Investor Program – Underwriting Guidelines

Underwriting Philosophy
We take a common sense approach to underwriting a borrower's creditworthiness to determine the willingness and ability to repay the loan. Each applicant has a different situation and each loan is weighed on its own merits. Our goal is to help good borrowers with their financing needs while mitigating risk for the company. These programs are high risk loans. We will only approve loans for which the company has a reasonable belief that the borrower has the ability to repay the subject loan. This reasonable belief is based upon information provided by or independently verified by an independent third party. Any irregularity in borrower profile, documentation provided, or property used to support the debt may be cause for denial of the loan.

Program Highlights
Designed for the experienced real estate investor who is purchasing or refinancing investment properties which he or she plans to hold for business purposes.

- The borrower is qualified based upon the cash flows of the subject property only, regardless of the number of properties owned by the borrower
- No borrower income or employment is stated or verified
- Debt coverage ratio is used for qualifying purposes
- Minimum 640 credit score
- 4506T not required
- Debt to Income (DTI) Ratio not calculated

NOTE: Loans that are eligible for sale to a government-sponsored enterprise (GSE) – the Federal National Mortgage Association (Fannie Mae) or the Federal Home Loan Mortgage Corporation (Freddie Mac) – are ineligible for any Investor Series programs.

Program Qualifications
This program is designed for experienced real estate investors and qualifies borrowers based on cash-flows solely from the subject property. First Time Home Buyer is allowed. Borrower must have a history of owning and managing commercial or residential investment real estate. Proof of this investor experience must be in loan file. See *Underwriting*.

Eligibility Matrix Loan Amount & LTV Limitations

Investment Property – Purchase and Rate & Term Refinance[3]

Units	Credit Score	LTV	CLTV	Minimum Loan Amount	Maximum Loan Amount
1-4 Units	720	70%	70%	$100,000	$1,500,000
	680	80%	80%		$750,000
		70%	70%		$1,000,000
		60%	60%		$2,000,000
	640	70%	70%		$750,000
		60%	60%		$1,000,000
		50%	50%		$1,500,000

Investment Property – Cash-Out Refinance[1,2,3]

Units	Credit Score	LTV	CLTV	Minimum Loan Amount	Maximum Loan Amount
1-4 Units	720	75%	75%	$100,000	$750,000
		65%	65%		$1,500,000
		55%	55%		$2,000,000
	680	70%	70%		$750,000
		60%	60%		$1,000,000
		50%	50%		$2,000,000
	640	65%	65%		$750,000
		55%	55%		$1,000,000
		45%	45%		$1,500,000

Footnotes:
1 Proceeds from cash out refinances must be used for business purposes only.
2 Purpose of cash out letter must be submitted with the initial package.
3 No Right of Rescission required on refinances.

Product Description

- 5/1, 7/1, and 10/1 LIBOR ARMs, fully amortizing
- Interest Only available for 5/1 ARM during fixed rate period

- 15 and 30 year fixed rate, fully amortizing

Product Codes

Fully Amortizing

Hybrid ARM	Product Code
5/1 ARM	IA51IN – Investor 5/1 LIBOR ARM
7/1 ARM	IA71IN – Investor 7/1 LIBOR ARM
10/1 ARM	IA101IN – Investor 10/1 LIBOR ARM
Fixed	
15 Year	IF15IN – Investor 15 Year Fixed
30 Year	IF30IN – Investor 30 Year Fixed

Interest Only

Hybrid ARM	Product Code
5/1 ARM	IA51INIO - Investor 5/1 LIBOR ARM Interest Only

Eligibility Requirements

Adjustable Rate Details

Interest Rate Adjustment Caps	5/1, 7/1 & 10/1 ARM (2/2/5 caps) Initial: 2% up; Subsequent: 2% up/down; Lifetime: 5% up
Margin	See rate sheet
Index	1-Year LIBOR (London InterBank Offer Rate) as published in Wall Street Journal
Interest Rate Floor	Note Start Rate
Conversion Option	None
Assumption	ARM products are assumable to a qualified borrower after the fixed term
Negative Amortization	None
Interest Only Option	5/1 ARM only. At Borrower's option during fixed rate period
Prepayment Penalty	None

Appraisal Requirements

The underwriter may require additional collateral review.

Properties with a condition rating of C5 or C6 are not acceptable.

