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

- 2-4 Units / Condo / Non-Warrantable Condo Max LTV/CLTV: 75%
- Interest Only:
  - 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

- *Foreign National Borrower: See Foreign National Borrower Restriction*

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.
	  ○ 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 $2,000 in the past twelve (12) months
	  ○ Current appraised value to be used. No more seasoning restrictions
	  ○ Limited cash to the Borrower must not exceed the greater of $5,000 or 2% of the principal amount of the new mortgage to be considered a Rate / Term refinance
	  ○ 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
	  ○ Refinance of a previous Cash-Out seasoned < 1 year will be considered Cash-Out refinance
	  ○ Borrower must sign both the Business Purpose and Occupancy Affidavit and Occupancy Certification

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 Units[1] ▪ Condo[1] (Full Review Required) ▪ Non-Warrantable Condo[1] (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+)
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 ▪ Log Homes ▪ Condotels ▪ Living/Work Condos ▪ Working Farm ▪ Zoning violation ▪ Mixed Use ▪ Boarding Houses ▪ Group Homes ▪ Timeshares ▪ Homes on Native American Land (Reservations) ▪ Unique Properties/Geodesic Domes ▪ Assisted Living/Continuing Care Facilities ▪ Properties Under Construction ▪ Mandatory Country Club Memberships ▪ C5 or C6 Property Condition Grades ▪ Properties used for the cultivation, distribution, manufacture, or sale of Marijuana ▪ Unpermitted Additions
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
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

Tradelines (Cont.)	▪ Authorized user accounts must be used to calculate DTI but will not be included in the number of tradelines ▪ Eligible tradeline cannot have any derogatory history in previous twenty-four (24) months ▪ <mark>If all borrowers have three (3) credit scores, the minimum tradeline requirement is waived</mark>
Housing History	▪ 0x30x12 (for subject property and borrower primary only)
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 ▪ Any large deposit must be sourced

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
	  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
	  o DSCR deposits should be in line and consistent with the borrower's overall credit and business profile
	
	▪ **Ineligible**
	  o Assets being used for dividend and interest income may not be used to meet reserve requirements
	  o Gift of Equity is not allowed
	  o Rent credits not permitted
	  o Restricted stock is ineligible for to be used for reserves
	  o Sale of Personal Assets
	  o 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 - Gift funds not permitted for investor properties > 80% LTV / CLTV
Income	- A Debt Service Coverage Ratio (DSCR) ratio is required. DSCR = Gross Rental Income/ PITIA - DSCR loans will be qualified at original Note Rate, regardless of ARM or Fixed - Use lower of Estimated market rent from 1007 or executed lease agreement if provided - 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 - Short Term Rental Income (if STR reported on tax returns, follow Reported on tax returns guidance) AirBnB/AirDNA/VRBO/HomeAway income eligible. Rental history to be verified from a third-party property management provider. Information must contain property address/ID specific to subject. New construction Short Term Rental income must be deemed common & typical for the area per the appraisal and/or property location - Vacant properties not eligible for Refinance - Any loan where Cash-Out proceeds would be utilized for personal use will not be eligible
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 - When an existing Mortgage will be satisfied as a result of a refinance transaction, the following requirements must be met: - At least one Borrower on the refinance mortgage held title to for the most recent six-month period and the mortgage file contains documentation evidencing that the Borrower has been making timely mortgage payments, including the payments for any secondary financing, for the most recent six-month period - At least one Borrower on the refinance Mortgage inherited or was legally awarded the Mortgaged Premises by a court in the case of divorce, separation, or dissolution of a domestic partnership; 6 months cash-out and rate/term seasoning not applicable in these cases.
Subordinate Financing	- New subordinate financing (institutional) allowed for purchase transactions only - Primary residences only - If a HELOC is present the LTV / CLTV must be calculated by dividing the sum of the original loan amount of the first mortgage, the line amount of the HELOC (whether or not there have been any draws), and the unpaid principal balance of all other subordinate financing by the lower of the property's sales price or appraised value - All subordinate loan obligations must be considered, verified, and considered when calculating the Borrower's DTI - If the subordinate financing is a HELOC secured by the subject property, monthly payments equal to the minimum payment required under the HELOC

	terms considering all draws made on or before closing of the subject transaction ▪ Existing subordination is permitted on refinances

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) 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.
	   ▪ Exclude transaction: ownership transfers may include sales by government agencies, properties inherited or acquired through divorce, and sales by the holder of a defaulted loan
	○ 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 ▪ First Time Investors allowed when the below are met: ○ DSCR > 1; and FICO > 700 ▪ First Time Investors MAY NOT be a First Time Homebuyer
Non-Permanent Resident Alien	▪ 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	▪ Borrowers with diplomatic immunity ▪ Irrevocable or Blind Trusts ▪ Asylum applicants ▪ Land Trusts

Ineligible Borrower (Cont.)	▪ ITIN Borrower ▪ 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 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 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%

Loan Amount	▪ Min: $150,000 ▪ Max $1,000,000
Max Cash-Out Limit	▪ Max Cash-Out $250,000
Property Type	▪ Single Family ▪ 2-4 Units[1] ▪ Warrantable Condo[1] [1] Max LTV/CLTV: 60%
State Restrictions	▪ Max 50% LTV for Florida Condo Cash Out (Up to 7 stories)
Reserves	▪ Minimum 12 months reserves required ▪ Net proceeds from Cash out **May NOT** be used to satisfy requirement ▪ 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 **Assets Requirements (Cont.)**	▪ 1 month bank statement **or** 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. ▪ Any large deposit must be sourced ▪ 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

Borrower Eligibility	▪ Must meet all of the following:
	  o Copy of Unexpired Passport
	  o Copy of Valid Visa or I-797 Notice of Action Required (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
	  o ISA Allowed: B-1, B-2, I, O-2, H-2, H-3, J-1, J-2, P-1, and P-2
	  o I-94 form (Arrival/Departure Record)
	  o Borrowers from OFAC sanctioned countries are ineligible http://www.treasury.gov/resource-center/sanctions/Programs/Pages/Programs/aspx

Credit/Tradeline	▪ U.S. Qualifying Credit
	  o If borrower has a valid SSN or ITIN, US credit report may be used.
	  o Middle of 3 scores or lower of 2 and standard tradeline requirement must be met.
	▪ Foreign Qualifying Credit
	  o Three open accounts with a two-year history reflecting no late payments. (3x24)
	  o 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)
	  o 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:
	  o State type and length of relationship, how the account(s) are held, and the status of the account(s)
	  o Contain contact information for the person(s) signing the letter(s)
	  o Any translation required must be signed and dated by a certified translator

Interest Only	▪ Not allowed