

INVESTMENT PROPERTY 30 YR FIXED

Investment Property						
Products: SONOMA INVESTMENT JUMBO 30 YR FIXED						
		Loan Amount	Maximum LTV ^{1,4}	Minimum FICO	Property Maximum DTI ⁵	Reserves ²
Purchase / Rate Term / Cash-Out ³	1 unit	\$150,000 to \$650,000	75%	620	65%	6 months
			65%		75%	
			55%		90%	
	2 units	\$150,000 to \$750,000	75%	620	65%	6 months
			65%		75%	
			55%		75%	
	3 units	\$150,000 to \$850,000	75%	620	65%	6 months
			65%		75%	
			50%		75%	
	4 units	\$150,000 to \$1,000,000	75%	620	65%	6 months
			65%		75%	
			50%		75%	

¹Secondary not permitted

²Six (6) months reserves required for each financed property owned by the borrower (including subject property, primary home, second homes and other investment properties).

³Max Cash Out: No Limit

⁴Max LTV Reduced by 10% if all units in the subject property are not occupied, regardless of whether there is an executed lease for future occupancy.

⁵Refer to the Debt-To-Income Ratio for Property and Rental Income Documentation sections of this guide.

Products	Fixed Rate - 30 year
Borrowers: Eligible	<ul style="list-style-type: none"> • U.S. Citizens • Non-Permanent resident aliens
Borrowers: Ineligible	<ul style="list-style-type: none"> • First Time Homebuyers • Non-Permanent Resident Aliens • Borrowers party to a non-arm's length transaction
Occupancy	Non-Owner Properties for 1 – 4 Units
Property Eligible	<ul style="list-style-type: none"> • 1-4 Units • Low/Mid/High-Rise Condominiums and detached (site) condos, Fannie Mae Warrantable <ul style="list-style-type: none"> ○ Warrantable Types S, T or U ○ Limited Review is not eligible • Planned Unit Developments (PUDs), Fannie Mae Warrantable • Modular Homes • Properties with <= 2 acres • Non-Warrantable Condos
Non-Warrantable Condominium Projects	<p>Investor Concentration</p> <p><u>Subject Property:</u></p> <p>Non-Owner Occupied</p> <ul style="list-style-type: none"> • Established Projects : <= 65% of total units can be Non-Owner Occupied • New Projects (Presale): <= 50% of total units sold or under bona fide contract can be Non-Owner Occupied <p>Minimum # units sold or under contract (New Projects) : At least 25% of units in the project must be under bona fide contract. There is no minimum on the number of units closed & funded the project.</p> <p>Non-Warrantable condominium projects require a Lender Full Review; Limited Reviews are not permitted. Minimum documentation required:</p> <ul style="list-style-type: none"> • Form 1073 or Form 1004 (detached condos only), and • Non-warrantable Certification of Project Eligibility, and • HOA Questionnaire, and • Project's Budget (if applicable), and • Project's Legal Documents (if applicable), and • Documentation verifying insurance coverage in accordance with Fannie Mae Guidelines for the: <ul style="list-style-type: none"> ○ Subject Unit, and ○ Project <p><u>Restrictions:</u> Maximum exposure is limited to 20% of the units in a project. For projects with <= 4 units, exposure to no more than one (1) of those units.</p>

