

## Product Matrix

Product: Single Asset					
Max (\$000s)	FICO/LTV	DSCR >= 1.0x		DSCR < 1.0x	
		Purch. & R/T	Cash-Out	Purch. & R/T	Cash-Out
1,500	740	80	75	75	70
	720	80	75	75	70
	700	80	75	75	70
	680	80	75	75	65
	660	75	70	70	60
	640	70	65	NA	NA
2,500	740	70	65	70	60
	720	70	65	70	60
	700	70	65	70	60
	680	70	65	65	60
	660	65	60	NA	NA
2,500	FN	65	60	NA	NA

Limits		
Min Loan Amount		75,000
Max Loan Amount		2,500,000
Max Loan Amount, Crossed		5,000,000
Interest Only Max LTV		75%
Max Cash-Out		500,000
	<=60%LTV	1,000,000
	<=50%LTV	Unlimited
Mortgage History		1x30x12
Event Seasoning		36 Months
BK 13		Discharged
Property Type LTVs		
	Purch. & R/T	Cash-Out
Condo	75%	70%
2-4 Unit	80%	75%
5-10 Unit	75%	70%

**\*1.15x Min DSCR on 5-10 Unit**

Product: Crossed Collateralized			
Max (\$000s)	FICO/LTV	DSCR >= 1.15x	
		Purch. & R/T	Cash-Out
3,000	740	75	70
	720	75	70
	680	70	65
5,000	740	75	65
	720	70	65
	FN	60	50

**Experienced Investors Only**

### Additional Restrictions

1. Minimum DSCR of .75x
2. Minimum DSCR for Short Term Rentals of 1.0x
3. DSCR < 1.0x & Cashout, LTV limited to 70% LTV
4. Foreign Nationals limited to 65% LTV
5. If property is deemed Rural (based of appraisal), limited to 65% LTV

Products	
30 Yr Fixed	
5/6 ARM	2/2/5 Caps
7/6 ARM	5/2/5 Caps
Floor	Start Rate

## Investor Loan Purchase Program

### 1. General / Defined Terms

Permitted loans outlined herein are for commercial or business purpose only. The sole purpose of this program is to provide financing for income producing, residential real estate to non-occupying borrowers. Guidelines and requirements presented are subject to change and all loans remain subject to full underwriting and approval.

#### Cost Basis:

- The total acquisition cost includes property purchase price plus any expenses related to completing the transaction including brokerage fees, closing costs, cost of improvements and other expenses related to the documentation, transfer and recording of the property. Assignment fees, if any, are limited to lessor of 15% of purchase price or \$50,000.

### 2. Products

<u>Product</u>	<u>IO Period (mos)</u>	<u>Amortization (mos)</u>	<u>Maturity (mos)</u>	<u>Caps</u>	<u>Margin</u>
30Y Fixed	-	360	360	-	
30Y Fixed IO	120	240	360	-	
5/6 ARM	-	360	360	2/2/5	6.00%
5/6 ARM IO	120	240	360	2/2/5	6.00%
7/6 ARM	-	360	360	5/2/5	6.00%
7/6 ARM IO	120	240	360	5/2/5	6.00%

### 3. Transaction Type:

#### Purchase:

- The property is a new acquisition or was purchased by the borrower or an affiliate within 90 days prior to the loan closing date as reflected on the executed note.
- Is an arm's length transaction
- A copy of the fully executed purchase contract is required.

#### Cash-Out Refinance:

- Refinancing a property in which the borrower receives net proceeds that exceeds the lessor of 2% of the loan amount or \$2,000.
- Cash-out is not allowed with seasoning < 3 months; seasoning between 3 and 6 months, the lower of cost basis or value is used for determining LTV.

#### Delayed Financing:

- Financing of properties owned free and clear and acquired less than 6 months is allowed. The following apply:
  - o Original transaction was arm's length.
  - o Settlement statement from the purchase confirms no mortgage was used.
  - o Other Cash-Out restrictions apply.
  - o New loan cannot exceed cost basis (including cost of improvements)

#### Rate/Term Refinance:

- A refinance that is not a cash-out
- Prohibited: Refinance of delinquent loans is not permitted

### 4. Borrower / Guarantor:

- Maximum Borrower / Guarantor exposure is \$20MM
- Borrowers permitted without restriction: US Citizen, Permanent Resident Alien and Non-Permanent Resident Alien borrowers
- Permitted with restrictions: Foreign National borrowers; see matrix for details
- Ineligible: Irrevocable Trust, Land Trust, any individual with Diplomatic Immunity, and person on a government or agency exclusionary list.
- Borrower must be at least 21 years of age
- Borrowing Entities permitted: LLC, LPs, trust and corporations domiciled in the US.
- All loans must include a third-party fraud detection report for all borrowers and guarantors. Report findings must cover standard areas of quality control including, but not limited to: borrower validation, social security number verification, criminal records, and property information
- First-time home buyers are ineligible for this program

Experienced Investor: A borrower who has owned two (2) or more properties for at least twelve (12) months during the most recent thirty-six (36) month period. One (1) property must be an income producing property (residential or commercial).

#### **First Time Investor: Reduce matrix LTV by 5%. Prohibited on Crossed Collateralized Loans.**

- Guarantor:
  - All loans are required to have a full recourse personal guaranty by all material owners.
  - All loans must have full recourse guaranties by at least 51% of the owners.
  - The borrower is a legal entity, all members of the entity with 25% or more controlling interest are considered material owners and must provide a full recourse guarantee.
- Required for all Borrowers/Guarantors:
  - All members must be disclosed.
  - Personal identification is required for all material owners.

- Formation documents including Articles of Organization
- Operating documents including operating agreement, partnership agreement and bylaws
- Certificate of Good Standing
- Executed W9 or equivalent document from the IRS
  
- Borrower Liquidity
  - Loan files must provide evidence of Borrower liquidity sufficient for down payment, closing costs, prepaid items, debt payoff, and applicable reserves.
  - Funds for down payment, closing costs and other related items should be sourced and seasoned for at least 60 days.
  - Cash-out proceeds can be used to meet reserve requirements
  - Retirement funds are not eligible unless the borrower is eligible to pull without any penalties
  - HELOCs, line of credit or any other debt would not be considered as "liquidity"
  - Asset documentation should include:
    - o Account statements covering most recent 60 day period
    - o Most recent quarterly statement reflecting 60 days of activity and open/close balances, or
    - o Written VOD by financial institution including current & average balances for 2 months plus down payment and closing costs (as applicable)

## 5. Property Requirements:

- **Eligible Properties:**
  - o Single Family Residences
  - o 2-4 Unit Residences
  - o Condominiums
  - o Townhomes
  - o Multi-family with up to 10 units
  
- **Restrictions:**
  - o Minimum of 600sqft for SFR
    - 2+ units minimum per unit of 500sqft
  - o Non-Warrantable Condominiums
  - o Multifamily (11+ units)
  - o Mixed-use properties
  - o Any properties not configured or used for residential purpose
  - o Properties subject to a ground lease
  - o Cooperatives
  - o Tenant in common (TIC) properties
  - o Condo-hotels or timeshares
  - o Mobile/manufactured homes (properties with VIN numbers or otherwise not attached to a permanent foundation)
  - o Properties with a lot size of greater than 10 acres
  - o Raw land, working farms or ranches
  - o Single Room Occupancy (SROs) or former healthcare facilities
  - o Assisted living facilities, nursing homes or any arrangement where the unit owner or tenant contracts for a commitment for resident or tenant care
  - o Properties/units that are not lease ready or properties with a condition of C-5 to C-6 as indicated in the appraisal
  - o Properties which are not in compliance with local zoning regulations
  - o Properties on Native American reservations or properties not easily accessible by roads that meet local standards
  - o Hawaii properties located in lava zones 1 or 2
  - o Properties with known adverse environmental conditions (other than lead paint, radon or asbestos in each case which do not present a health hazard, do not require remediation and have been contained per EPA guidelines)

### Deferred Maintenance:

- o Appraisals that are made "subject to" are not eligible
- o Any deferred maintenance that is greater than \$2,000 or isn't considered cosmetic would need to be addressed prior to funding

### Cross Collateralized:

- o Loans secured by multiple properties may permit partial releases at a release price equal to at least 120% of the allocated loan amount for each property
- o A minimum of 3 properties with an as-is value of greater or equal to \$100,000 per property
  - o Properties with 2+ units require a minimum value of greater or equal to \$60,000 per door
- o Max of 10 properties per loan
- o Allocated loan amounts must be determined proportional to the appraised values of each property
- o Experienced investors only
- o No substitutions are allowed
- o Debt Service Coverage Ratio is calculated on the aggregate portfolio

## 6. Credit

- A credit report is required for every Borrower / Guarantor. The credit report should provide merged credit information from at least 2 major national credit repositories.
- Credit reports must show sufficient trade lines with activity; the qualifying Borrower must have at least 3 trade lines reporting for 12 months or 2 reporting for 24 months.
- A valid Social Security number (SSN) is required for all Borrowers/Guarantors on the loan.
- All Fraud Alerts must be properly addressed and cleared from the credit report. The actions must be reasonable and compliant with applicable laws. Examples of fraud alerts include:

- Initial 90-day Fraud Alert
- Extended Fraud Alert
- Active-Duty Alert
- HAWK Alert
- Qualifying Score for each Borrower / Guarantor is calculated using the lower of two or the middle of three scores.
- The Qualifying Score for the loan will be the lowest Qualifying Score of each Borrower / Guarantor.
- No Borrower/Guarantor shall have:
  - Previous felony convictions, misdemeanor convictions involving fraud, embezzlement, or other similar crimes.
  - Bankruptcies, foreclosures, short sales or other events within the last 36 months.
  - Outstanding liens or unpaid judgements in excess of \$5,000.
  - OFAC listed
  - Any delinquent mortgage payment more than 1x30 in the past 12 months

## 7. Income:

- The Debt Service Coverage Ratio ("DSCR") is calculated as the Property Gross Rent divided by the Qualifying Payment.
- $DSCR = \text{Gross Rent} / \text{PITIA}$

### Market Rent:

Rent as stated on the 3<sup>rd</sup> party appraisal or 90% of market rent from an approved vendor. Please refer to the Appendix for an approved list.

### Gross Rent:

Leases Status Per Unit	The Lessor of
Occupied with valid lease	In place lease or Market Rent
Occupied with short term lease	12M Net Income Statement* or AirDNA Market Rent
Unoccupied/Unleased, Purchase	Market Rent ( <i>Long Term only</i> )
Unoccupied/Unleased	90% of Market Rent ( <i>Long Term only</i> )

*\*Refer to Short Term Rental section for additional details*

### Qualifying Payment: PITIA

("P") Principal Payment	Fully amortizing loans: The initial monthly principal payment calculated using the initial loan balance and the original interest rate Loans with an IO term: No principal payment
("I") Interest Payment	The initial monthly interest payment calculated using the initial loan balance and the original interest rate. ( <i>If IO loan, use initial IO payment</i> )
("T") Real Estate Taxes	Listed on the title policy or current real estate tax bill and converted into a monthly payment
("I") Insurance Premium	Listed on the approved insurance certificate (or other documentation) and converted into a monthly payment
("A") Association Fees	The monthly amount listed on the appraisal or current homeowner association ("HOA") statement

### Minimum DSCR Requirements:

- **0.75x for single asset using long term rents**
- **>=1.0x for single asset using short term rents**
- **Cross Collateralized minimum DSCR >=1.15x**
- **5-10 Unit properties minimum DSCR >=1.15x**

## 8. Occupancy Requirements:

- Executed Business Purpose Affidavit
- For refinanced properties:
  - No more than 1 unoccupied unit in 2-4 Unit properties
  - No more than 2 unoccupied units in properties with more than 4 units
  - If rental use is Short Term Rental then occupancy over a 12 month period needs to be at least 50%

## 9. Lease Requirements:

- For crossed collateralized loans a minimum occupancy of 80% by a third-party lease with no borrowers, owners of the borrower or their immediate family members leasing or occupying the property ("Eligible Tenant")
- Be executed by both an Eligible Tenant and the borrower(s) (as landlord(s))
- All leases must be for residential use
- Month-to-month leases are acceptable and are considered valid leases
- Leases that start within 30 days of closing with verified security deposit are acceptable

## Ineligible Leases:

- Leases with terms > 3 years
- Lease with purchase options
- No cash-for deeds

## 10.Short Term Rentals (STRs)

- DSCR greater than or equal to **1.00x** are eligible
- STR purchases are not eligible
- If lease is less than six (6) months it would be considered an STR rental use
  - o Month to month leases excluded
- PDF screenshot of the active listing of the site such as Airbnb or VRBO to be eligible
- Occupancy must be no less than 50% over a 12 month period verified by a 3<sup>rd</sup> party report and proof of income
- Single room rentals used as an STRs are ineligible
- 12-month income statement supported by either bank deposits and/or statements from the STR company's portal such as Airbnb or VRBO
- Future bookings should not be considered in the income statement, even if a deposit has been received
- AirDNA results to be represented based on a monthly cashflow
- STR rents from the appraisal's rent addendum should not be used for STR DSCR calculation

## 11.Reserves:

- Minimum 2 months reserves for PITIA required in addition to down payment (if any) and closing costs
- For loan amounts greater than \$1.5MM, minimum 6 months reserves required
- For loan with DSCR < 1.00x, minimum 6 months reserves required
- If borrower is a Foreign National, assets must be in a U.S. bank for a minimum of 30 days prior to close

## 12.Appraisals:

Accurate valuations and market rent estimates are required on all loans. Originators must obtain a current valuation and market rent estimates of the property which meets the following guidelines:

- One full independent appraisal is required
- If loan amount is >= \$1.5mm a second full appraisal is required only for single asset loans
- Appraisal must be engaged through an approved Appraisal Management Company ("AMC"); In no event, are appraisals ordered or selected by borrowers, mortgage brokers or other lenders acceptable
- A USPAP and FIRREA compliant interior appraisal from a state licensed appraiser who is independent of the originator and borrower. The appraisal must contain a customary independence certification by the appraiser.
- Market rent estimates must be based on an annual lease for residential purposes and must be on the applicable form required by the Fannie Mae Guidelines or a similar approved form. Currently those forms are FNMA 1007 (1 Family) or FNMA 1025 (2-4 Family). For the avoidance of doubt, short term or specialized use rental rates are not acceptable for use as market rent.
- Acceptable alternative to market rent estimates from the appraisal, rent estimates from approved third party vendors are acceptable subject to a 10% vacancy haircut for calculating DSCR.
- Restricted appraisals are not allowed.
- Properties listed a Rural are eligible with a max LTV of 65%
- If multiple valuations are ordered (i.e. two appraisals), the lowest value must be used.
- Appraisals should not be based on any hypothetical assumptions (i.e. no hypothetical values)
  - o **1-4 Unit Properties:**
    - The appraisal must be on the applicable form required by the Fannie Mae Guidelines for 1-4 family properties. Currently those forms are FNMA 1004/FH 70 (1 Family), FNMA 1073/FH 465 (Individual Condo) or FNMA 1025/FH 72 (2-4 Family) and hybrid appraisals. Please refer to the Appendix for an approved list
  - o **5-10 Unit Properties:**
    - The current forms are FHLMC 71A, FNMA 1050 or similar short form that is;
    - USPAP compliant and completed by an appraiser with certification for Multi-Unit;
    - Appraisal needs to include rent roll, map, income & expense statement
  - o **Secondary Valuation**
    - A secondary valuation is required to support the appraised value
    - Acceptable products by approved providers include:
      - AVM
        - FSD Score must be <= .10
      - Collateral Desk Review
      - Field Review
      - For 5-10 unit properties, a Commercial Appraisal Review Form
      - Second full Appraisal (appraisals must be completed by different, independent appraisers and the lower of the two appraised values is used to determine value)
    - When the variance between the appraisal and the third-party appraisal review (for applicable values "As Is", "As Repaired", or both) is less than or equal to 10%, the appraisal value will be used in all value calculations
    - All desktop appraisals and BPOs must be ordered through a different AMC vendor than the AMC engaged for the original appraisal. The desktop appraiser shall only be furnished the interior and exterior pictures, purchase contract, and budget utilized I the original appraisal and should not be provided the original valuation or any other pages or information from the original appraisal

**13. Escrow:**

- Mortgages must provide for the deposit of escrow funds to pay certain property expenses as they come due, including any and all taxes due, premiums for property insurance, and premiums for flood insurance (if applicable).
- All escrow requirements are subject to compliance to federal and state regulations.

**14. Title:**

The following title insurance requirements are applicable to loans purchased:

Good and marketable fee simple lender’s title free of any liens (except for minor or customary liens that can be readily mitigated including taxes not yet due for each property securing the loan) in an amount equal to or greater than the allocated loan amount from a U.S. domiciled title insurer which satisfies the financial ratings guidelines in the Fannie Mae Single Family Selling Guide as available at [www.fanniemae.com](http://www.fanniemae.com) (the “Fannie Mae Guidelines”)

Each property must be comprised of at least one (1) parcel which constitutes a separate tax lot and does not constitute a portion of any other tax lot not a part of such property

Each property must have adequate rights of access to public utilities, public rights of way and private usage/cross easement rights necessary for proposed operations of the property and/or as required by local zoning regulations (i.e. parking, outdoor areas, etc.)

Acceptable insurers must be domiciled in the United States and licensed to do business in the state of the subject property/properties

Condominiums: If the project is part of a condominium association, the homeowners’ association must maintain a master insurance policy. A certified copy of the Declarations page is required. Premiums must be paid as a common expense. Hazard insurance for entire condominium project must be verified through review of the documents including the Master Liability Insurance Policy, Master Property Insurance Policy, Rent-Loss Insurance and H06/Walls-In-Policy

**15. Hazard Insurance:**

Each Mortgaged Property must be insured by a fire and extended perils insurance policy and such other hazards as are customary in the area where each Mortgaged Property is located, unless otherwise approved by Loan House, in an amount not less than the lesser of (i) the principal balance of the Mortgage Loan and (ii) the full insurable value of each Mortgaged Property. In addition, all loans will require rent loss insurance covering a minimum of 6 months for the subject property for the greater of in place or market rent during disruption. If any portion of each Mortgaged Property is in an area identified by any federal governmental authority as having special flood hazards, the borrower must obtain a flood insurance policy meeting the current guidelines of the Federal Emergency Management Agency, in an amount representing coverage not less than the least of (1) the principal balance of the Mortgage Loan, (2) the full insurable value of each Mortgaged Property, and (3) the amount of insurance available under the National Flood Insurance Act of 1968, as amended by the Flood Disaster Protection Act of 1974.

All such insurance policies must contain a standard mortgagee clause naming Lender, its successors and assigns (including, without limitation, subsequent owners of the Mortgage Loan), as mortgagee, and, to the extent such agreement is commercially available from the related insurer, may not be reduced, terminated or canceled without 30 days’ prior written notice to the mortgagee. The name of the insured as shown on the policy must be identical to the name of the borrower as shown in the loan documents.

Acceptable insurers must be domiciled in the United States, be licensed to do business in the state of the subject property/properties and meet the ratings criteria in the Fannie Mae Guidelines.

If the financing is a refinance, and the existing policy expires within six days of the closing, there must be documented verification that the renewal premium has been paid or was paid at closing.

If the financing is a purchase, there must be documented verification that the premium is paid for coverage of at least six (6) months from the loan origination date.

If the project is a part of a condominium association, the loan originator must review the condo project insurance policy to ensure the homeowners’ association maintains a master or blanket type of insurance policy, with premiums being paid as a common expense, as required in the current Fannie Mae Guidelines. If the policy is a blanket/master policy, Lender must receive a certified copy of the Declarations page of the policy that shows the subject property/properties is/are clearly identified in the blanket/master policy.