Loan Amount	Appraisal Requirement
≤ $1,000,000	One Full Appraisal
> $1,000,000	Two Full Appraisals
All properties For Sale By Owner (FSBO) w/LTV > 75%	Two Full Appraisals

A Pro Teck Valuation Services Appraisal Risk Review (ARR) **or** a Clear Capital Collateral Desktop Analysis (CDA) supporting the value within 10% (higher or lower than appraised value) will be required. If variance exceeds 10% then a field review ordered from one of the following providers will be required:

- Pro Teck Valuation Services
- Clear Capital
- Nationwide Appraisal Network
- AAA Appraisal Management Company
- AMG Appraisals
- Appraisal Nation
- AXIS Appraisal Management
- Class Appraisal
- Consolidated Analytics
- GOT Appraisals
- USRES (US Real Estate Services)

A field review from any of the above providers, or a Second Appraisal, is acceptable in lieu of an ARR or CDA.

If a field review is obtained there is a 5% tolerance as follows:

- If the field review value is ≤ 5% below the appraised value, use the appraised value for LTV calculations
- If the field review value is more than 5% below the appraised value, a second appraisal is required.
    - Use the lower value of the two appraisals for LTV calculations

When two (2) appraisals are provided, an ARR or CDA is not required. The lower value of the two appraisals will be utilized.

	Condos and PUDs must meet FNMA requirements. See the *Property Types* section for additional information. Note: The ECOA Valuations Rule requires copies of appraisals and other written valuations be delivered to borrower promptly upon completion, or three (3) business days before consummation, whichever is earlier.
Assets	Borrower must have sufficient liquid assets available for down payment, closing costs and reserves. Funds must be sourced and seasoned for two (2) months and the most recent consecutive statements (all pages) or the most recent quarterly statements are required. <u>Stocks, Bonds, and Mutual Funds (FNMA B3-4.3-01)</u> Vested stocks, bonds, and mutual funds (including retirement accounts) may be used for down payment, closing costs, and reserves without any reduction in value: • One hundred percent (100%) of the value of the asset is allowed when determining available reserves • If the lender documents that the value of the asset is at least 20% more than the funds needed for the borrower's down payment and closing costs, no documentation of liquidation is required. Otherwise, documentation of the borrower's actual receipt of funds realized from the sale or liquidation must be obtained. • **NOTE:** As a reminder, non-vested assets are not eligible for down payment, closing costs, or reserves. <u>Like-Kind Exchanges</u> Assets for the down payment from a "like-kind exchange," also known as a 1031 exchange, are eligible if properly documented and in compliance with Internal Revenue Code Section 1031 (FNMA B3-4.3-10). Full Asset Documentation is required for both funds to close and reserves in accordance with Fannie Mae guidelines. <u>Eligible Funds (Down Payment, Reserves*)</u> • Must be from borrower's own funds See *Business Funds* for eligibility. See *Reserves* for requirements and limitations.
Assumptions	ARM products are assumable to a qualified borrower after the fixed term

Borrower Eligibility	<u>Eligible Borrowers</u>
	• U.S. Citizens
	• Permanent Resident Aliens
	  ○ Eligible with proof of lawful permanent residency
	  ○ Underwritten the same as U.S. citizen
	• Inter Vivos Revocable Trust – must meet FNMA guidelines
	• Vesting (see Financing Types)
	
	<u>Ineligible</u>
	• Non-permanent resident aliens
	• Foreign Nationals

Business Funds	Business funds - Funds in the borrower's business account(s) ≤ 50% of account balance may be counted toward down payment, closing costs, and reserves so long as borrower is 100% owner of business (e.g., Sole Proprietor, S Corp, Corporation, LLC). A non-borrowing spouse who is the only other co-owner of the business is acceptable and must provide a letter allowing the borrower to access the funds in the business account.
Cash-Out Requirements	There is no ownership seasoning requirement for cash-out refinance. Borrowers requesting a cash-out loan must provide a letter of explanation (aka "cash-out letter") regarding the use of the cash-out proceeds. This letter must be submitted with the initial package. The use of cash-out proceeds <u>must</u> be for business purposes. Any other use of the cash-out proceeds (e.g., for consumer use) will make the loan ineligible.

Credit	All borrowers must have a minimum credit score of <u>**640.**</u>
	• The representative score for each borrower is:
	  ○ The middle score when three scores are obtained, or
	  ○ The lower score when two scores are obtained
	  ○ If only one score is obtained, that is the representative score for the borrower
	• The representative score for the loan is the lowest representative score of the borrowers.
	
