

# HELOAN 1 DSCR

Program Code: HELOAN-1 DSCR -30, -20, -15, -10

Investment Property			
Min. 1.00 DSCR			
Property Type	Loan Amount	Minimum Fico	Max CLTV
SFR and PUD	75,000-350,000	720	80%
		700	75%
		680	70%
	350,001-500,000	720	75%
		700	70%
		680	65%
	500,001-750,000	720	70%
		700	65%
		680	55%
Condo and 2-4 Unit	75,000-350,000	720	70%
		700	
		680	
	350,001-500,000	720	70%
		700	
		680	
	500,001-750,000	720	70%
		700	65%
		680	55%

Combined Lien Balance					
Max Combined Lien Bal	2,000,000	3,000,000	3,500,000	4,000,000	5,000,000
Max CLTV	90%	85%	80%	75%	60%

<b>Borrower Eligibility</b>	
<b>Investor Experience</b>	<ul style="list-style-type: none"> <li>▪ Experienced Investor: Borrower must have a history of owning and managing commercial or residential real estate for at least 12 months within the most recent 36 months.</li> <li>▪ First Time Investor: Not eligible for this transaction type</li> </ul>
<b>Income Requirement</b>	
<b>DSCR Qualification</b>	<ul style="list-style-type: none"> <li>➤ <b><u>DSCR Restrictions &amp; Requirements</u></b> <ul style="list-style-type: none"> <li>▪ Income used to qualify borrower is based upon cash flow from subject property.</li> <li>▪ All DSCR loans must include a Form 1007 Comparable Rent Schedule.</li> <li>▪ Refinance vacant single unit property:                             <ul style="list-style-type: none"> <li>• Eligible only with documentation of previous rent history within the last 6 months. Utilize rent survey with a 20% vacancy factor to calculate DSCR.</li> </ul> </li> <li>▪ Refinance 2-4 unit with a vacancy:                             <ul style="list-style-type: none"> <li>• Eligible with maximum of 1 vacant unit. Use lower of lease agreements or market survey for leased units. Use market survey for vacant unit to calculate DSCR.</li> <li>• If existing lease agreement(s) show a higher rental amount, the higher rents, up to 110% of market rents may be used if three (3) months documentation is provided (e.g. bank statements, canceled checks).</li> </ul> </li> <li>▪ DSCR Refinance Seasoning:                             <ul style="list-style-type: none"> <li>• Not available with less than six (6) months seasoning. After 6 months seasoning, the current appraised value may be used to calculate CLTV.</li> </ul> </li> <li>▪ Short term leases                             <ul style="list-style-type: none"> <li>• Use the leases used throughout the year and average over the 12-month period. If there are months where the property is vacant, use zero for that month in the average. The average should be supported by the comparable rent schedule (within reason).</li> <li>• VRBO/Air BNB is allowed on DSCR: If subject property leased on a short-term basis utilizing an on-line service such as VRBO/Air BNB; gross monthly rents can be determined by using a 12-month look back period and either 12-monthly statements or an annual statement provided by the on-line service to document receipt of rental income. If documentation cannot be provided covering a 12-month period, the property will be considered unleased.</li> <li>• An expired lease agreement that has verbiage that states the lease agreement becomes a month-to-month lease once the initial lease/rental term expires is allowed.</li> </ul> </li> </ul> </li> </ul>

- All borrowers must provide the following:
- A complete schedule of all real estate owned, indicating financed and “free and clear” properties
- Mortgage/lien rating for each financed property
- Documented proof that lien-free properties are truly “free and clear” of all liens

➤ **DSCR Qualification**

- Loan qualification is based on Debt Service Coverage Ratio (DSCR) for the subject property.
  - Use Note Rate to calculate PITIA for use in Debt Service Coverage Ratio (DSCR).
- Debt to Income (DTI) ratio is not calculated.
- DSCR (Debt Service Coverage Ratio): The debt service coverage ratio is calculated by taking the gross rents divided by the PITIA of the subject property.
  - No vacancy factor for leased properties.
  - Use the Note Rate to calculate PITIA (see Matrix for details).
  - Rents are derived from the lesser of the rental/lease agreement or the rent survey (Form 1007).
  - Minimum DSCR – 1.00

➤ **DSCR Professional Investor**

- Provides reduced documentation on non-subject properties for the borrower who has a strong investor track record exhibited by the following
  - Currently owns 5 properties (Primary residence included).
  - Has five (5) years credit depth reported on credit report.
  - At least three (3) mortgages are reported on credit report within the last three (3) years. No minimum months reporting required. No delinquencies allowed on months reported.
- Reduced Documentation:
  - Mortgage histories on non-subject properties are not required.
  - Borrower housing history not required.
- Required Information:
  - All properties owned by borrower to be listed on REO schedule.
  - All information completed on REO schedule (mortgage balances, gross rents, etc.).

