less the 20% extraordinary expense factor ○ Forecast period must cover 12 months and dated 90-days within the Note date ○ Maximum occupancy limited to 2 individuals per bedroom ○ Must have three (3) comparable properties similar in size, room count, amenities, availability, and occupancy ○ Market Score or Sub-Market Score must be 60 or greater as reflected on the Property Earning Potential Report
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General Underwriting Guidelines

Credit Score	<ul style="list-style-type: none"> ▪ Middle of 3 scores or lower of 2
Tradelines	<ul style="list-style-type: none"> ▪ Min: 2 reporting 24-months w/ activity in last 12-months or 3 reporting 12-months w/ recent activity ▪ If borrower has three (3) credit scores, the minimum tradeline requirement is waived.
Housing History	<ul style="list-style-type: none"> ▪ 0x30x12
Housing Event Seasoning	<ul style="list-style-type: none"> ▪ BK/FC/SS/DIL/Mod (due to Default)/NOD/Lis Pendens/ & 120+ days delinquent > 36 Mo
Reserves	<ul style="list-style-type: none"> ▪ Reserve requirements are determined by loan amount and LTV as follows: <ul style="list-style-type: none"> ○ Loan Amount ≤ \$1.5 million and LTV ≤ 75% → None required ○ Loan Amount ≤ \$1.5 million and LTV > 75% → 2 months of PI ○ Loan Amount > \$1.5 million → 4 months of PI ○ Loan Amount > \$2.0 million → 6 months of PI ▪ Cash out may be used to satisfy requirement
Assets Requirements	<ul style="list-style-type: none"> ▪ Asset documentation of at least one month required

Gift Funds	Gift funds <ul style="list-style-type: none"> ▪ LTV/CLTV < 80%: 100% gift allowed for down payment, closing and reserves ▪ LTV/CLTV ≥ 80%: Gift funds allowed for down payment, closing and reserves after Minimum 5% borrower contribution is met ▪ Gift funds are allowed in refinance transactions. ▪ Borrowers must meet reserve and residual income requirements 						
Interested Party Contribution	<ul style="list-style-type: none"> ▪ Max 6% 						
Investor Experience	<ul style="list-style-type: none"> ▪ Experienced Investor: Borrower must have a history of owning and managing commercial or residential real estate for at least 1 year in last 3 years. ▪ First Time Investor: A borrower that does not meet the Experienced Investor criteria. First Time Investors <ul style="list-style-type: none"> ○ Min FICO 700 ○ No mortgage late payments during the past 36 Mo ≥ 36 Mo from any credit event Cash-out not eligible ○ SFR; 2-4 Units & Condos ○ DSCR> 1.00 ○ Must own a primary residence ○ FTHB not allowed 						
Non-Permanent Resident Alien	<ul style="list-style-type: none"> ▪ Max 75% LTV/CLTV ▪ Cash-out not allowed ▪ VISA Allowed: E-1, E-2, E-3; G-1 through G-5; H-1B; L-1A/L-1B; O-1; R-1; EAD holders (including C08 and C33); Asylum recipients; and DACA recipients, if employment authorization is valid and documented. ▪ Non-occupant co-borrowers are not allowed. ▪ Gift funds are eligible, subject to down payment requirements. 						
Ineligible Borrower	<ul style="list-style-type: none"> ▪ Irrevocable Trust ▪ Land Trust ▪ Blind Trust ▪ Persons with Diplomatic Immunity, as defined by US Citizenship and Immigration Services ▪ Persons from OFAC sanctioned countries and persons sanctioned by OFAC ▪ 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. 						
Foreign National Borrower Restriction							
FICO	Loan Amt	Max CLTV					
		DSCR ≥ 1		DSCR ≥ 0.75		DSCR < 0.75 (No Ratio)	
		Pur & R/T	Cash Out	Pur & R/T	Pur & R/T	Pur & R/T	Cash Out
680+ or Foreign Credit	≤ 1M	65%	60%	NA	NA	NA	NA