	<u>Each of the following credit components impacts the borrower's ability to repay the loan:</u>

	• Borrowers must have a minimum of 5 trade lines on the credit report. Trade lines may be open or closed, with one seasoned trade line having a minimum 24 month rating and one trade line with at least a $5,000 high credit limit. The seasoning and high credit limit requirements may be met with the same trade line. Authorized user trade lines are not eligible for any portion of the credit requirement. When spouse is co-borrower only one borrower is required to have the credit depth listed above.
	
	• Mortgage / Rental Lates – 1x30 past 12 months
	    o This applies to all mortgages on all properties
	    o Rental history must be documented by a direct verification of rent (VOR) by a professional management company and/or private party. If the VOR is provided by a private party, 12 months cancelled checks or 12 months bank statements must be provided to document rents.
	
	• Bankruptcy (Ch. 7 and 13), Short Sale, Deed-in-Lieu – None less than four (4) years
	    o Bankruptcy, Short Sale or Deed in Lieu ≥ 2 years and < 4 years is acceptable with the following compensating factors:
	        ▪ Maximum 70% LTV or existing guidelines, whichever is lower; **and**
	        ▪ Additional 6 months reserves required for subject property (this amount is in addition to all other reserves required on the loan)
	
	• Foreclosure – None in the last seven (7) years
	    o Foreclosure ≥ 3 years and < 7 years is acceptable with the following compensating factors:
	        ▪ Maximum 70% LTV or existing guidelines, whichever is lower; **and**
	        ▪ Additional 6 months reserves required for subject property (this amount is in addition to all other reserves required on the loan)
	
	• Borrowers must have a verifiable housing history (mortgage or rent) of at least 12 months.
	
	• Judgment/Tax Lien/Collections/Charge-Offs – Must be paid.
	    o Medical collections are excluded regardless of amount
	
	• Consumer Credit Counseling – Borrowers who have experienced credit or financial management problems in the past may have elected to participate in consumer counseling sessions to learn how to correct or avoid such problems in the future. Whether borrowers have or have not completed participation in the sessions before closing on the mortgage transaction is not relevant since it is the borrower's credit history that is of primary importance. (FNMA B3-5.2-01)
	
	• Disputed Accounts – Disputed accounts are reviewed to determine <u>current balance</u> and <u>derogatory information</u> (a 30-day or more delinquency) <u>within 2 years prior to the credit report date</u>:
	    o Zero balance and no derogatory in last 2 years – no action required
	    o Zero balance and derogatory information - remove and pull new credit report
	    o A positive balance and no derogatory information – remove and pull new credit report
	    o A positive balance and derogatory information – remove and pull new credit report
	A credit supplement is not allowed to document disputed accounts.
	
	Underwriters should consider the following:
	• Credit limits, usage and overall credit profile should be considered and evaluated to be consistent with the income established for qualifying purposes.

Documentation	Borrower must acknowledge the loan is a "business purpose loan" by signing the *Borrower's Intent to Proceed with Loan and Business Purpose Loan Certification* (see attachment to guidelines). <u>All borrowers must provide the following:</u> • A complete schedule of all real estate owned, indicating <u>financed</u> and "<u>free and clear</u>" properties • Mortgage/lien rating for each financed property • Documented proof that lien-free properties are truly "free and clear" of all liens See *Power of Attorney* for additional restrictions
Escrow Holdback	Escrow holdbacks are allowed for weather related repairs on purchase transactions only. • Maximum $5,000 repair limit • Escrow withhold amount must be at least 1.5 times the cost of repairs o Example: $5,000 repairs x 1.5 = $7,500 total escrow withhold amount • Other repair escrow policies and procedures apply
Financing Types	<u>Vesting:</u> Individual person(s) only. No other business entity allowed