<b>General Requirements</b>	
<b>DSCR</b>	<ul style="list-style-type: none"> <li>▪ Must be 1 or greater</li> <li>▪ Qualifying DSCR ratio based on Note Rate</li> </ul>
<b>Occupancy</b>	<ul style="list-style-type: none"> <li>▪ Investment</li> </ul>
<b>Product Type</b>	<ul style="list-style-type: none"> <li>▪ 30-Yr Fixed</li> <li>▪ 20-Yr Fixed</li> <li>▪ 15-Yr Fixed</li> <li>▪ 10-Yr Fixed</li> </ul>
<b>Loan Purpose</b>	<ul style="list-style-type: none"> <li>▪ Stand-Alone Cash-Out (Simultaneous/Piggyback not allowed)</li> </ul>
<b>Loan Amount</b>	<ul style="list-style-type: none"> <li>▪ Min: \$75,000</li> <li>▪ Max: \$750,000</li> </ul>
<b>Property Type</b>	<ul style="list-style-type: none"> <li>▪ Single Family, PUD, Townhome, Rowhome, Modular</li> <li>▪ 2-4 Units – Max 70% CLTV</li> <li>▪ Condo – Warrantable – Max 70% CLTV</li> </ul>
<b>Rural Property</b>	<ul style="list-style-type: none"> <li>▪ Not eligible</li> </ul>
<b>State Restrictions</b>	<ul style="list-style-type: none"> <li>• Texas not Permitted</li> <li>• Maryland not Permitted</li> </ul>
<b>Appraisals</b>	<ul style="list-style-type: none"> <li>▪ Full Appraisal (1004,1025,1073 ) with rent comparables</li> <li>▪ Declining Market Max 70% CLTV</li> <li>▪ Properties listed in the last 6 months are not eligible</li> </ul>
<b>Minimum Property Standard</b>	<ul style="list-style-type: none"> <li>▪ GLA must be at least 600 sq ft</li> <li>▪ Property constructed for year-round use</li> <li>▪ Permanently affixed continuous heat source</li> <li>▪ Maximum deferred maintenance cannot exceed \$2,000</li> <li>▪ No health or safety issues both internal and external</li> </ul>
<b>Title Report</b>	<ul style="list-style-type: none"> <li>▪ ALTA Short Form – Lenders Policy</li> </ul>
<b>Seasoning</b>	<ul style="list-style-type: none"> <li>▪ Properties owned less than 6 months are ineligible.</li> <li>▪ Properties listed for sale within 6 months of Note date are ineligible.</li> </ul>
<b>Senior Lien</b>	<ul style="list-style-type: none"> <li>▪ Senior Lien ARM with &lt; 3 years fixed period remaining must qualified on fully indexed payment</li> </ul>
<b>Ineligible Senior Liens</b>	<ul style="list-style-type: none"> <li>▪ Loans in active forbearance or deferment are ineligible. Deferred balance due to documented hardship may remain open</li> <li>▪ Negative amortization</li> <li>▪ Reverse Mortgages</li> <li>▪ Balloon loans that the balloon payment comes due during the amortization period of the 2<sup>nd</sup> lien.</li> </ul>
<b>Interest Only Senior Lien</b>	<ul style="list-style-type: none"> <li>▪ Qualify 1<sup>st</sup> lien I/O on Fully Amortized payment on remaining term after I/O period.</li> </ul>
<b>Title Vesting</b>	<ul style="list-style-type: none"> <li>▪ Individuals</li> <li>▪ Joint tenants</li> <li>▪ Tenants in Common</li> <li>▪ Inter Vivos Revocable Trust</li> </ul>