Property Appraisal	<p>One full appraisal required with interior and exterior property inspection</p> <ul style="list-style-type: none"> • 1 Unit properties <ul style="list-style-type: none"> ○ Form 1004 Uniform Residential Appraisal Report (or Form 1073 for attached Condos); and ○ Form 1007 Single-Family Comparable Rent Schedule • 2 – 4 Unit properties <ul style="list-style-type: none"> ○ Form 1025 Small Residential Income Property Appraisal Report
Property Maximum Financed	<ul style="list-style-type: none"> • Up to 8 investment properties financed by LENDER but only 4 loans may be submitted at a single time with LENDER. • The maximum number of properties owned cannot exceed 20 (which include free & clear and financed properties). • Maximum exposure to no more than \$5,000,000 for any one borrower
Calculation of LTV Ratios	<ul style="list-style-type: none"> • Purchases <ul style="list-style-type: none"> ○ Loan to value ratios are calculated based on the lesser of the purchase price or the appraised value of the subject property • Refinances, Rate & Term and Cash – Out <ul style="list-style-type: none"> ○ If the borrower has less than 12 months ownership in the property, LTV ratios are calculated from the lesser of the purchase price or appraised value. ○ If the borrower has owned the property for more than 12 months the LTV is based on the appraised value
Credit	<p>A minimum of 3 trade lines open for at least 24 months is required.</p> <ul style="list-style-type: none"> • At least 2 of the trade lines must show activity within the past 12 months; • At least 1 trade line must be a mortgage; • Credit history must be established for at least 5 years, and be consistent with the borrower(s) occupation and financial activity. <p>Authorized user accounts and non-traditional credit are not considered as acceptable trade lines.</p>
Derogatory Credit	<ul style="list-style-type: none"> • No mortgage late in the past 24 months • No public records within the past 24 months • No bankruptcies or foreclosures, short sales, deed in lieu or modification within the last 3 years • No significant derogatory ratings on any trade line activity within the last 36 months (including installment or revolving transaction)
DTI Ratio for Property	<p>For this product, the debt-to-income ratio is only calculated on the subject property. Only the PITIA and rental income of the subject property are considered. No other income or debts are used in this calculation.</p> <p>The subject property debt-to-income ratio is calculated as follows:</p> <p>Monthly Payment (PITIA) divide Monthly Rental Income</p> <p>Qualification rent is the lesser of the original monthly rental amount reflected on the lease and the market rent documented on the appraisal.</p> <ul style="list-style-type: none"> • The monthly payment includes principal, interest, taxes, insurance, and homeowners association dues (as applicable). • The monthly rental income is the gross rental income realized from the property. <ul style="list-style-type: none"> ○ Rental income must be supported by documentation ease. Rental income must be supported by the market rent as noted on Form 1007 (1 unit properties) or Form 1025 (2-4 unit properties).
Income Documentation:	<ul style="list-style-type: none"> • All borrowers: Signed and dated personal tax returns, including Schedule E, for most recent tax year

Rental Income	<ul style="list-style-type: none"> • Subject rental property(ies) owned by borrower: <ul style="list-style-type: none"> ○ Copy of current lease ○ 3 months rental payment verification ○ Evidence of security deposit from tenant (if leased) • All financed investor properties: <ul style="list-style-type: none"> ○ All properties must be listed on 1003 Schedule of Real Estate Owned
Housing Payment History	<p>A satisfactory 24 month housing payment history is required for each borrower. This history can be a combination of mortgage and rental history. If not included on the Credit Report, the following documentation must be provided by a third party:</p> <ul style="list-style-type: none"> • Mortgage – Verification can come directly from the lender/servicer, canceled checks and /or bank statements • Rent – Rental history may be verified by a direct written verification (VOR), canceled checks and/or bank statements
Insurance	Rent loss insurance with coverage equal to at least six (6) months of gross monthly rent must be obtained and maintained on each investment property financed with LENDER. All other insurance per Fannie Mae Guidelines.
Escrows	Taxes and insurance escrows required for all loans
Escrow Holdbacks	Not eligible
Financing & Sales Concessions	<p>Interested party contributions may not exceed 6% of the loan amount. Amounts contributed may only be used for closing costs or for prepaid items.</p> <p>For any financing and sales concessions beyond the 6% limit, both the appraised value and sales price must be reduced by the concession amount for purposed of calculating the LTV/CLTV/HCLTV.</p>
Down Payments, Reserves & Source of Funds	Minimum of six (6) months reserve required for each financed property (including subject property and other properties not financed by LENDER). Reserve amount includes PITIA)
Gift Funds	Ineligible
Assets Reserve	Minimum of six (6) months reserves required for each financed property (including subject property and properties not financed by LENDER). Reserve amount includes PITIA.
Assets	<p>Allowable Assets for down payment and closing:</p> <ul style="list-style-type: none"> • Checking • Saving • Individual Retirement Accounts (IRA), SEP or Keogh Accounts (vested 100%) – 65% of value may be used. (100% of the account value may be used for borrowers aged $\geq 59 \frac{1}{2}$). • Annuities – 65% of the vested amount may be used. (100% of the account value may be used for borrowers aged over 59 $\frac{1}{2}$). • 401(K) plans – 65% of the vested amount, after reduction of any outstanding liens. The terms and conditions under which funds may be withdrawn or borrower must be verified. • Publicly traded stocks, bonds and mutual funds – 65% of the value <ul style="list-style-type: none"> ○ Non-vested or restricted stock accounts are not eligible for use as down payment or reserve • Business Funds - 50% of the account balance. Can only be used for closing but not for reserves. Require to show three (3) months bank