	Rate/Term Refinance A rate/term refinance may include the payoff of a non-purchase money second seasoned at least 12 months. If HELOC, no draws >$2,000 in past 12 months. New York Consolidation, Extension & Modification Agreement (NY CEMA) For all refinance products, property located in the state of New York may be structured as a Consolidation, Extension, and Modification Agreement (CEMA) transaction. The most current version of Fannie Mae/Freddie Mac Uniform Instrument (Form 3172) must be used. The following documentation must be provided: • NY Consolidation, Extension and Modification Agreement (Form 3172) • Original Note(s) – Original documents signed by the borrower • Gap Note and Gap Mortgage, if applicable • Consolidated Note – Original documents signed by the borrower • Exhibit A – Listing of all Notes & Mortgages being consolidated, extended and modified • Exhibit B – Legal description of the subject property • Exhibit C – Copy of the consolidated Note • Exhibit D – Copy of the consolidated Mortgage Lost Note Affidavits are not an acceptable substitute for any of the required documents. If original documentation cannot be provided per above, then a CEMA is not allowed.
First Time Home Buyer	First Time Home Buyer is defined as a borrower who had no ownership interest (sole or joint) in a residential property during the three-year period preceding the date of the purchase of the security property. First Time Home Buyer is allowed. Borrower must have a history of owning and managing commercial or residential investment real estate.

Geographical Locations/Restrictions	Eligible states are as follows:
	• All states (including DC) are eligible except:
	  ○ DE, ME, MA, OH, RI, WY
	  ○ Interest Only Restriction – Interest Only loans are not allowed in Illinois
	
	See *New York Consolidation, Extension & Modification Agreement (NY CEMA)* in *Financing Types* section above.
	
	Additional restrictions as follows:
	Hawaiian Lava-Flow Hazard Zones – The U.S. Geological Survey (USGS) categorizes the island of Hawaii into nine "lava zones" based on each zone's probability of exposure to lava flows caused by volcanic eruption. Properties in lava zones 1 and 2 are not eligible for loans funded or purchased by us due to increased risk of property destruction from lava flows within these areas. The Hawaii Lava-Flow Hazard Zone Map can be accessed at: http://hvo.wr.usgs.gov/hazards/FAQ_LavaFlowHazardZone/ and http://pubs.usgs.gov/mf/1992/2193/
	
	State specific regulatory requirements supersede all underwriting guidelines set forth by us.

Gift Funds / Gifts of Equity	Gift funds are allowed. See below for requirements.
	• Gift funds are allowed for paying off debt, equity contribution refinances, and for closing costs and down payments.
	• Gifts are **not** allowed for reserves
	• When **100% gift funds are used**, a 10% reduction in maximum LTV is required. If borrowers have 5% of their own funds verified, the LTV reduction is not required.
	• Acceptable Donors – A gift can be provided by:
	  ○ A relative, defined as the borrower's spouse, child, or other dependent, or by any other individual who is related to the borrower by blood, marriage, adoption, or legal guardianship*; or
	  ○ A fiancé, fiancée , or domestic partner (domestic partner must live with borrower)
	• The donor may not be, or have any affiliation with, the builder, the developer, the real estate agent, or any other interested party to the transaction.
	
	Gift of equity is allowed at ≤ 75% LTV.
	• A "gift of equity" refers to a gift provided by the seller of a property to the buyer. The gift represents a portion of the seller's equity in the property, and is transferred to the buyer as a credit in the transaction.
	• Only family members may provide equity credit as a gift on property being sold to other family members
	• The acceptable donor requirements for gift funds (above) also apply to gifts of equity
	
	A signed gift letter is required for all gift funds and gifts of equity.

	Transfer of funds or evidence of receipt must be documented prior to or at closing.
	
	*"Other individuals related to the borrower by blood, marriage, adoption, or legal guardianship" include:
	• Child, parent, or grandparent
	    ○ Child is defined as a son, stepson, daughter, or stepdaughter;
	    ○ A parent or grandparent includes a step-parent/grandparent or foster parent/grandparent
	• Spouse or domestic partner
	• Legally adopted son or daughter, including a child who is placed with the borrower by an authorized agency for legal adoption
	• Foster child
	• Brother, stepbrother, sister, stepsister
	• Aunt or uncle
	• Son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law of the borrower.

