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%	60%	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
- Declining Market: 5% LTV Reduction
- Foreign National Borrower: See Foreign National Borrower Restriction
- ***Non-Permanent Resident Alien:** Max LTV/CLTV 75%, Cash-Out not eligible, Asylum Applicant- C08 not eligible

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

***Interest Only: Qualification based upon the interest only payment**

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
- Rate/Term
- Cash-Out
  - Refinance of a previous Cash Out transaction seasoned less than one (1) year will be considered a Cash Out
  - **Non-Permanent Resident Alien: Cash out not eligible**
- Non-Arm's Length transactions are ineligible

Loan Amount

- Min: $100,000
- Max: $2,000,000

Cash-Out

- **Max Cash-Out**
  - LTV > 60%: Max Cash-out $500,000
  - LTV ≤ 60%: Unlimited Cash-out Total equity withdrawn can't exceed above limits

Restrictions to Non-Warrantable Condo

- Rick 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

Restrictions to Non-Warrantable Condo (Cont.)	▪ 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 o Do not affect marketability of the units o 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	▪ Not permitted
State Restrictions	▪ Maximum loan amount is limited to $2,000,000. If either or both of the following apply: o The appraisal report identifies the property as a declining market; o The subject property is in the state of NJ or FL ▪ Florida Condominiums: o Up to 7 Stories. No High Rise Condo (8+) o 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. o Projects with an unacceptable or no inspection are not eligible. ▪ Investment properties are ineligible in Baltimore, Maryland
Escrow Impound	▪ Mandatory escrow for taxes and insurance will be required for below o HPLMs (5 Years) o Foreign National Loans ▪ Flood insurance escrows are required when the subject property is located in a Special Flood Hazard Area (SFHA)
Appraisals	▪ 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
Appraisal Review	▪ Collateral Underwriter (CU) or Loan Collateral Advisor (LCA) as a secondary valuation if the score is <= 2.5 ▪ CDA if the score is > 2.5
Declining Market	▪ Properties in declining markets as determined by the appraisal, other third party valuation (i.e., CDA) will require a 5% reduction to the LTV/CLTV caps within the loan matrices.

Eligible Properties	▪ Individual properties must have a minimum property value of $150k ▪ One Unit Single Family Residences ▪ Single Family properties with ADUs (Accessory Dwelling Units) follow FNMA requirements and restrictions ▪ Unpermitted additions/alterations and deferred maintenance to follow FNMA guidelines ▪ 2-4 unit properties ▪ PUDs – Attached and Detached ▪ Townhouses ▪ Leasehold Properties ▪ Warrantable Condo ▪ Non-Warrantable Condo * See Restrictions to Non-Warrantable Condo may be permitted case-by-case, with LLPA* Max LTV/CLTV: 75% ▪ Maximum 20 acres
Ineligible Property Type	▪ Multiple dwellings on same lot (legal ADU acceptable. Limited to one) ▪ Agricultural zoned properties **(may be considered case-by-case, exception required, subject to LLPA)** ▪ Properties used as healthcare facilities (e.g., assisted living, elder care, recovery/treatment, Continuing Care Facilities) ▪ Properties used for the cultivation, distribution, manufacture, or sale of Marijuana ▪ Properties with condition rating of C5/C6 or quality rating of Q6 on the appraisal ▪ Barndominiums ▪ Properties under Construction ▪ Units with >= 5 units ▪ Properties > 20 acres ▪ Zoning Violations or illegal use ▪ Properties on Native American Land (Reservations) ▪ Manufactured or Mobile homes ▪ Mixed Use Properties ▪ Faux Log Homes (properties with a Log Cabin aesthetic, may be eligible with exception, subject to LLPA) ▪ Houseboats ▪ Log Homes ▪ Units subject to timeshare arrangements ▪ Properties with fractional ownership ▪ Boarding Houses ▪ Builder Model Leaseback ▪ Condominium projects with registration services or restrictions on owner's ability to occupy ▪ Condotels ▪ Cooperatives ▪ Earth Berm Homes ▪ Group Homes ▪ Live/Work Condos ▪ Mandatory Country Club Memberships ▪ Unique Properties

Ineligible Property Type (Cont.)	▪ Working Farms ▪ Theme Park Resort Properties ▪ Vacant land or land development properties ▪ Properties not readily accessible by roads that meet local standards ▪ Properties not suitable for year-round occupancy, regardless of location ▪ Units in a Co-op development ▪ Properties used as boarding houses, bed/breakfast, or single room occupancy (e.g., pad split app) ▪ Properties with nonresidential, income-producing structures on premise (e.g., billboards, cell phone towers, commercial workshop) ▪ Dome or geodesic properties
Ineligible Transactions	▪ Assignment of Contracts ▪ Construction Loans ▪ Builder Bailout & Model leasebacks ▪ Conversion Loans ▪ Non-arms length ▪ Rent Credits ▪ Employee of a Seller, Broker or Originator that is party to the subject loan ▪ Lease Option ▪ Daily Simple Interest Loans ▪ Tenants in Common Vesting, unless all parties vested match the actual borrowers on the 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 Documentation and DSCR Calculation	▪ **Purchase Transactions:** ○ 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. ▪ 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%. ▪ If using a higher estimated market rent from 1007/1025 it must be within 120% of the lease amount. If the estimated market rent exceeds the lease amount by more than 120%, the estimated market rent is capped at 120%

Long-Term Rental Documentation and DSCR Calculation (Cont.)	○ 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:** ○ Required documentation: ▪ Original appraisal report reflecting tenant-occupied ▪ FNMA Form 1007 or 1025 reflecting long-term market rents, and ▪ Lease agreement ▪ Leases that have been converted to month-to-month are allowed. ▪ A vacant property as indicated on the appraisal is allowed subject to the following: ○ 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. ○ 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%. ○ If using a higher estimated market rent from 1007/1025 it must be within 120% of the lease amount. If the estimated market rent exceeds the lease amount by more than 120%, the estimated market rent is capped at 120% ○ Unit subject to rent control or housing subsidy must utilize current contractual rent to calculate DSCR ▪ **DSCR Calculation:** ○ 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	▪ **Short-term rentals are properties which are leased on a nightly, weekly, monthly, or seasonal basis.** ▪ **Short-Term Rental Income – Purchase and Refinance Transactions:** ○ 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: ▪ 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

Short-Term Rental (e.g., Airbnb, VRBO, FlipKey) Documentation and DSCR Calculation (Cont.)	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. o When short-term rental income is documented using multiple sources, the lowest source of monthly income is to be utilized for calculating DSCR. o Any of the following methods may be used to determine gross monthly rental income: ▪ Short-term rental (STR) analysis form or 1007/1025 may be used. The analysis must include the following: o Provide the source of the data used to complete the STR analysis. o Include comparable STR properties, focusing on room count, gross living area (GLA), location, and market appeal. o Include daily rental rate and occupancy percentage. o Factor seasonality and vacancy into the analysis. o 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 qualifying rental income must be net of 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: ● Rentalizer (Property Earning Potential Report) o Only allowed for purchase transaction o Gross rents equal the revenue projection from the Rentalizer Report less the 20% extraordinary expense factor o Revenue projection equals the average daily rental rates times the occupancy rate o Forecast period must cover 12 months and dated 90-days within the Note date o Must have three (3) comparable properties similar in size, room count, amenities, availability, and occupancy o Market Score or Sub-Market Score must be 60 or greater as reflected on the Property Earning Potential Report

General Underwriting Guidelines	
Credit Score	▪ Middle of 3 scores or lower of 2
Tradelines	▪ 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	▪ 0x30x12
Credit Event Seasoning	▪ BK/FC/SS/DIL/Mod (due to Default)/NOD/PreFC/MC/Lis Pendens/ & 120+ days delinquent > 36 Mo ▪ Forbearance and deferral transactions and a loan modification due to default are considered a derogatory housing event ▪ The seasoning period is measured from the date of discharge/ dismissal or property resolution (completion date)) to the note date.
Reserves	▪ Reserve requirements are determined by loan amount and LTV as follows: o Loan Amount ≤ $1.5 million and LTV ≤ 75% → None required o Loan Amount ≤ $1.5 million and LTV > 75% → 2 months of PI o Loan Amount > $1.5 million → 4 months of PI o Loan Amount > $2.0 million → 6 months of PI ▪ Cash out may be used to satisfy requirement
Assets Requirements	▪ Asset documentation of at least one month required
Gift Funds	▪ 100% gift allowed for down payment, closing and reserves ▪ Gift funds are allowed in refinance transactions.
Interested Party Contribution	▪ Max 6%
Investor Experience	▪ 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 o Min FICO 700 o ≥ 36 Mo from any credit event o SFR; 2-4 Units & Condos o DSCR> 1.00 o Must own a primary residence o FTHB not allowed
Eligible Borrower	▪ US Citizens ▪ Permanent Resident Aliens ▪ Non-Permanent Resident Aliens (Max LTV /CLTV 75%, Cash Out not eligible) o Asylum applicant - C08 not eligible ▪ Inter Vivos Revocable Trust (Must meet Fannie Mae requirements) ▪ Limited Liability Companies

Ineligible Borrower	▪ Irrevocable Trust ▪ Layered entity with a trust ▪ Land Trust ▪ Blind Trust ▪ **Asylum Applicants (C08)** ▪ Persons with Diplomatic Immunity, as defined by US Citizenship and Immigration Services ▪ People from OFAC sanctioned countries and people 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.
Listing Seasoning	▪ Properties that have been listed for sale within the past six (6) months from the Note Date may not be currently listed at the time of Loan Application and will require a borrower LOE and listing cancellation. ▪ Multiple listings in the past twelve (12) months are not eligible. ▪ For all refinances, the LTV/CLTV will be based on the appraised value.

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	≤ 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
Credit/Tradeline	▪ **U.S. Qualifying Credit** ○ **US credit report to be used** ○ **Borrower must has a valid ITIN** ○ **Middle of 3 scores or lower of 2 and standard tradeline requirement must be met.** ○ **Min score 680**
Property Type	▪ Single Family ▪ Single Family properties with ADUs (Accessory Dwelling Units) follow FNMA requirements and restrictions ▪ 2-4 Units[1] ▪ Warrantable Condo[1] [1] Max LTV/CLTV: 60%

State Restrictions	▪ Florida Condominiums: o Up to 7 Stories. No High Rise Condo (8+) o 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. o Projects with an unacceptable or no inspection are not eligible. o Max LTV/CLTV: 50% ▪ Investment properties are ineligible in Baltimore, Maryland
Reserves	▪ Reserve requirements are determined by loan amount and LTV as follows: o Loan Amount ≤ $1.5 million and LTV ≤ 75% → None required o Loan Amount ≤ $1.5 million and LTV > 75% → 2 months of PI o Loan Amount > $1.5 million → 4 months of PI o Loan Amount > $2.0 million → 6 months of PI ▪ Cash out may be used to satisfy requirement
Gift Funds	▪ Allowed after min 10% borrower contribution
Borrower Eligibility	▪ The following are required as evidence the borrower is in the U.S. legally: o Copy of the borrower's unexpired passport including photograph o Copy of the borrower's valid and unexpired visa (including photograph) or and I-797 form with valid extension dates and I-94 o 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 o The credit file should be documented with a current print-out of the participating countries, with the borrower's country of origin highlighted o Citizens of Canada traveling to the United States do not require a nonimmigrant visa o If a foreign national is borrowing with a U.S. citizen, foreign national documentation requirements do not apply. o Florida Purchases: Loans secured by property located in the state of Florida made to foreign principals, people, and entities are to include one of the following Affidavits published by the Florida Land Title Association: o Conveyances to Foreign Entities – By individual Buyer - All members signing a Personal Guaranty must sign the affidavit o Conveyances to Foreign Entities – By Entity Buyer - All members signing a Personal Guaranty must sign the affidavit

Borrower Eligibility (Cont.)	○ 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	▪ BK/FC/SS/DIL/Mod (due to Default)/NOD/PreFC/MC/Lis Pendens/ & 120+ days delinquent > 48 Mo ▪ Forbearance and deferral transactions and a loan modification due to default are considered a derogatory housing event ▪ The seasoning period is measured from the date of discharge/ dismissal or property resolution (completion date) to the note date.
Interest Only	▪ Not allowed