	<ul style="list-style-type: none"> <li>▪ Business Entity – Investment properties ONLY if Current Vesting is in:           <ul style="list-style-type: none"> <li>○ Limited Liability Company (LLC)</li> <li>○ Limited and General Partnerships</li> </ul> </li> <li>▪ Corporations</li> </ul>
<b>Ineligible Property</b>	<ul style="list-style-type: none"> <li>▪ Adult Assisted Living/Care Facilities</li> <li>▪ Agricultural or Commercial Zoned Properties</li> <li>▪ Condotels</li> <li>▪ Co-ops</li> <li>▪ Non-Warrantable Condo</li> <li>▪ Deed-restricted properties</li> <li>▪ Income producing properties (ie: Ranches, Orchards, etc)</li> <li>▪ Log Homes</li> <li>▪ Land Trust</li> <li>▪ Manufactured/Mobile Homes</li> <li>▪ Mixed-Use</li> <li>▪ Multiple Dwellings on Single Lot (1 Legal ADU acceptable on SFR)</li> <li>▪ Property &gt; 10 acres</li> <li>▪ Room and Board Facilities</li> <li>▪ Rural Properties</li> <li>▪ Unique Properties (ie: Geodesic domes, etc)</li> <li>▪ Working Farms and Hobby Farms</li> </ul>
<b>Unleased Properties</b>	<ul style="list-style-type: none"> <li>▪ Refinance vacant single unit property: Eligible only with documentation of previous rent history within the last 6 months. Utilize rent survey with a 20% vacancy factor to calculate DSCR.</li> <li>▪ Refinance 2-4 unit with a vacancy: Eligible with maximum of 1 vacant unit. Use lower of lease agreements or market survey for leased units. Use market survey for vacant unit to calculate DSCR.  If existing lease agreement(s) show a higher rental amount, the higher rents, up to 110% of market rents may be used if three (3) months documentation is provided (e.g. bank statements, canceled checks).</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 including subject property.</li> </ul>
<b>Business Entity</b>	<ul style="list-style-type: none"> <li>▪ Permitted on Investment Properties if current vesting is already in the name of the borrower's business.</li> <li>▪ All persons with &gt;= 25% interest in the business entity must apply for the loan and meet credit requirements</li> <li>▪ Max 4 members</li> <li>▪ Entity Documents:           <ul style="list-style-type: none"> <li>○ Operating Agreement</li> <li>○ Articles of Organization</li> <li>○ EIN/ Tax Identification Number</li> </ul> </li> <li>▪ Certificate of Good Standing</li> </ul>
<b>Escrow Impound</b>	<ul style="list-style-type: none"> <li>▪ Not allowed</li> </ul>
<b>Prepayment Penalty</b>	<ul style="list-style-type: none"> <li>▪ Minimum 1yr prepayment penalty required on DSCR doc type where allowable by state. Prepayment penalty must be in compliance with the terms and limitations of the applicable state or federal law</li> </ul>
<b>Document Age</b>	<ul style="list-style-type: none"> <li>▪ Credit documents: 90 days</li> <li>▪ Appraisal: 120 days (With Recertification of Value: 180 days)</li> </ul>

<b>Solar Liens</b>	<ul style="list-style-type: none"> <li>All Solar liens, UCC filings, Notice of Producer Contracts, etc must be removed from title and loans must paid-off prior to or at closing</li> </ul>
<b>General Underwriting Guidelines</b>	
<b>Borrower Eligibility</b>	<ul style="list-style-type: none"> <li>US Citizen</li> <li>Permanent Resident Alien</li> <li>Foreign Nationals and Non Perm Resident Aliens are ineligible</li> </ul>
<b>Credit Score</b>	<ul style="list-style-type: none"> <li>Use lowest middle score of all borrowers</li> </ul>
<b>Tradelines</b>	<ul style="list-style-type: none"> <li>3 tradelines reporting for 12+ mo. or 2 tradelines reporting for 24+ mo. all with activity in the last 12 mo.</li> </ul>
<b>Housing History</b>	<ul style="list-style-type: none"> <li>0x30x12</li> <li>Subject Senior Lien Must be on reporting on Credit report</li> </ul>
<b>Housing Event Seasoning</b>	<ul style="list-style-type: none"> <li>48 months - Foreclosure, short-sale, deed in lieu, bankruptcy.</li> <li>No multiple events in last 7 years.</li> </ul>
<b>Derogatory Credit</b>	<ul style="list-style-type: none"> <li>Open charge-offs or collections (including medical) with a balance of \$1,000 or more per occurrence must be paid at closing</li> <li>No delinquent tradelines at closing</li> </ul>
<b>Reserves</b>	<ul style="list-style-type: none"> <li>None Required</li> </ul>
<b>Assets Requirements</b>	<ul style="list-style-type: none"> <li>None Required</li> </ul>
<b>Housing History</b>	<ul style="list-style-type: none"> <li>Primary housing payment is not required, only required on Subject. Refinance transactions require the most recent 12-month housing history for the subject property.</li> </ul>
<b>Rental Income</b>	<ul style="list-style-type: none"> <li>Short-Term rental income accepted with 3<sup>rd</sup> party documentation of 12 months rents.</li> <li>Long-Term rental income using the lower of the lease agreement or the 1007 (if available). Lease agreement required for all LTR Transactions.</li> </ul>