Housing History	Borrower may be a First Time Home Buyer. Borrower must have a history of owning and managing commercial or residential investment real estate. Proof of this investor experience must be in the loan file. Examples of such documentation include but are not limited to property profile(s) and credit report. Borrower does not need to currently be renting or have a mortgage. However any rental/mortgage history must meet credit requirements. See *Credit*.
Income	Income used to qualify borrower is based upon cash flow from property. A 4506T is NOT required. If transaction is a refinance, rental agreement and rent survey (Form 1007) provided by the appraiser, will be utilized. Rents will be validated via internet research by us. If transaction is a purchase, Appraisal Form 1007 will be utilized. **Note:** **The Debt Coverage Ratio is changing from 0.85 to 1.0. This is effective for submissions on or after 2/1/17.** Debt Coverage Ratio • The debt coverage ratio is calculated by taking 100% of the gross rents divided by the PITIA of the subject property • Use the Note Rate to calculate PITIA • Rents are derived from the lesser of the rental/lease agreement or the rent survey (Form 1007) • The PITIA calculation for interest only loans is based on the remaining term after the interest only period • DCR Purchase = 1.0 • DCR Rate/Term = 1.0 • DCR Cash-Out = 1.0 **Debt Coverage Ratio Examples** **Purchase, Rate/Term, or Cash-Out** Gross Rent = \$1,000 DCR for purchase = 1.0 \$1,000 divided by 1.0 = \$1,000 PITIA may not exceed \$1,000 per month Debt Coverage Ratio confirmation In the above example, \$1,000 gross rents divided by \$1,000 PITIA = 1.0 Loans under the Investor Program are classified as business loans. Appendix Q and ATR requirements do not apply.
Interest Only	Interest-only payments are allowed on the 5/1 hybrid ARM only, during the fixed rate period of the loan. See *Product Codes* for the appropriate program code.
Interested Party Contributions (IPCs) / Seller Concessions	Interested party contributions (IPCs) are costs that are normally the responsibility of the property purchaser that are paid directly or indirectly by someone else who has a financial interest in, or can influence the terms and the sale or transfer of, the subject property. (FNMA B3-4.1-02) Interested parties include, but are not limited to, the property seller, the builder/developer, the real estate agent or broker, or an affiliate who may benefit from the sale of the property and/or the sale of the property at the highest price possible. A lender or employer is not considered an interested party to a sales transaction unless it is the property seller or is affiliated with the property seller or another interested party to the transaction.

	Interested party contributions (toward closing costs) are limited to 3% at all LTVs.
Limitations on Other Real Estate Owned	We allow financing on up to eight (8) properties for one borrower OR a maximum $2,000,000 in financing for one borrower, whichever is less. This eight (8) property limit for our financing includes properties for which a borrower may have a personal guaranty (on our loan) when the entity borrowing is not an individual. Borrower may have our financing on a maximum of 10% of the properties in a PUD or condominium project. • For projects ≤ 10 total units, financing on a maximum of 1 unit is allowed We do not have a limit on the total number of financed properties outside of our financing.
Listed for Sale / "Recently Listed"	Rate/Term Refinance (per FNMA B2-1.2-02) Subject property must not be currently listed for sale. It must be taken off the market on or before the disbursement date of the new mortgage loan. The borrower must confirm their intent to occupy the subject property (for principal residence transactions). Cash-out Refinance (per FNMA B2-1.2-03) Properties listed for sale in the six months preceding the disbursement date of the new mortgage loan are limited to 70% LTV, CLTV, and HCLTV ratios (or less if mandated by the guideline matrix). • Note: Properties that were listed for sale must have been taken off the market on or before the disbursement date of the new mortgage loan.
Loan Amount	Minimum Loan Amount: $100,000
Locking the loan	**Locking** • 45 day minimum lock term required • Loan must be approved prior to lock
Non-Arm's Length Transactions	Non-arm's length transactions are purchase transactions in which there is a relationship or business affiliation between the seller and the buyer of the property. Non-arm's length transactions are allowed for the purchase of existing property. For the purchase of newly constructed properties, if the borrower has a relationship or business affiliation (any ownership interest, or employment) with the builder, developer, or seller of the property, only primary residence is allowed. Mortgage loans on newly constructed homes secured by a second home or investment property where there is a non-arm's length relationship are prohibited. (FNMA 2-1.2-01) When tenant is buying from landlord/seller, a Verification of Rent (VOR) from a third party management company is acceptable. If there is no third party management company, provide the most recent 12 months cancelled rent checks or 12 months bank statements (or whatever shorter time period the borrower has been renting) Conflict of Interest (our overlay) Situations where the borrower has a dual role in the transaction, namely as borrower and as another party in the same transaction are **prohibited**. These include, but are not limited to, situations where the borrower is also: o The builder o The loan officer on the transaction o The listing agent o Both the listing and selling agent Exception: Borrower is allowed to be the selling agent in the transaction where borrower is the purchaser so long as borrower is not also the listing agent. Note: Gifts of equity are allowed on sales between family members for existing properties only.
Occupancy	Investment Property Only
Payment Shock	N/A
Points and Fees	Maximum 5% Limit
Power of Attorney	A power of attorney is allowed per FNMA guidelines (See FNMA B8-5-06). Except as otherwise required by applicable law, or unless they are the borrower's relative (or a person who is a fiancé, fiancée, or domestic partner of the borrower), none of the following persons connected to the transaction shall sign the security instrument or note as the attorney-in-fact or agent under a power of attorney: • The lender; • Any affiliate of the lender; • Any employee of the lender or any other affiliate of the lender; • The loan originator;

