

DSCR

Program Code: DSCR -30, -40, -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 ≥ 1.00		
		Purchase	R/T	Cash-Out
700+	≤ 1.5M	80%	75%	75%
	≤ 2M	75%	70%	70%
	≤ 2.5M	70%	65%	65%
660-699	≤ 1M	75%	75%	70%
	≤ 1.5M	75%	70%	70%
	≤ 2M	70%	65%	65%
	≤ 2.5M	70%	65%	65%
640-659	≤ 1M	75%	70%	NA
	≤ 1.5M	65%	65%	NA
	≤ 2M	65%	NA	NA
	≤ 2.5M	60%	NA	NA
FICO	Loan Amt	Max CLTV		
		DSCR < 1.00		
		Purchase	R/T	Cash-Out
700+	≤ 1.5M	75%	70%	70%
	≤ 2M	70%	65%	65%
	≤ 2.5M	65%	NA	NA
680-699	≤ 1.5M	70%	65%	NA
	≤ 2M	65%	60%	NA
	≤ 2.5M	60%	NA	NA
660-679	≤ 1M	65%	NA	NA
<ul style="list-style-type: none"> ▪ First Time Investor Min Fico 700 ▪ Loan Amount < \$150K Max LTV/CLTV: 70% Purchase 65% Any Refinance (Min DSCR 1.25 for Refinance) ▪ 2-4 Units & Condo Max LTV/CLTV: 75% Purchase 70% Refinance ▪ Housing History 0x60x12 Max LTV/CLTV: 70% Purchase 65% Any Refinance ▪ BK/FC/SS/DIL/Mod ≥ 24 Mo Max LTV/CLTV: 75% Purchase 70% Any Refinance ▪ Interest-Only Restriction: Max LTV/CLTV: 75% Purchase or Rate/Term, 70% Cash-Out, Min FICO 680 ▪ Rural max LTV/CLTV: Purchase 75%, Refinance 70% ▪ Unleased Properties: All long-term rental refinances: A vacant or unleased property is allowed subject to max LTV/CLTV of 70%. Not applicable for short-term rentals. ▪ Declining Market: Maximum LTV/CLTV is limited to 75% for Purchases and 70% for all refinances and the max loan amount is limited to \$2,000,000 when the appraisal report identifies the property as a declining market; 				
* See Foreign National requirements below				

Borrower Eligibility	
Investor Experience	<ul style="list-style-type: none"> ▪ Experienced Investor: Borrower must have a history of owning and managing commercial or non-owner occupied 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 ○ ≥ 36 Mo from any credit event ○ Cash-out not eligible ○ SFR only ○ DSCR > 1.00 ○ Must own a primary residence ○ FTHB not allowed
Income Requirement	
Long-Term Rental Documentation and DSCR Calculation	<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, ▪ Executed Lease agreement <ul style="list-style-type: none"> ○ Leases that have converted to month-to-month are allowed. ○ If lease agreement is not provided, LTV/CLTV is limited to lesser of 70% or per DSCR/FICO/Loan balance matrix ▪ 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. ○ 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.

<p>Long-Term Rental Documentation and DSCR Calculation (Cont.)</p>	<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 or ITIA of the subject property. See this matrix for required Debt Service Coverage Ratios. ○ PITIA: Gross rents divided by PITIA = DSCR, ITIA: Gross rents divided by ITIA = DSCR
<p>Short-Term Rental (e.g., Airbnb, VRBO, FlipKey) Documentation and DSCR Calculation</p>	<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. ▪ PITIA: (Gross Rents * .80) divided by PITIA = DSCR. ITIA: (Gross Rents * .80) divided by ITIA = 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. <ul style="list-style-type: none">▪ 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 qualifying income must be net of all vendor or management fees.▪ The most recent 12-month bank statements from the borrower/guarantor evidencing short-term rental deposits. Borrower/guarantor must provide rental records for the subject property to support monthly deposits.▪ AIRDNA Rentalizer/ Property Earning Potential 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 Property Earning Potential 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					
	General Requirements					
	DTI	▪ NA				
	Occupancy	▪ Investment				
	Product Type	Product	Term	Amortization Term	I/O Term	Qualifying Rate
		40-Yr Fixed	40 yr	40 yr	NA	Note Rate
		40-Yr Fixed IO	40 yr	30 yr	10 yr	
		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					