- Disaster Areas:
  - o Appraisals completed prior to State of Emergency or Disaster
- An exterior inspection of the subject property is required
- The inspector should provide a statement indicating if the property is free from any damage, is in the same condition from the previous inspection
- Inspection report must include photographs of the subject property and street view
- Any damage must be repaired and re-inspected prior to purchase
- Appraisals completed after the State of Emergency or Disaster
- Appraiser must comment on the adverse event and certify that there has been no change in the valuation
- Any existing damage notated from the original report must be repaired and re-inspected prior to purchase

**16. Condominiums:**

*Maximum concentration in any one condominium project is 20%.*

- All condo questionnaires must be on either a FNMA 1076 or FHLMC full form

Criteria	Requirement
HOA Delinquency	No more than 15% of tenants within an HOA may be delinquent more than 30 days
Capital Reserves/Special Assessments:	At least two years of planned capital reserves and any special assessments are available for immediate use

Sellout	At least 90% of units have been sold to owners
Renter Concentration	No more than 50% of total units may be renter occupied unless borrower owns 50% or more of total units or controls the association
Ownership Concentration	No single entity (individual, investor group, partnership or corporation) owns more than 20% of total units other than the borrower unless the borrower is the largest single owner in the project
Project Status	Project is 100% complete and not subject to additional phasing
Insurance	The Condominium Association maintains a master insurance policy per FNMA guidelines
Non-Incidental Business	Income other than condo association fees may not make up more than 20% of total association income unless approved by Loan House underwriter
Litigation	Association is not named as party to any material litigation, defined as litigation that would not be covered under current insurance policy or any reputational litigation as determined by underwriting staff
Conveyance	Control of HOA has been turned over to unit owners
Commercial Component	No more than 40% of total square footage may be used for commercial purposes
Listed Securities	No projects may be listed securities (i.e. projects with documents on file with SEC)
Ownership Interests	Units in project must be held fee simple
Use Restrictions	The project must not restrict owner occupancy or the ability of new owners to rent units entirely. The project may restrict new owner's ability to rent units for a specified period of time following acquisition and such units are eligible collateral; however, the loan amount will be reduced by the amount of underwritten income for such unit(s) over the respective restricted period(s)

## 17. Underwriting File | Required Documents

- Occupancy Affidavit
- Borrower Authorization
- ACH Form (transferable) on Foreign National's
- Personal guarantee
- Borrower information form | Application
- Business purpose affidavit
- Certificate of occupancy
- Appraisal
- Third-party valuation product and third-party market rent estimate
- Proof of liquidity
- Credit report(s)
- Preliminary or title commitment
- Deed of trust or mortgage
- Note
- Evidence of insurance (fire insurance and flood insurance if applicable)
- Personal identification of guarantor and/or borrower (driver's license, passport or other government issued photo identification)
- Loan agreement (if separate from the Note)
- Closing instructions and closing protection letter
- For Occupied/Leased Properties, executed lease for the subject property or other acceptable form of evidence of recent lease (i.e. statement provided by the third-party property manager to document receipt of rental income).
- P&S agreement, trustee receipt, disbursement letter, or HUD (if property acquired in previous 90 days or 180 days if it is a Delayed Purchase)

Additional Documents , If applicable:

- Loan agreement (if separate from the Note)
- ACH Form (transferable) for US Citizens or Permanent Residents

- Personal guarantee (if legal entity borrower)
- Certificates of formation/ filed articles of organization/incorporation (if legal entity borrower)
- Operating agreement / partnership agreement / bylaws (if legal entity borrower)
- Certificate of good standing from state of organization (if legal entity borrower which was formed more than 12 months prior to origination date)
- Spousal consent (if married individual borrower located in a community property state)
- Environmental Screen Assessment (if an environmental issue is identified on the appraisal)
- Completed condominium questionnaire (If collateral is part of condominium association)
- Copy of the condominium master insurance policy/certificate (If collateral is part of condominium association)
- For refinance loans, pay off letter and verification of mortgage from the prior lender
- Other documents (inspection reports, explanation letters, etc. if applicable)
- Optional: Term sheet, credit approval, underwriter worksheet, and similar documents

## 18. Document Age:

Document age is determined off the closing date of the mortgage note.

Document Type	Max Age (Days)
Appraisal	120
Background Report	90
Certificate of Good Standing	90
Credit Report	90
Flood Cert	90
Insurance	3 months till renewal
OFAC	90
PoA	90
Title	90
VOM   Payoff Statement	60
VOM from Credit Report	90