	<p>statements ** must own the company 100% **</p> <ul style="list-style-type: none"> Trust Assets – borrower/co-borrower must have full access to consider; copy of the complete trust or trustee letter is required. Cash value of life insurance – 100% of the cash value <p>NOTE: No more than 50% of the total reserve requirement may come from retirement accounts, including 401K, IRA, SEP, and Keogh Accounts unless the borrowers ages >= 59 ½.</p>
Loan Amounts	Loan Amount: See product grid above
Purpose	<ul style="list-style-type: none"> Purchase Rate / Term refinances Cash Out Refinance (no limit) Construction to permanent financing ineligible.
Non-Arm’s Length Transaction	<p>Not eligible, except in limited circumstances. With appropriate documentation, following may be considered:</p> <ul style="list-style-type: none"> Family sales or transfers; Renter buying from landlord, with at least 24 months cancelled checks evidencing satisfactory pay history; Sellers or Buyers representing themselves as agent in the real estate transaction.
Non-Occupant Co-Borrower	Not allowed
Departing Property	<ul style="list-style-type: none"> Departing property needs to have at least 30% of equity for purpose of rental income. A full appraisal will be requiring supporting value to use rental income on departing property. Two (2) years landlord history required
Recently Listed Properties	<p>Rate / Term Refinances: Cannot be listed for sale on date of loan application. Must be at least dated 1 day off the listing. Cash Out Refinances: Cannot be listed for sale in prior 6 months from date of loan application</p>
Secondary Financing	Not eligible
Title / Ownership Interest	<p>Fee simple with Title Vesting as:</p> <ul style="list-style-type: none"> Individual Joint Tenants Tenants In Common LLC <ul style="list-style-type: none"> Title may be held in the LLC, however the loan application must be made in the individual borrower(s) name(s). Copy of the field articles of organization to evidence the existence of the LLC Copy of the fully executed operating agreement reflecting the borrower is an authorized signer on behalf of the LC and has the power to mortgage the security property for the purpose of securing a loan. Organizational meeting minutes may be required if the operating agreement does not clearly identify the powers of the managing partners. All borrowers must sign the Note as individuals. All borrowers must sign the Deed of Trust/Mortgage as individuals and as authorized signers of the LLC.



Comparison with Fannie Mae and Freddie Mac Investment Properties matrix

Topic	LENDER	Fannie Mae 1 to 4 financed property	Fannie Mae 5 to 10 financed property	Freddie Mac 1-4 Financed property
# of properties financed by investor	Finance up to 10	Financed up to 4	Finance up to 10	Finance up to 4
# of financed properties Owned	Unlimited	4	10	4
Income Documentation	1 years: paystubs, W2's, tax returns, SS award letters, etc	1 to 2 years: paystubs, W2's, tax returns, SS award letters, etc.	1 to 2 years: paystubs, W2's, tax returns, SS award letters, etc.	1 to 2 years: paystubs, W2's, tax returns, SS award letters, etc.
Property DTI (traditional) includes all income & debts	65% considers subject property only (rental income & PITIA)	NA	NA	NA
Reserves	6 months PITIA on each financed property	2 months PITIA for each property financed	6 months PITIA for each property financed	6 months for subject plus 2 months for each additional 2 nd home or NOO financed
Minimum Fico	620	620	720	620
Loan Amount	1 unit -\$100K - \$650K 2 unit - \$100K - \$750K 3 unit - \$100K - \$850K 4 unit - \$100K - \$1M	1 unit -\$ to \$417K 2 unit - \$1 to \$533,850* 3 unit - \$1 to \$645,300* 4 unit - \$1 to \$801,950* *See FHFA loan amts for high cost area	1 unit -\$ to \$417K 2 unit - \$1 to \$533,850* 3 unit - \$1 to \$645,300* 4 unit - \$1 to \$801,950* *See FHFA loan amts for high cost area	1 unit -\$ to \$417K 2 unit - \$1 to \$533,850* 3 unit - \$1 to \$645,300* 4 unit - \$1 to \$801,950* *See FHFA loan amts for high cost area
LTV Maximum	1 – unit 2-4 Units	1 – unit 2-4 Units	1 – unit 2-4 Units	1 – unit 2-4 Units
Purchase	75% 75%	85% 75%	75% 70%	85% 75%
Rate/Term Refinance	75% 75%	75% 75%	75% 70%	75% 75%
Cash-Out Refinance	75% 75%	75% 70%	70% 65%	75% 70%
			Cash-out not allowed for properties owned > 6 months. See transactions below.	
Cash-Out Transactions	No restrictions by LTV or FICO Seasoning: Owned <= 6 months must meet delayed financing rules	No restrictions by LTV or FICO Seasoning: Owned <= 6 months must meet delayed financing rules	C/O not allowed at < 720 FICO C/O not allowed if property owned > 6 months Seasoning: Owned <= 6 months must meet delayed financing rules	No restrictions by LTV or FICO Seasoning: Owned <= 6 months must meet delayed financing rules
Bankruptcy	3 years	2 to 5 years depending on type and # of BK filings	7 years	2 to 5 years depending on type and # of BK filings



Foreclosure	3 years	7 years	7 years	7 years
Interested Party Contributions	6%	2%	2%	2%