

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+	$\leq 1M$	80%	75%	75%	70%	75%	65%
	$\leq 1.5M$	75%	70%	70%	65%	70%	60%
	$\leq 2M$	75%	60%	65%	60%	65%	60%
720-739	$\leq 1M$	80%	75%	75%	70%	70%	60%
	$\leq 1.5M$	75%	70%	70%	65%	65%	60%
	$\leq 2M$	75%	60%	65%	NA	NA	NA
700-719	$\leq 1M$	75%	70%	75%	65%	65%	60%
	$\leq 1.5M$	75%	70%	70%	65%	65%	60%
	$\leq 2M$	70%	60%	65%	NA	NA	NA
680-699	$\leq 1M$	75%	65%	70%	60%	65%	60%
	$\leq 1.5M$	70%	60%	NA	NA	NA	NA
	$\leq 2M$	65%	NA	NA	NA	NA	NA
660-679	$\leq 1M$	70%	65%	60%	60%	60%	60%
	$\leq 1.5M$	65%	60%	NA	NA	NA	NA
	$\leq 2M$	60%	NA	NA	NA	NA	NA
▪ 2-4 Units / Condo / Non-Warrantable Condo Max LTV/CLTV: 75% ▪ Interest Only: - o DSCR ≥ 1 Max LTV/CLTV: 75% - o DSCR is 0.75-0.99 Max LTV/CLTV: 70% - o DSCR < 0.75 or No DSCR: Not allowed - o Min FICO 700 ▪ Declining Market: 5% LTV Reduction ▪ Foreign National Borrower: See Foreign National Borrower Restriction ▪ *Non-Permanent Resident Alien: - o Max 75% LTV/CLTV - o Cash-Out not allowed							
General Requirements							
DSCR Calculation		▪ Debt Service Coverage Ratio is the Monthly Gross Rents divided by the PITIA of the subject property					

	- 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	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	- Purchase - Sellers must have owned the property more than 12 months, Otherwise, the transaction is subject to review as a flip transaction (See flip transaction guide below) - Rate/Term - 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. - Properties that have been listed for sale by the borrower within the past six (6) months from the note date will be considered on a case-by-case basis. Properties may not be currently listed - 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 \$5,000 in the past twelve (12) months - Current appraised value to be used - Limited cash to the Borrower must not exceed the greater of \$5,000 or 2% of the principal amount of the new mortgage - Refinance of a previous Cash-Out seasoned < 1 year will be considered Cash-Out refinance - Cash-Out - Borrower must have owned the subject property 12+ months using date of original acquisition and subject loan note date for timing - Properties listed for sale by the Borrower within the last twelve (12) months are not eligible - Cash out is for business purposes only and the borrower must provide an LOE detailing the purpose and use of the proceeds				

	- o Any loan where Cash-Out proceeds would be utilized for personal use will not be eligible - o Refinance of a previous Cash-Out seasoned < 1 year will be considered Cash-Out refinance
Loan Amount	▪ Min: \$125,000 ▪ Max: \$2,000,000
Max Cash-Out Limit	▪ LTV > 60%: Max Cash-out \$500,000 ▪ LTV ≤ 60%: Unlimited Cash-out
Property Type	▪ Single Family ▪ 2-4 Units¹ ▪ Condo¹ (Full Review Required) ▪ Non-Warrantable Condo¹ (Full Review Required) ¹ Max LTV/CLTV: 75%
Rural Property	▪ Not permitted
State Restrictions	▪ FL Condo: Up to 7 stories. No High Rise Condo (8+) ▪ Properties located in Baltimore City, MD are not eligible
Appraisals	▪ FNMA Form 1004, 1025, 1073 with interior / exterior inspection ▪ Form 1007 Schedule of Rents is required for all Non-Owner-Occupied loans ▪ Appraisals with condition or quality ratings of C5 or C6 not allowed ▪ 2nd Appraisal required for loans > \$2,000,000 or HPML flip transactions as defined by the CFPB ▪ 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
Appraisal Review	▪ Collateral Underwriter (CU) as a secondary valuation if the score is ≤ 2.5 ▪ CDA if the score is > 2.5
Ineligible Property Type	▪ 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 ▪ Bardominiums ▪ Group Homes ▪ Fractional Ownership/Timeshares ▪ Assisted Living/Continuing Care Facilities ▪ Mandatory Country Club Memberships

	▪ 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
Escrow Impound	▪ Allowed. Mandatory Impound for Foreign National and HPML (High Price Mortgage Loan)
Prepayment Penalty	▪ 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	▪ Ninety (90) days prior to the note date
Income Requirements	
Long-term Rental	▪ Purchases: Use lower of Estimated market rent from 1007 or executed lease agreement if provided (when current tenants will remain in property after the close of escrow) ▪ Refinances: Use lower of Estimated market rent from 1007 or executed lease agreement ▪ If executed lease agreement reflects a higher monthly rent than Appraisal, it may be used in the calculation with sufficient evidence of receipt. Three (3) most recent, consecutive months should be provided ▪ Vacant properties not eligible for refinance with exception of properties currently vacant due to the subject property having undergone recent renovation or rehab, with the intention of being rented out soon. Appraisal must confirm recent work completed and provide visual evidence. In scenarios like this market rent from the 1007 schedule in the property appraisal may be used to qualify
Short-Term Rental (STR)	▪ STR income is permitted for both purchase and refinance transactions ▪ STR income must be legally permitted and considered common for the area, as confirmed by the appraisal and/or property location ▪ STR Maximum combined Loan-to-Value (CLTV): 70% and Minimum DSCR Ratio: 1.00x ▪ STR income may be documented using a supplemental appraisal form completed by the licensed appraiser who performed the original appraisal. This form must accompany and be a part of the original appraisal ▪ STR Income may be verified through a third-party property management provider or Vender such as AirBnB, AirDNA, VRBO, and HomeAway are acceptable. history to be verified from a third-party property management provider. Documentation must include property address/ID specific to subject.

	▪ Purchases: Gross rent is based on 100% of the 1007 market rent from the appraisal ▪ Refinances: Gross rent is the lower of 100% of the 1007 market rent from the appraisal, OR the supplement appraisal form completed by the appraiser of record reporting Short Term Rental Income, OR the actual 12-month STR income history, as supported by documentation from AirBnB, VRBO, HomeAway, or a third-party property management provider
General Underwriting Guidelines	
Credit Score	▪ Middle of 3 scores or lower of 2
Tradelines	▪ 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 ▪ Accounts can be open or closed ▪ Authorized user accounts will not be included in the number of tradelines ▪ Eligible tradeline cannot have any derogatory history in previous twenty-four (24) months ▪ If all borrowers have three (3) credit scores, the minimum tradeline requirement is waived
Housing History	▪ 0x30x12 ▪ Twelve (12) months housing history is required. Twelve (12) month mortgage/housing history includes all occupancy types – Primary, Second Home and Investment Properties. If primary housing is documented as free and clear, no exception is needed; this includes whether or not the borrower is on the Note or Vested on Title of their primary. ▪ If the subject property has delinquent taxes > one year from the Note date, this will be considered on a case-by-case basis and will require an exception by MK Lending, subject to LLPA - o Any additional delinquencies in the housing history will be subject to review and must adhere to the matrix ▪ For DSCR Plus a credit report or VOM/VOR is required on the subject property (if a refinance) and the borrower's primary residence only ▪ All mortgages and rental payments should be current at time of closing. If the credit report or VOR/VOM reflects a past- due status, updated documentation is required to verify the account is current - o This includes loans qualifying through DSCR Plus even if the account showing the delinquency is not the subject or primary residence ▪ Housing history evidenced by twelve (12) months proof of payment via cancelled checks, bank debits or institutional VOR - o Private Party VORs / VOMs without supporting documents may be considered on a case-by-case basis and requires an exception from MK

	Lending, subject to LLPA - o If the borrower is living rent-free as a dependent with family and a 12 month housing history is not applicable, a rent-free letter is required. For first-time homebuyers, rent-free is permitted with no credit exceptions ▪ LOE or rent-free letter is required when a twelve (12) month housing history is not applicable. If the borrower is a FTHB, rent-free is permitted with no credit exceptions ▪ Past due balloon will be considered a delinquency (1x30) and not a housing event, but only within one hundredeighty ▪ (180) days of maturity
Housing Event Seasoning	▪ BK/FC/SS/DIL/Mod (due to Default)/NOD/Lis Pendens/ & 120+ days delinquent > 36 Mo
Reserves	▪ Loan Amt ≤ 500,000: 3 Months ▪ Loan Amt > 500,000: 6 Months ▪ 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
Assets Requirements	▪ 1 month bank statement or VOD with 30-day average ▪ DSCR Large deposits should be in line and consistent with the borrower's overall credit profile and may require a letter of explanation
Asset Source	▪ Eligible - o Business accounts may only be used to meet down payment and/or reserve requirements if the Borrower(s) are 50% owners of the business and requires A letter from the accountant for business. The Balance of the business assets must be multiplied by the ownership percentage to determine the owner's portion of business assets allowed for the transaction - o Publicly traded Stocks / Bonds / Mutual Funds – 100% may be used for reserves - o Vested Retirement Accounts – 100% may be considered for reserves - o 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 - o Life insurance policy current cash value or loan against the cash value may be used for down payment, closing costs or reserves - o 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. - o 1031 administrator / agent or permitted for down payment and closing costs

	▪ Ineligible ○ Gift of Equity is not allowed ○ Rent credits not permitted ○ Restricted stock is ineligible for to be used for reserves ○ Sale of Personal Assets ○ Employer assistance
Gift Funds	▪ Gift funds cannot be counted towards reserves ▪ Purchase transactions only ▪ LTV/CLTV < 75%: 100% gift allowed for down payment ▪ LTV/CLTV ≥ 75%: Min 5% contribution
Insurance	▪ Rent loss insurance for the subject property is required and must equal at least six months of local average monthly rents ▪ Blanket policies covering the subject property are permitted
Continuity Obligation	▪ 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 ▪ Refinances of inherited properties and properties legally awarded to the borrower are allowed. This includes divorce, separation and dissolution of a domestic partnership. Seasoning requirements do not apply, and the following guides must be met: -Written agreement signed by all parties stating the terms of the buyout and property transfer must be obtained - Equity owners must be paid through subject loan's settlement - Subject Property has cleared probate and property is vested in the borrower's name -Current appraised value is used to determine loan-to-value
Flip Transactions	▪ 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 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 ○ Must be arm's length (the property was marketed openly and fairly through a multiple listing service, auction, for sale by owner offering documented or developer marketing) with no identity of interest between the buyer and property seller or other parties participating in the sales transaction ○ No pattern of previous flipping activity may exist in the last twelve (12) months. Exceptions to ownership transfers may include sales by government agencies, properties inherited or acquired through divorce, and sales by the holder of a defaulted loan ○ If the property is being purchased for more than 5% above the appraised value, a signed letter of acknowledgment from the borrower must be obtained