- The employer of the loan originator;
- Any employee of the employer of the loan originator;
- The title insurance company providing the title insurance policy or any affiliate of such title insurance company (including, but not limited to, the title agency closing the loan), or any employee of either such title insurance company or any such affiliate; or
- Any real estate agent that has a financial interest in the transaction or any person affiliated with such real estate agent.

Power of Attorney (POA) is ineligible for:

- Cash-out loans

Prepayment Penalty

None – Prepayment penalty is neither required nor offered as an option

Property Types

Eligible

- 1-4 Unit, Non-Owner Occupied
- Attached/Detached Properties
    - Condominiums – Both FNMA Condo Project Manager (CPM) and FNMA Limited Review are allowed
    - Non-Warrantable Exception:
        - The FNMA investment property concentration limits (i.e., the percentage of non-owner occupied properties within a project) do not apply, **and**
        - Minimum 50% of units in project (or subject legal phase, considered with prior legal phases) must be sold or under contract.
            - **Note: For reference**, FNMA (B4-2.2-02) requires that investment property transactions on attached units in established projects (including two-to four-unit projects), have at least 50% of the total units in the project conveyed to principal residence or second home purchasers. This requirement does not apply if the subject mortgage is for a principal residence or second home.
    - Single Entity Ownership Exception:
        - Projects in which a single entity (the same individual, investor group, partnership, or corporation) owns **up to and including 25%** of the total number of units in the project will be considered on a case by case basis.
            - **Note: For reference**, the FNMA (B4-2.1-02) acceptable limit is:
                - Projects with 2 to 4 units = 1 unit
                - Projects with 5 to 20 units = 2 units
                - Projects with 21 or more units = 10% of total units

Limited Review (See FNMA B4-2.2-02, *Limited Review Process for Attached Condo Units*)
Limited Review eligibility criteria for **attached units** differ depending upon the occupancy type and LTV/CLTV/HCLTV ratios, and are as follows:

Occupancy Type	Maximum LTV/CLTV/HCLTV
Investment property	70% (exceeds FNMA)

Note: Mortgages secured by attached units in **new** condo projects are not eligible for Limited Review.
See FNMA guidelines for restrictions on Florida condominiums. (See FNMA B4-2.2-04)

Ineligible

- Acreage greater than 20 acres (appraisal must include total acreage)
- Agricultural zoned property
- Condo hotel
- Co-ops
- Hobby Farms
- Income producing properties with acreage
- Leaseholds
- Log Homes **(may be eligible on a case-by-case basis)**
- Manufactured housing
- Mixed use properties
- Modular homes
- Properties subject to oil and/or gas leases
- Unique properties
- Working farms, ranches or orchards

Qualifying Rate and Ratios

Loan qualification is based on Debt Coverage Ratio (DCR) for the subject property.
Use Note Rate to calculate PITIA for use in Debt Coverage Ratio (DCR)
Debt to Income (DTI) ratio is not calculated.

<table>
<tr><td></td><td>See Income section for calculation and requirements.</td></tr>
<tr><td>Reserves</td><td>Cash out from the subject transaction may be used toward the reserve requirement.

<table>
<tr><th>Loan Amount</th><th>Required Reserves</th></tr>
<tr><td>≤ $1,000,000</td><td>3 months</td></tr>
<tr><td>> $1,000,000 < $2,000,000</td><td>6 months</td></tr>
<tr><td>= $2,000,000</td><td>12 months</td></tr>
</table>

<u>For Refinances Only</u>: Required reserves (above) may be waived when all borrowers have 0x30x12 VOM/VOR and payment on new loan is decreasing.

<u>Additional reserves for each financed property (other than subject):</u>
One month PITIA for each additional financed property. PITIA calculated using the <u>actual mortgage payment</u> (PITIA) of the “other” property for each additional property.
• Reserves for financed properties with a recent 12 month paid-as-agreed history may be waived
• Reserves for financed properties acquired within the 12 months prior to application cannot be waived

See Credit for <u>additional</u> reserves required as a compensating factor when using reduced waiting periods after a short sale, deed-in-lieu, or foreclosure.