<ul style="list-style-type: none"> Interest Only not allowed Non-warrantable Condo not allowed 2-4 Units and Warrantable Condo Max LTV/CLTV: 60% Florida Condo Cash-Out (up to 7 stories) Max LTV/CLTV: 50% Declining Markets: 5% LTV Reduction 	
Loan Amount	<ul style="list-style-type: none"> Min: \$150,000 Max \$1,000,000
Max Cash-Out Limit	<ul style="list-style-type: none"> Max Cash-Out \$250,000
Property Type	<ul style="list-style-type: none"> Single Family 2-4 Units¹ Warrantable Condo¹ <p>¹ Max LTV/CLTV: 60%</p>
State Restrictions	<ul style="list-style-type: none"> Maximum loan amount is limited to \$2,000,000. If either or both of the following apply: <ul style="list-style-type: none"> The appraisal report identifies the property as a declining market; The subject property is in a state of NJ or FL Florida Condominiums: <ul style="list-style-type: none"> Up to 7 Stories. No High Rise Condo (8+) A structural inspection is required if the project is greater than 5 stories and over 30 years old or 25 years old if within 3 miles of the coast. Projects with an unacceptable or no inspection are not eligible. Investment properties are ineligible in Baltimore, Maryland
Reserves	<p>Reserve requirements are determined by loan amount and LTV as follows:</p> <ul style="list-style-type: none"> Loan Amount ≤ \$1.5 million and LTV ≤ 75% → None required Loan Amount ≤ \$1.5 million and LTV > 75% → 2 months of PI Loan Amount > \$1.5 million → 4 months of PI Loan Amount > \$2.0 million → 6 months of PI <p>Cash out may be used to satisfy requirement</p>
Gift Funds	<ul style="list-style-type: none"> Allowed after min 10% borrower contribution
Borrower Eligibility	<ul style="list-style-type: none"> The following are required as evidence the borrower is in the U.S. legally: <ul style="list-style-type: none"> Copy of the borrower's unexpired passport including photograph Copy of the borrower's valid and unexpired visa (including photograph) or and I-797 form with valid extension dates and I-94 Borrowers from countries participating in the State Department's Visa Waiver Program (VWP) are not required to provide a valid visa. Participating countries can be found at Visa Waiver Program The credit file should be documented with a current print-out of the participating countries, with the borrower's country of origin highlighted Citizens of Canada traveling to the United States do not require a nonimmigrant visa

	<ul style="list-style-type: none"> ○ If a foreign national is borrowing with a U.S. citizen, foreign national documentation requirements do not apply. ○ Florida Purchases: Loans secured by property located in the state of Florida made to foreign principals, persons, and entities are to include one of the following Affidavits published by the Florida Land Title Association: ○ Conveyances to Foreign Entities – By individual Buyer <ul style="list-style-type: none"> - All members signing a Personal Guaranty must sign the affidavit ○ Conveyances to Foreign Entities – By Entity Buyer <ul style="list-style-type: none"> - All members signing a Personal Guaranty must sign the affidavit ○ 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-your-document/apostille-requirements.html ○ Model Apostille forms can be found on the following link: https://www.hcch.net/en/instruments/specialised-sections/apostille ○ Power of Attorney (POA) is not allowed.
Housing Event Seasoning	<ul style="list-style-type: none"> ▪ BK/FC/SS/DIL/Mod (due to Default)/NOD/Lis Pendens/ & 120+ days delinquent > 48 Mo
Credit/Tradeline	<ul style="list-style-type: none"> ▪ U.S. Qualifying Credit <ul style="list-style-type: none"> ○ If borrower has a valid SSN, US credit report may be used. ○ Middle of 3 scores or lower of 2 and standard tradeline requirement must be met. ○ Min score 680
Interest Only	<ul style="list-style-type: none"> ▪ Not allowed