	- o Second Appraisal Required ▪ Greater than ten (10%) increase in sales price if seller acquired the property in the past ninety (90) days ▪ Greater than twenty (20%) increase in sales price if seller acquired the property in the past one hundred eighty (180) days
Delayed Financing	▪ Allowed
Interested Party Contribution	▪ Max 6%
Ineligible Transactions	▪ Construction Loans ▪ Temporary Buydowns ▪ Rent Credits ▪ Non-Arm's Length ▪ Conversion Loans ▪ Lease Option ▪ Builder Bailout & Model leasebacks
Borrower Eligibility	▪ Experienced Investor: Borrower must have at least twelve (12) months of experience managing income-producing real estate within the most recent thirty-six (36) months from the origination of the Note ▪ First Time Investors allowed when the below are met: - o DSCR > 1; and FICO > 700 ▪ First Time Investors MAY NOT be a First Time Homebuyer
Non-Permanent Resident Alien	▪ Max 75% LTV/CLTV ▪ Cash-out not allowed ▪ 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 ▪ Copy of unexpired passport and visa required
Ineligible Borrower	▪ Assignment of Contracts ▪ Borrowers with diplomatic immunity ▪ Layered entity with a trust ▪ Irrevocable or Blind Trusts ▪ Non-profit Organizations ▪ Asylum applicants ▪ Land Trusts ▪ Self-employed Borrower deriving their income from any Cannabis related business ▪ Borrower(s) with residence of any country not permitted to conduct business with US Companies as determined by US government authority
Power of Attorney	▪ 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 ▪ Not permitted on Entities: LLC, Corporations, Entity Borrowers, Etc ▪ Not permitted on Cash-Out transactions

Solar Lease	- Must conform to FNMA guidelines - PACE loans (or any similar loans with payments that are included in property taxes or take lien priority) are not eligible						
Maximum Financed Properties	The maximum number of financed properties to any one Borrower/Guarantor is limited to twenty (20) residential properties						
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
- 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	- Min: \$150,000 - Max \$1,000,000						
Max Cash-Out Limit	Max Cash-Out \$250,000						
Property Type	- Single Family 2-4 Units¹ - Warrantable Condo¹ ¹ Max LTV/CLTV: 60%						
State Restrictions	- Max 50% LTV for Florida Condo Cash Out (Up to 7 stories) - Properties located in Baltimore City, MD are not eligible						
Reserves	- Minimum 12 months reserves required - No requirement for additional reserves for other financed properties, Subject Property reserves only - Must be own fund in a U.S. financial institution prior to closing						
Assets Requirements	1 month bank statement <u>or</u> VOD with 30-day average from a U.S. financial institution 2 months bank statements or VOD with 60-day average from a Foreign financial institution. A currency calculation must be provided - DSCR Large deposits should be in line and consistent with the borrower’s overall credit profile and may require a letter of explanation - All down payment, closing, and reserves must be transferred and deposited to a U.S. financial institution prior to closing and ACH must be set up						

	- Assets from OFAC sanctioned countries are ineligible http://www.treasury.gov/resource-center/sanctions/Programs/Pages/Programs.aspx
Borrower Eligibility	- Must meet all of the following: - Copy of Unexpired Passport - Copy of Valid Visa or I-797 Notice of Action Required with valid extension dates and an I-94 form (arrival/departure record) - Borrowers who are residents of countries which participate in the Visa Waiver Program (VWP) will not be required to provide valid Visa. https://travel.state.gov/content/travel/en/us-visas/tourism-visit/visa-waiver-program.html - ISA Allowed: B-1, B-2, I, O-2, H-2, H-3, J-1, J-2, P-1, and P-2
Housing Event Seasoning	BK/FC/SS/DIL/Mod (due to Default)/NOD/Lis Pendens/ & 120+ days delinquent > 48 Mo
Credit/Tradeline	- U.S. Qualifying Credit - If borrower has a valid SSN or ITIN, US credit report may be used. - Middle of 3 scores or lower of 2 and standard tradeline requirement must be met. - Foreign Qualifying Credit - Three open accounts with a two-year history reflecting no late payments. (3x24) - Mortgage and/or rental payment must be verified with a 12-month history not to exceed 0x30 in the last 12 months. (A 2-year housing history can be used as a tradeline) - U.S. credit accounts can be combined with letters of reference from verifiable financial institutions in a foreign country. - If letters are obtained, they must: - State type and length of relationship, how the account(s) are held, and the status of the account(s) - Contain contact information for the person(s) signing the letter(s) - Any translation required must be signed and dated by a certified translator
Interest Only	Not allowed