PITIA is the monthly housing expense for a property and includes the following:
• Principal and interest (P&I);
• Hazard, flood, and mortgage insurance premiums (as applicable);
• Real estate taxes;
• Ground rent;
• Special assessments;
• Any owners’ association dues (including utility charges that are attributable to the common areas, but excluding any utility charges that apply to the individual unit);
• Any monthly co-op corporation fee (less the pro rate share of the master utility charges for servicing individual units that is attributable to the borrower’s unit);
• Any subordinate financing payments on mortgages secured by the subject property.

See Business Funds for eligibility.

Underwriters should consider the following:
• Asset Base and Reserves – Is this consistent with the occupation, cash flows and calculated income established for qualifying purposes?</td></tr>
<tr><td>Subordinate Financing</td><td>Subordinate financing must have regular monthly payments at market interest rate that cover at least the interest due so that negative amortization does not occur.
Financing provided by the property seller is allowed for <u>arm’s-length transactions only</u> in accordance with FNMA guidelines and program CLTV limits. If financing provided by the seller is more than 2% below current standard rates for second mortgage, the subordinate financing must be considered a sales concession and the subordinate financing amount must be deducted from the sales price.

Subordinate financing that does not fully amortize under a level monthly payment plan where the maturity or balloon payment date is less than five years after the note date of the new first mortgage is unacceptable. An exception may be made when the amount of the subordinate debt is minimal relative to the borrower’s financial assets and/or credit profile (FNMA B2-1.1-04)</td></tr>
<tr><td>Temporary Buydown</td><td>Not allowed</td></tr>
<tr><td>Texas Section 50(a)(6) Equity Cash Out</td><td>N/A</td></tr>
<tr><td>Title / Vesting</td><td><u>Inter Vivos Revocable Trust (must meet requirements of FNMA B2-2-05)</u>
• Title insurance policy must state that title to the security property is vested in the trustee(s) of the inter vivos revocable trust
• The title insurance policy may not list any exceptions with respect to the trustee(s) holding title to the security property or to the trust.
• Title to the security property is vested solely in the trustee(s) of the inter vivos revocable trust, jointly in the trustee(s) of the inter vivos revocable trust and in the name(s) of the individual borrower(s), or in the trustee(s) of more than one inter vivos revocable trust.</td></tr>
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<tr><td></td><td></td></tr>
<tr><td>Underwriting</td><td>
<u>ALL LOANS:</u>
First Time Home Buyer is allowed. Borrower must have a history of owning and managing commercial or residential investment real estate. Proof of this investor experience must be in the loan file. Examples of such documentation include but are not limited to property profile(s) and credit report.
Non-arm’s-length and conflict of interest transactions are allowed with restrictions.
See Non-Arm’s Length Transactions for additional information
Loans must be manually underwritten and fully documented. For additional topics not specifically or fully addressed herein, Fannie Mae underwriting guidelines should be followed
The underwriter must be comfortable that the borrower is able to repay the loan and that belief must be supported by information from independent third parties. All factors in the loan file must be viewed in totality to reach this conclusion.
Underwriter may request a copy of any inspection where repairs or remediation (monetary or other) are specified in a purchase contract, regardless of whether repairs have been completed.
<u>Guideline Variance \ Exceptions:</u>
Minor exceptions to guidelines may be considered on a case by case basis. Compensating factors include, in order of importance:

Loan to value ratio (LTV)
Reserves – well above the program requirement (prior to any cash out)
Credit profile (depth of credit) and credit score
Length of employment in same occupation/business (long term employment stability)
Other compensating factors not listed above

All exceptions must be submitted per our Exception Policy, approved by Underwriting Senior Management,
Warehouse Lending and Capital Markets.
<u>Underwriters should:</u>

Make a sound risk assessment of the resources of the applicant before finalizing the loan. An underwriter has the discretion to require any additional documentation they feel is appropriate and reasonable to support that assessment, up to and including personal and business tax returns.

Underwriting Manager review and signature is required for loan amounts > $1,000,000.
Senior Credit Committee member must review and sign for loan amounts = $2,000,000.
</td></tr>
</table>

EXHIBIT A

Borrower's Intent to Proceed with Loan and Business Purpose Loan Certification

Date: Loan #:

Borrower Name:

Mailing Address:

Loan Program:

Property Address:

This document is intended to express your request to proceed with the above referenced loan. If you wish to proceed, please return a signed and dated copy of this document to [ENTER NAME AND ADDRESS OF LOAN OFFICE OR DEPARTMENT].