	<ul style="list-style-type: none"> ▪ Rate/Term ▪ Cash-Out
Loan Amount	<ul style="list-style-type: none"> ▪ Min: \$100,000 ▪ Max: \$2,500,000 ▪ Loan Amount < \$150,000 Max LTV/CLTV <ul style="list-style-type: none"> ○ Purchase: 70% ○ Any Refinance: 65% ○ Min DSCR 1.25
Cash-Out	<ul style="list-style-type: none"> ▪ Max Cash-Out <ul style="list-style-type: none"> ○ CLTV ≥ 65%: \$500,000 ○ CLTV < 65%: \$1,000,000 ○ Total equity withdrawn can't exceed above limits ○ Cash-out not allowed for first time investor ▪ Cash-Out Seasoning <ul style="list-style-type: none"> ○ For properties owned 12 months or longer, the LTV/CLV is based upon the appraised value. ○ If the cash-out seasoning is less than 12 months, but greater than 6 months, the transaction property value is limited to the lower of the current appraised value or the property's purchase price plus documented improvements. ▪ Proceeds from the loan transaction cannot be used for consumer purpose
Rate/ Term	<ul style="list-style-type: none"> ▪ If the subject property was acquired less than or equal six (6) months, as measured from the property acquisition date (Note Date) to the subject transaction Note Date, the lesser of the current appraisal value or previous purchase price plus documented improvements (if any) will be used to determine LTV/CLTV. The Purchase settlement statement and any invoiced for materials/labor will be required.
Listing Seasoning	<ul style="list-style-type: none"> ▪ For all refinances, value will be based on lesser of lowest list price in prior 12 months or appraised value ▪ For cash out refinances, a listing expiration of less than six (6) months is permitted with a minimum prepayment penalty of three (3) years. If property is listed for sale, the listing must be cancelled prior to the note date
Property Type	<ul style="list-style-type: none"> ▪ Single Family ▪ 2-4 Units¹ ▪ Condo¹ <p>¹Max LTV/CLTV: Purchase 75%, Refinance 70%</p>
Acreage	<ul style="list-style-type: none"> ▪ Property up to 5-acres
Rural Property	<ul style="list-style-type: none"> ▪ Rural max LTV/CLTV: Purchase 75%, Refinance 70%
State Restrictions	<ul style="list-style-type: none"> ▪ Subject property is in a state of NJ or FL Maximum LTV/CLTV is limited to 75% for Purchases and 70% for all refinances and the max loan amount is limited to \$2,000,000. ▪ 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.

	<ul style="list-style-type: none"> ▪ Properties located in Baltimore City, MD are not eligible
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
Unleased Properties	<ul style="list-style-type: none"> ▪ All long-term rental refinances: A vacant or unleased property is allowed subject to max LTV of 70%. Not applicable for short-term rentals, see short-term rental income section for specific criteria.
Escrow Impound	<ul style="list-style-type: none"> ▪ Taxes and insurance escrows required
Prepayment Penalty	<ul style="list-style-type: none"> ▪ Prepayment periods up to 5-years eligible, see rate sheet ▪ Penalties not allowed on loans vested to individuals in NJ ▪ Prepayment not allowed on MD ▪ 5% fixed up to 5-years (Must be paid as scheduled. Additional payment not allowed)
Document Age	<ul style="list-style-type: none"> ▪ Ninety (90) days prior to the note date
Interest-Only Restriction	<ul style="list-style-type: none"> ▪ Min FICO: 680 ▪ Max LTV/CLTV: 75% Purchase or Rate/Term, 70% Cash-Out
General Underwriting Guidelines	
Credit Score	<ul style="list-style-type: none"> ▪ Middle of 3 scores or lower of 2 ▪ Use lowest decision score amongst all borrowers
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"> ▪ 1x30x12: No LTV/CLTV reduction ▪ 0x60x12 Max LTV/CLTV: Purchase 70% & Refinance 65%
Housing Event Seasoning	<ul style="list-style-type: none"> ▪ BK/FC/SS/DIL/Mod <ul style="list-style-type: none"> ○ ≥ 36 Mo (No reduction) ○ ≥ 24 Mo Max LTV/CLTV: Purchase 75% & Any Refinance 70%
Forbearance, Modification, and Deferrals	<ul style="list-style-type: none"> ▪ Forbearance and Deferrals are considered under housing payment history. ▪ Greater than 12 months from note date: Forbearance, loan modification, or deferrals (including COVID-19 related events) completed or reinstated greater than 12 months from the note date of the subject transaction. ▪ Within 12 months of note date: Not eligible.
Reserves	<ul style="list-style-type: none"> ▪ 2 months of PITIA ▪ Loan Amount > \$1.5M: 6-months of PITIA ▪ Cash out may be used to satisfy requirement

Assets Requirements	<ul style="list-style-type: none">▪ Asset documentation of at least one month required▪ DSCR Large deposits should be in line and consistent with the borrower’s overall credit profile and may require a letter of explanation				
Interested Party Contribution (IPC)	<ul style="list-style-type: none">▪ May not exceed 6%				
Gift Funds	<ul style="list-style-type: none">▪ Allowed after min 10% borrower contribution				
Foreign National*					
FICO	Loan Amt	Max CLTV			
		DSCR ≥ 1.00		DSCR < 1.00	
		Purchase	R/T & Cash-Out	Purchase	R/T & Cash-Out
680+ or Foreign Credit	≤ 1M	75%	65%	65%	60%
	≤ 1.5M	70%	60%	65%	NA
<ul style="list-style-type: none">▪ 2-4 Units & Condo Max LTV/CLTV: 70% Purchase I 65% Refinance▪ Rural properties: Not eligible▪ First Time Investor: Allowed					
Loan Amount	<ul style="list-style-type: none">▪ Min: \$150,000▪ Max: \$1,500,000				
Property Type	<ul style="list-style-type: none">▪ Single Family▪ 2-4 Units¹▪ Condo¹▪ ¹Max LTV/CLTV: 70% Purchase and 65% Refinance				
Cash-Out	<ul style="list-style-type: none">▪ Max Cash-Out<ul style="list-style-type: none">○ CLTV > 50%: \$300,000○ CLTV ≤ 50%: \$500,000○ Total equity withdrawn can't exceed above limits○ Cash-out not allowed for first time investor				
Housing History	<ul style="list-style-type: none">▪ Primary housing payment is not required, only required on Subject. Refinance transactions require the most recent 12-month housing history for the subject property.▪ 0x30x12, if documented				
Housing Event Seasoning	<ul style="list-style-type: none">▪ BK/FC/SS/DIL/Mod: ≥ 36 Mo▪ Forbearance, modification, or deferral > 12 MO				
Reserves	<ul style="list-style-type: none">▪ 6 months of PITIA▪ Cash-Out may be used to satisfy reserves.				
Gift Funds	<ul style="list-style-type: none">▪ Not Allowed				

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 ▪ If a non-U.S. citizen 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: <ul style="list-style-type: none"> ○ 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.
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
Foreign Residency	<ul style="list-style-type: none"> ▪ A foreign national borrower must evidence their primary residence for the country issuing their Passport. Foreign National borrowers may not occupy the subject property as a primary residence. <ul style="list-style-type: none"> ○ A complete loan application (Form 1003) is required on all loan files reflecting the borrowers address for their primary residence in their country of origin.

	<ul style="list-style-type: none"> ○ The application must include the borrower's full legal name, phone number, address including flat, floor, unit or house number, street name, city, province/state along with a postal code. ○ Borrower to provide a third-party document with an address that matches the primary residence on the application (e.g., lease agreement, utility bill, financial statement). ○ Borrower to provide a third-party document with an address that matches the primary residence on the application (e.g., lease agreement, utility bill, financial statement).
ACH (Automatic Payment Authorization)	<ul style="list-style-type: none"> ▪ Automatic Payment Authorization (ACH) Form is required for all foreign national borrowers. Funds must be from a U.S. Bank. The executed (ACH) enrollment form must be included in the closed loan submission package. The (ACH) enrollment form must include the bank routing number, account number, and account type. Borrowers may select a date within the grace period stated on the Note. ▪ ACH Authorization Form and Borrower Contact Consent Form are required. ▪ Please find above forms on MK Lending Forms
POA (Power of Attorney)	<ul style="list-style-type: none"> ▪ Not Allowed