By signing and returning this document I am confirming I wish to continue with the loan, that the loan is for business purposes and not household purposes, and that the loan proceeds are intended to be used (and will in fact be used) for business purposes only, not for my personal use. I also represent that I do not occupy the property as my primary residence or as a vacation home. I intend to lease or rent the property to a third person. I understand that because the loan will be made exclusively for business purposes, laws applicable to consumer purpose loans, including but not limited to the following, are not applicable to this loan: Truth in Lending Act (15 U.S.C. § 1601 *et seq*.), Real Estate Settlement Procedures Act (12 U.S.C. § 2601 *et seq*.), Gramm-Leach Bliley Act (15 U.S.C. §6802–6809), Secure and Fair Enforcement Mortgage Licensing Act (12 U.S.C. § 5101 *et seq*.), and Homeowners Protection Act (12 U.S.C. § 4901 *et seq*.).

By signing below I confirm I have read and understand this document and I intend to continue with the loan, and affirm that the Property is to be a non owner-occupied investment property.

______________________________	______________________________
Borrower Name Date	Borrower Name Date
______________________________	______________________________
Borrower Name Date	Borrower Name Date
______________________________	______________________________
Borrower Name Date	Borrower Name Date

Cert. Rev. 8/11/14

EXHIBIT B
Underwriter Worksheet

Loan#: **Borrower:** **DATE:**

Subject Property
Street address
City, State, Zip

Net Monthly Rent: **Debt Coverage Ratio:** #DIV/0!

to check the box on this form type in "r" "x" in the cell next to yes or no

Does DCR fit guidelines? ❒ YES ❒ NO

to check the box on this form type in "r" or "x" in the cell next to note rate or Index + Margin

Rate used to qualify ❒ Note Rate ☒ Index + Margin

Qualify at note rate or index+margin, whichever is higher

interest rate	NR		I+M	
New Proposed P&I @ Note Rate		**Qualified at:**	**I+M**	
Index + Margin Rate P&I				
Insurance				
Taxes				
HOA Dues				
Other:				
TOTAL PROPOSED PITIA:				**$0.00**

Based upon the above Total PITIA GROSS RENTS ON SUBJECT PROPERTY MUST BE AT LEAST:

$0.00

PITIA Subject	Amount of Reserves needed on subject:		
	3 MOS.	*Loan Amount less than $1,000,000*	$0.00
	6 MOS.	*Loans from $1,000,001 to $1,999,999*	$0.00
	12 MOS.	*Loans at $2,000,000*	$0.00
		Reserves on other financed properties:	$0.00
		TOTAL RESERVES NEEDED:	$0.00

Reserves for each financed property (other than subject):
One month PITIA for each additional financed property.
PITIA calculated using the actual mortgage payment (PITIA) of the "other" property for each additional property.
Reserves for financed properties with a recent 12 month paid-as-agreed history may be waived
Reserves for financed properties acquired within the 12 months prior to application cannot be waived

Primary:	Ave Pantera	Other:		Other:	
P&I Payment		P&I Payment		P&I Payment	
insurance		insurance		insurance	
taxes		taxes		taxes	
hoa		hoa		hoa	
other		other		other	
total	$0.00	total	$0.00	total	$0.00

Other:		Other:		Other:	
P&I Payment		P&I Payment		P&I Payment	
insurance		insurance		insurance	
taxes	$0.00	taxes		taxes	
hoa	$0.00	hoa		hoa	
other	$0.00	other		other	
total	$0.00	total	$0.00	total	$0.00

RESERVES GUIDELINES TO REMEMBER:

Cash out from the subject transaction may be used toward the reserve requirement.

On REFIs only: Req'd reserves ON SUBJECT PROPERTY may be waived when all borrowers have 0x30x12 VOM/VOR AND payment on new loan is decreasing!

UNDERWRITER: underwriter type your name here after you complete and/or edit **Date:**

This form prepared by: **This worksheet printed to the efolder on:**

☒ *Note to Underwriter: Email me, so I can forward you the original excel file so you may edit this calculation worksheet.*

❒ ***This excel worksheet was emailed to the UW for editing and further underwriting.*** Date: Time: