

Cardinal Financial offers the Verus Mortgage Capital Non-Agency programs which provide features beyond the criteria established for Qualified Mortgages. Features include alternative income documentation, Interest Only and DTI ratios that exceed normal agency guidelines, and loan qualification for investment properties using the subject cash flow. Below is a summary of requirements and features. Guidelines are subject to change without notice.

Refer to the [Jumbo Comparison Matrix Resource Document](#) > Non-QM Comparison tab for additional requirements not addressed within this document

Prime Ascent Plus - Standard Documentation

Primary Residence		Maximum LTV / CLTV ¹		
Minimum Credit Score	Maximum Loan Amount	Purchase	Rate/Term Refi	Cash-Out Refi
720	\$1,000,000	90*	80	80
	\$2,000,000	80	75	75
	\$2,500,000	75	70	70
700	\$1,000,000	85*	75	75
	\$2,000,000	80	70	70
	\$2,500,000	70	65	65
680 ¹	\$1,000,000	80	75	75
	\$2,000,000	75	70	70
	\$2,500,000	70	N/A	N/A

*Condo max LTV limited to 80%

¹ Interest Only: Minimum Credit Score 700 and maximum LTV is 80%

Second Home & Investment		Maximum LTV / CLTV		
Minimum Credit Score	Maximum Loan Amount	Purchase	Rate/Term Refi	Cash-Out Refi
680	\$2,000,000	75	70	70

Prime Ascent Plus Standard Documentation Program Parameters

Eligible Transactions

- 30-Yr Fixed
- 30-Yr Fixed Interest Only
- 15-Yr Fixed
- 5 / 6 ARM
- 5 / 6 ARM Interest Only
- 7 / 6 ARM
- 7 / 6 ARM Interest Only
- 10 / 6 ARM
- 10 / 6 ARM Interest Only

Octane Programs

Octane Product Codes	
NCPAP30SD	Non-Agency Prime Ascent Plus 30 Year Fixed - Standard Doc - Verus
NCPAPNOO30SD	Non-Agency Prime Ascent Plus Investment 30 Year Fixed - Standard Doc - Verus
NCPAP30SDIO	Non-Agency Prime Ascent Plus 30 Year Fixed Interest Only - Standard Doc - Verus
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NCPAP5/6SD	Non-Agency Prime Ascent Plus 5/6 ARM - Standard Doc - Verus
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	NCPAPNOO10/6SDIO	Non-Agency Prime Ascent Plus Investment 10/6 ARM - Standard Doc - Verus Interest Only
Loan Purpose	<ul style="list-style-type: none"> • Purchase • Rate/Term Refinance • Cash-Out Refinance <ul style="list-style-type: none"> ◦ Max Cash-In-Hand: \$1,000,000 (Not applicable for Delayed Financing transactions) 	
Acreage	<ul style="list-style-type: none"> • Maximum acreage up to 20 acres, not meeting the rural definition • Property cannot be rural or zoned rural 	
Appraisals	<ul style="list-style-type: none"> • Two appraisals required when any of the following conditions exist: <ul style="list-style-type: none"> ◦ Loan amounts > \$2,000,000 ◦ The transaction is a flip as defined in the Property Flipping section of this guide ◦ As required under the Appraisal Review guidelines below • When a second appraisal is provided, the “appraised value” will be the lower of the two appraisals. 	
Appraisal - Declining Market	<p>If the appraisal report identifies the property in a declining market:</p> <ul style="list-style-type: none"> • Maximum LTV/CLTV is limited to 85% for purchase and 75% for rate/term and cash-out refinance transactions 	
Appraisal Review	<p>An appraisal review product is required on every loan unless a second appraisal is obtained. Four (4) options are available:</p>	

	<ul style="list-style-type: none"> • A Collateral Underwriter (CU) or Loan Collateral Advisor (LCA) with an eligible score of 2.5 or less. The file must include a copy of the Submission Summary Report (SSR). Only one score is required, but if both scores (CU & LCA) are provided, both are required to be 2.5 or less; or • AVM from Clear Capital dated within 90 days of the Note date, or • Collateral Desktop Analysis (CDA) from Clear Capital, or • A second appraisal. <p>If the CU/LCA score exceeds 2.5, the file must include either an AVM from Clear Capital, a CDA from Clear Capital, or a second appraisal.</p> <p>The AVM must show an acceptable FSD score range of 0.00 to 0.13 and the AVM value must be within 10% of the appraised value.</p> <ul style="list-style-type: none"> • If the AVM reflects a value more than 10% below the appraised value or cannot provide a value, the file must include an acceptable CDA from Clear Capital or a second appraisal. <p>If the CDA Desk Review reflects a value more than 10% below the appraised value or cannot provide a validation, the next option would be a second appraisal.</p> <p>A second appraisal must support the original appraised value, else the lower of the two appraisals must be used in the LTV/CLTV calculation.</p> <p>Any appraisal review product or second appraisal may not be from the same appraiser or appraisal company as the original report.</p>
Asset Documentation	<p>Minimum of 30 days asset verification required</p> <ul style="list-style-type: none"> • Any large deposit must be sourced
Document Age	<ul style="list-style-type: none"> • 90-day validity date for the following: <ul style="list-style-type: none"> ○ Income verification ○ Mortgage/rental verification ○ Asset documents/bank statements ○ Credit report • 120-day validity for the Title Commitment <ul style="list-style-type: none"> ○ A 24-month title history is required showing transfer dates, price, and buyer and seller names • Appraisals must be dated within 365 days of the Note date, but recertification of value (1004D) would be required if an appraisal will be more than 120 days old on the date of the Note.
DTI Requirements	Maximum 43%
Escrow Accounts	<p>Escrows for hazard insurance, property taxes and flood (if applicable) are required</p> <ul style="list-style-type: none"> • See Escrows - Impound Accounts for full details along with waiver requirements

First-Time Home Buyers	<p>Eligible</p> <ul style="list-style-type: none"> Primary residence transaction only 12-month rental history, reflecting 0x30x12 First-time home buyers without a documented 12-month rental history are still eligible subject to: <ul style="list-style-type: none"> DTI may not exceed 43% LTV may not exceed 80%
Gift Funds	<p>Eligible after minimum down payment has been made by the borrower from their own funds:</p> <ul style="list-style-type: none"> Primary Residence: 5% down payment is required before gift funds can be applied Second Home: 5% down payment is required before gift funds can be applied Investment: 10% down payment is required before gift funds can be applied.
Derogatory Event Seasoning	BK/FC/SS/ DIL: >= 48 months
Housing Payment History	0x30x12
Income Requirements	<ul style="list-style-type: none"> Wage/Salary: Paystubs, W-2 for 2 years Self Employed: 2 years of personal and Business Tax Returns, YTD P&L, 2-monthly bank statements Verbal Verification of Employment (VVOE) required within 10 days of Note Date
Interest Only	<p>Eligible</p> <ul style="list-style-type: none"> Minimum credit score 700 Maximum LTV 80% 30-year total loan term with qualification based upon 20-year amortizing payment
Loan Amounts	<ul style="list-style-type: none"> Minimum: \$150,000 Maximum: \$2,500,000
Occupancy	<ul style="list-style-type: none"> Primary Second Home Investment
Prepayment Penalty - Investment Property Only	<ul style="list-style-type: none"> Prepayment period of up to 5 years Penalties not allowed in AK, KS, MI, MN, OH, NM, and RI Penalties not allowed on loans vested to individuals in IL and NJ Penalties not allowed on loan amounts less than \$312,159 in PA

	<ul style="list-style-type: none">Only declining prepayment penalty structures allowed in MS									
Property Type	<ul style="list-style-type: none">Attached/Detached SFR: No restrictionsCondo: Max LTV/CLTV 80%Not eligible<ul style="list-style-type: none">Rural2-4 UnitCondotelFlorida Condominiums<ul style="list-style-type: none">A structural inspection is required for projects:<ul style="list-style-type: none">Greater than 5 stories; andOver 30 years old (or 25 years old if within 3 miles of the coast).Projects with an unacceptable or no inspection are not eligible.									
Reserve Requirements	<table><tr><th colspan="2">Required PITIA Reserves</th></tr><tr><td>LTV <=85%</td><td>6 months</td></tr><tr><td>LTV >85%</td><td>12 months</td></tr><tr><td>Loan Amount > \$1,500,000</td><td>9 months</td></tr></table> <ul style="list-style-type: none">Cash out may be used to satisfy this requirement<ul style="list-style-type: none">Follow guidance located in Reserves	Required PITIA Reserves		LTV <=85%	6 months	LTV >85%	12 months	Loan Amount > \$1,500,000	9 months	
Required PITIA Reserves										
LTV <=85%	6 months									
LTV >85%	12 months									
Loan Amount > \$1,500,000	9 months									
Residual Income	<p>Residual income is the amount of monthly income remaining once a borrower has paid all monthly debt obligations.</p> <p>Residual Income = Gross Monthly Income minus total monthly debt</p> <p>The Minimum Residual Income requirements are calculated using the table below. An additional \$250 is added for the first dependent and \$125 for each additional dependent. A dependent is any person other than the borrower or spouse in the household.</p> <table><tr><th>Occupancy</th><th>Maximum LTV</th><th>Minimum Residual Income</th></tr><tr><td>Primary</td><td>90%</td><td>\$2,500</td></tr><tr><td>Second Home</td><td>75%</td><td>\$2,500</td></tr></table>	Occupancy	Maximum LTV	Minimum Residual Income	Primary	90%	\$2,500	Second Home	75%	\$2,500
Occupancy	Maximum LTV	Minimum Residual Income								
Primary	90%	\$2,500								
Second Home	75%	\$2,500								

State Restrictions	<ul style="list-style-type: none"> State Overlays for CT, IL, NJ, NY <ul style="list-style-type: none"> Maximum LTV/CLTV limited to 85% for purchase and 75% for rate/term and cash-out refinance transactions Ineligible locations: Puerto Rico, Guam, and the US Virgin Islands Ineligible: Loans meeting the New York Sub-Prime Definition
Tradelines	<ul style="list-style-type: none"> If the primary borrower has three (3) credit scores, the minimum tradeline requirement is waived When the primary borrower has less than three credit scores, each borrower must meet the following minimum tradeline requirements. <ul style="list-style-type: none"> At least three (3) tradelines reporting for a minimum of 12 months, with activity in the last 12 months, or At least two (2) tradelines reporting for a minimum of 24 months, with activity in the last 12 months. Borrowers who do not meet one of the above tradeline requirements, but have a minimum of two credit scores, can alternatively satisfy the tradeline requirements found here: Tradelines

Prime Ascent Plus - Alternative Documentation

Primary Residence Bank Statements		Maximum LTV / CLTV ¹		
Minimum Credit Score	Maximum Loan Amount	Purchase	Rate/Term Refi	Cash-Out Refi
720	\$1,000,000	90*	80	80
	\$2,000,000	80	75	75
	\$2,500,000	75	70	70
700	\$1,000,000	85*	75	75
	\$2,000,000	80	70	70
	\$2,500,000	70	65	65
680 ¹	\$1,000,000	80	75	75
	\$2,000,000	75	70	70
	\$2,500,000	70	N/A	N/A

*Condo max LTV limited to 80%

¹ Interest Only: Minimum Credit Score 700 and maximum LTV is 80%

Second Home & Investment Bank Statements			Maximum LTV / CLTV	
Minimum Credit Score	Maximum Loan Amount	Purchase	Rate/Term Refi	Cash-Out Refi
680	\$2,000,000	75	70	70

Prime Ascent Plus Alternative Documentation Program Parameters		
Eligible Transactions	<ul style="list-style-type: none">30-Yr Fixed30-Yr Fixed Interest Only15-Yr Fixed5 / 6 ARM5 / 6 ARM Interest Only7 / 6 ARM7 / 6 ARM Interest Only10 / 6 ARM10 / 6 ARM Interest Only	
Octane Program	Octane Product Codes	
	NCPAP30AD	Non-Agency Prime Ascent Plus 30 Year Fixed - Alt Doc - Verus
	NCPAPNOO30AD	Non-Agency Prime Ascent Plus Investment 30 Year Fixed - Alt Doc - Verus
	NCPAP30ADIO	Non-Agency Prime Ascent Plus 30 Year Fixed Interest Only - Alt Doc - Verus
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	NCPAP15AD	Non-Agency Prime Ascent Plus 15 Year Fixed - Alt Doc - Verus
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	NCPAP5/6AD	Non-Agency Prime Ascent Plus 5/6 ARM - Alt Doc - Verus
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Loan Purpose	<ul style="list-style-type: none"> • Purchase • Rate/Term Refinance • Cash-Out Refinance <ul style="list-style-type: none"> ◦ Max Cash-In-Hand: \$1,000,000 (Not applicable to Delayed Financing transactions) 	
Acreage	<ul style="list-style-type: none"> • Maximum acreage up to 20 acres, not meeting the rural definition • Property cannot be rural or zoned rural 	
Appraisals	<ul style="list-style-type: none"> • Two appraisals required when any of the following conditions exist: 	

	<ul style="list-style-type: none"> ○ Loan amounts > \$2,000,000 ○ The transaction is a flip as defined in the Property Flipping section of this guide ○ As required under the Appraisal Review guidelines below ● When a second appraisal is provided, the “appraised value” will be the lower of the two appraisals.
Appraisal - Declining Market	<p>If the appraisal report identifies the property in a declining market:</p> <ul style="list-style-type: none"> ● Maximum LTV/CLTV is limited to 85% for purchase and 75% for rate/term and cash-out refinance transactions
Appraisal Review	<p>An appraisal review product is required on every loan unless a second appraisal is obtained. Four (4) options are available:</p> <ul style="list-style-type: none"> ● A Collateral Underwriter (CU) or Loan Collateral Advisor (LCA) with an eligible score of 2.5 or less. The file must include a copy of the Submission Summary Report (SSR). Only one score is required, but if both scores (CU & LCA) are provided, both are required to be 2.5 or less; or ● AVM from Clear Capital dated within 90 days of the Note date, or ● Collateral Desktop Analysis (CDA) from Clear Capital, or ● A second appraisal. <p>If the CU/LCA score exceeds 2.5, the file must include either an AVM from Clear Capital, a CDA from Clear Capital, or a second appraisal.</p> <p>The AVM must show an acceptable FSD score range of 0.00 to 0.13 and the AVM value must be within 10% of the appraised value.</p> <ul style="list-style-type: none"> ● If the AVM reflects a value more than 10% below the appraised value or cannot provide a value, the file must include an acceptable CDA from Clear Capital or a second appraisal. <p>If the CDA Desk Review reflects a value more than 10% below the appraised value or cannot provide a validation, the next option would be a second appraisal.</p> <p>A second appraisal must support the original appraised value, else the lower of the two appraisals must be used in the LTV/CLTV calculation.</p> <p>Any appraisal review product or second appraisal may not be from the same appraiser or appraisal company as the original report.</p>
Asset Documentation	<p>Minimum of 30 days asset verification required</p> <ul style="list-style-type: none"> ● Any large deposit must be sourced
Document Age	<ul style="list-style-type: none"> ● 90-day validity date for the following: <ul style="list-style-type: none"> ○ Income verification ○ Mortgage / rental verification ○ Asset documents/bank statements

	<ul style="list-style-type: none"> ○ Credit report ● 120-day validity for the Title Commitment <ul style="list-style-type: none"> ○ A 24-month title history is required showing transfer dates, price, and buyer and seller names ● Appraisals must be dated within 365 days of the Note date, but recertification of value (1004D) would be required if an appraisal will be more than 120 days old on the date of the Note.
DTI Requirements	Maximum 43%
Escrow Accounts	Escrows for hazard insurance, property taxes and flood (if applicable) are required <ul style="list-style-type: none"> ● See Escrows - Impound Accounts for full details along with waiver requirements
First-Time Home Buyers	Eligible <ul style="list-style-type: none"> ● Primary residence transaction only ● 12-month rental history, reflecting 0x30x12 ● First-time home buyers without a documented 12-month rental history are still eligible subject to: <ul style="list-style-type: none"> ○ DTI may not exceed 43% ○ LTV may not exceed 80
Gift Funds	Eligible after minimum down payment has been made by the borrower from their own funds: <ul style="list-style-type: none"> ● Primary Residence: 5% down payment is required before gift funds can be applied ● Second Home: 5% down payment is required before gift funds can be applied ● Investment: 10% down payment is required before gift funds can be applied
Derogatory Event Seasoning	BK/FC/SS/ DIL: >= 48 months
Housing Payment History	0x30x12
Income Requirements - Personal Bank Statements	<ul style="list-style-type: none"> ● 24 or 12 months of personal and 2 months of business bank statements required ● Qualifying income is determined by the total eligible deposits from the 24 or 12-months of personal statements divided by the number of statements ● The business bank statements must reflect business activity and transfers to the personal account ● Pricing adjustments apply to 1 year documentation option

Income Requirements - Business Bank Statements	<ul style="list-style-type: none"> 24 or 12-months of business bank statements required Qualifying income is determined by one of the following analysis methods: <ul style="list-style-type: none"> Fixed Expense Ratio (50%), or Expense ratio provided by a 3rd party (CPA or EA) with minimum ratio of 10%, or 3rd party prepared Profit & Loss Statement (CPA or EA). Pricing adjustments apply to 1 year documentation option 				
Interest Only	Eligible <ul style="list-style-type: none"> Minimum credit score 700 Maximum LTV 80% 30-year total loan term with qualification based upon 20-year amortizing payment 				
Loan Amounts	<ul style="list-style-type: none"> Minimum: \$150,000 Maximum: \$2,500,000 				
Occupancy	<ul style="list-style-type: none"> Primary Second Home Investment 				
Prepayment Penalty - Investment Property Only	<ul style="list-style-type: none"> Prepayment period of up to 5 years Penalties not allowed in AK, KS, MI, MN, OH, NM, and RI Penalties not allowed on loans vested to individuals in IL and NJ Penalties not allowed on loan amounts less than \$312,159 in PA Only declining prepayment penalty structures allowed in MS 				
Property Type	<ul style="list-style-type: none"> Attached/Detached SFR: No restrictions Condo: Max LTV/CLTV 80% Not eligible <ul style="list-style-type: none"> Rural 2-4 Unit Condotel Florida Condominiums <ul style="list-style-type: none"> A structural inspection is required for projects <ul style="list-style-type: none"> Greater than 5 stories; and Over 30 years old (or 25 years old if within 3 miles of the coast). Projects with an unacceptable or no inspection are not eligible. 				
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	\$2,500,000	75	70	65
	\$3,000,000	75	70	65
680	\$1,000,000	90	85	75
	\$1,500,000	85	80	75
	\$2,000,000	80	75	70
	\$2,500,000	75	70	65
	\$3,000,000	70	65	65
660	\$1,000,000	80	80	75
	\$1,500,000	80	75	75
	\$2,000,000	75	70	65
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Second Home & Investment		Maximum LTV / CLTV		
Minimum Credit Score	Maximum Loan Amount	Purchase	Rate/Term Refi	Cash-Out Refi
720	\$2,000,000	85	80	75
	\$2,500,000	80	75	75
700	\$2,000,000	85	75	70
	\$2,500,000	75	70	65
680	\$1,500,000	85	80	75
	\$2,000,000	80	75	70
	\$2,500,000	75	70	65
660	\$1,500,000	80	75	75
	\$2,000,000	75	70	65
	\$2,500,000	70	65	65

Prime Ascent Standard Documentation Program Parameters

Eligible Transactions	<ul style="list-style-type: none"> 30-Yr Fixed 30-Yr Fixed Interest Only 15-Yr Fixed 5 / 6 ARM 5 / 6 ARM Interest Only 7 / 6 ARM 7 / 6 ARM Interest Only 10 / 6 ARM 10 / 6 ARM Interest Only 	
Octane Programs	Octane Product Codes	
	NCPA30SD	Non-Agency Prime Ascent 30 Year Fixed - Standard Doc - Verus
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Loan Purpose	<ul style="list-style-type: none"> • Purchase • Rate/Term Refinance • Cash Out Refinance <ul style="list-style-type: none"> ◦ No maximum cash out restrictions
Acreage	<ul style="list-style-type: none"> • Maximum acreage up to 20 acres, not meeting the rural definition • Property cannot be rural or zoned rural • 10 or more acres limited to max LTV/CLTV 80%
Appraisals	<ul style="list-style-type: none"> • Two appraisals required when any of the following conditions exist: <ul style="list-style-type: none"> ◦ Loan amounts > \$2,000,000, ◦ The transaction is a flip as defined in the Property Flipping section of this guide, ◦ As required under the Appraisal Review guidelines below. • When a second appraisal is provided, the “appraised value” will be the lower of the two appraisals.
Appraisal - Declining Market	<p>If the appraisal report identifies the property in a declining market:</p> <ul style="list-style-type: none"> • Maximum LTV/CLTV is limited to 85% for purchase and 80% for rate/term and cash-out refinance transactions • Maximum loan amount is limited to \$2,000,000
Appraisal Review	<p>An appraisal review product is required on every loan unless a second appraisal is obtained. Four (4) options are available:</p> <ul style="list-style-type: none"> • A Collateral Underwriter (CU) or Loan Collateral Advisor (LCA) with an eligible score of 2.5 or less. The file must include a copy of the Submission Summary Report (SSR). Only one score is required, but if both scores (CU & LCA) are provided, both are required to be 2.5 or less; or • AVM from Clear Capital dated within 90 days of the Note date, or • Collateral Desktop Analysis (CDA) from Clear Capital, or • A second appraisal. <p>If the CU/LCA score exceeds 2.5, the file must include either an AVM from Clear Capital, a CDA from Clear Capital, or a second appraisal.</p> <p>The AVM must show an acceptable FSD score range of 0.00 to 0.13 and the AVM value must be within 10% of the appraised value.</p> <ul style="list-style-type: none"> • If the AVM reflects a value more than 10% below the appraised value or cannot provide a value, the file must include an acceptable CDA from Clear Capital or a second appraisal. <p>If the CDA Desk Review reflects a value more than 10% below the appraised value or cannot provide a validation, the next option would be a second appraisal.</p>

	<p>A second appraisal must support the original appraised value, else the lower of the two appraisals must be used in the LTV/CLTV calculation.</p> <p>Any appraisal review product or second appraisal may not be from the same appraiser or appraisal company as the original report.</p>
Asset Documentation	<p>Minimum of 30 days asset verification required</p> <ul style="list-style-type: none"> Any large deposit must be sourced
Document Age	<ul style="list-style-type: none"> 90 day validity date for the following: <ul style="list-style-type: none"> Income verification Mortgage / rental verification Asset documents / bank statements Credit report 120 day validity for the Title Commitment <ul style="list-style-type: none"> A 24-month title history is required showing transfer dates, price, and buyer and seller names Appraisals must be dated within 365 days of the Note date, but a recertification of value (1004D) would be required if an appraisal will be more than 120 days old on the date of the Note.
DTI Requirements	<ul style="list-style-type: none"> Standard maximum 50% Primary Residence - up to 55% allowed based on the following: <ul style="list-style-type: none"> Minimum residual income of \$3500 Max LTV/CLTV <= 80% Standard documentation 2 years Minimum 12 months reserves First time homebuyer not eligible Condominium with LTV 90% - 45% DTI maximum First time homebuyers maximum: See below
Escrow Accounts	<p>Escrows for hazard insurance, property taxes and flood (if applicable) are required</p> <ul style="list-style-type: none"> See Escrows - Impound Accounts for full details along with waiver requirements
First-Time Home Buyers	<p>Eligible with the following restrictions:</p> <ul style="list-style-type: none"> Primary residence only DTI may not exceed 45% Minimum six (6) months of reserves 12-month rental history is required reflection 0x30 First-time homebuyers without a documented 12-month rental history are eligible subject to: <ul style="list-style-type: none"> DTI may not exceed 43% LTV may not exceed 80%

Gift Funds	<ul style="list-style-type: none"> Eligible after minimum down payment has been made by the borrower from their own funds: <ul style="list-style-type: none"> Primary Residence: 5% down payment is required before gift funds can be applied Second Home: 5% down payment is required before gift funds can be applied Investment: 10% down payment is required before gift funds can be applied.
Derogatory Event Seasoning	BK/FC/SS/ DIL: >= 48 months
Housing Payment History	0x30x12
Income Requirements	<ul style="list-style-type: none"> Wage/Salary: Paystubs, W-2 for 2 years Self Employed: 2 years of personal and Business Tax Returns, YTD P&L, 2-monthly bank statements Verbal VOE required within 10 days of Note Date
Interest Only	Eligible <ul style="list-style-type: none"> 30-year total loan term with qualification based upon 20-year amortizing payment
Loan Amounts	<ul style="list-style-type: none"> Minimum: \$150,000 Maximum: \$3,000,000
Occupancy	<ul style="list-style-type: none"> Primary Second Home Investment
Prepayment Penalty - Investment Property Only	<ul style="list-style-type: none"> Prepayment period of up to 5 years Penalties not allowed in AK, KS, MI, MN, NM, OH and RI Penalties not allowed on loans vested to individuals in IL & NJ Penalties not allowed on loan amounts less than \$312,159 in PA Only declining prepayment penalty structures allowed in MS
Property Type	<ul style="list-style-type: none"> Attached/Detached SFR: No restrictions 2-4 Units: Max LTV/CLTV 85% Condominium Max LTV/CLTV <ul style="list-style-type: none"> Primary Purchase 90% <ul style="list-style-type: none"> Maximum DTI 45% All other transactions 85% Condo Hotel <ul style="list-style-type: none"> Max LTV/CLTV 85%

	<ul style="list-style-type: none">○ Max Loan Amount \$2,500,000○ Occupancy allowed: Primary, Second Home and Investment● Rural: Not eligible● Florida Condominiums<ul style="list-style-type: none">○ A structural inspection is required for projects:<ul style="list-style-type: none">■ Greater than 5 stories; and■ Over 30 years old (or 25 years if within 3 miles of the coast)○ Projects with an unacceptable or no inspection are not eligible												
Reserve Requirements	<table><thead><tr><th colspan="2">Required PITIA Reserves</th></tr></thead><tbody><tr><td>LTV <= 85%</td><td>6 months</td></tr><tr><td>LTV > 85%</td><td>12 months</td></tr><tr><td>Loan Amount > \$1,500,000</td><td>9 months</td></tr><tr><td>Loan Amount > \$2,500,000</td><td>12 months</td></tr></tbody></table> <ul style="list-style-type: none">● Cash out may be used to satisfy this requirement<ul style="list-style-type: none">○ Follow guidance located in Reserves	Required PITIA Reserves		LTV <= 85%	6 months	LTV > 85%	12 months	Loan Amount > \$1,500,000	9 months	Loan Amount > \$2,500,000	12 months		
Required PITIA Reserves													
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Residual Income	<p>Residual income is the amount of monthly income remaining once a borrower has paid all monthly debt obligations.</p> <p>Residual Income = Gross Monthly Income minus total monthly debt</p> <p>The Minimum Residual Income requirements are calculated using the table below. An additional \$250 is added for the first dependent and \$125 for each additional dependent. A dependent is any person other than the borrower or spouse in the household.</p> <table><thead><tr><th>Occupancy</th><th>Maximum LTV</th><th>Minimum Residual Income</th></tr></thead><tbody><tr><td>Primary</td><td>90%</td><td>\$2,500</td></tr><tr><td>Primary - DTI > 50%</td><td>80%</td><td>\$3,500</td></tr><tr><td>Second Home</td><td>80%</td><td>\$2,500</td></tr></tbody></table>	Occupancy	Maximum LTV	Minimum Residual Income	Primary	90%	\$2,500	Primary - DTI > 50%	80%	\$3,500	Second Home	80%	\$2,500
Occupancy	Maximum LTV	Minimum Residual Income											
Primary	90%	\$2,500											
Primary - DTI > 50%	80%	\$3,500											
Second Home	80%	\$2,500											
State Restrictions	<p>State Overlays for CT, IL, NJ, and NY</p> <ul style="list-style-type: none">● Maximum LTV/CLTV limited to 85% for purchase and 80% for rate/term and												

	<p>cash-out refinance transactions</p> <ul style="list-style-type: none"> Maximum loan amount is limited to \$2,000,000 <p>Ineligible locations: Puerto Rico, Guam and the US Virgin Islands</p>
Tradelines	<ul style="list-style-type: none"> If the primary borrower has three (3) credit scores, the minimum tradeline requirement is waived When the primary borrower has less than three credit scores, each borrower must meet the following minimum tradeline requirements. <ul style="list-style-type: none"> At least three (3) tradelines reporting for a minimum of 12 months, with activity in the last 12 months, or At least two (2) tradelines reporting for a minimum of 24 months, with activity in the last 12 months. Borrowers who do not meet one of the above tradeline requirements, but have a minimum of two credit scores, can alternatively satisfy the tradeline requirements found here: Tradelines

Prime Ascent - Alternative Documentation

Primary Residence Bank Statements, 1099		Maximum LTV / CLTV		
Minimum Credit Score	Maximum Loan Amount	Purchase	Rate/Term Refi	Cash-Out Refi
720 +	\$1,000,000	90	85	80
	\$1,500,000	90	85	80
	\$2,000,000	85	80	80
	\$2,500,000	80	75	75
	\$3,000,000	75	70	70
700	\$1,000,000	90	85	80
	\$1,500,000	90	85	80
	\$2,000,000	85	75	70
	\$2,500,000	75	70	65

	\$3,000,000	75	70	65
680	\$1,000,000	90	85	75
	\$1,500,000	85	80	75
	\$2,000,000	80	75	70
	\$2,500,000	75	70	65
	\$3,000,000	70	65	65
660	\$1,000,000	80	80	75
	\$1,500,000	80	75	75
	\$2,000,000	75	70	65
	\$2,500,000	70	65	65
Primary Residence Asset Utilization		Maximum LTV / CLTV		
Minimum Credit Score	Maximum Loan Amount	Purchase	Rate/Term Refi	Cash-Out Refi
720 +	\$1,000,000	90	85	80
	\$1,500,000	90	85	80
	\$2,000,000	85	80	80
	\$2,500,000	80	75	75
	\$3,000,000	75	70	70
700	\$1,000,000	90	85	80
	\$1,500,000	90	85	80
	\$2,000,000	85	75	70
	\$2,500,000	75	70	65
	\$3,000,000	75	70	65
680	\$1,000,000	90	85	80
	\$1,500,000	85	80	75

	\$2,000,000	80	75	70
	\$2,500,000	75	70	65
	\$3,000,000	70	65	65
640	\$1,000,000	80	80	75
	\$1,500,000	80	75	75
	\$2,000,000	75	70	65
	\$2,500,000	70	65	65
<div> <div>Primary Residence P&L, Written Verification of Employment</div> <div>Maximum LTV / CLTV</div> </div>				
Minimum Credit Score	Maximum Loan Amount	Purchase	Rate/Term Refi	Cash-Out Refi
720 +	\$1,000,000	80	75	70
	\$2,500,000	80	75	70
	\$3,000,000	75	70	70
700	\$1,500,000	80	75	70
	\$2,000,000	80	75	70
	\$2,500,000	75	70	65
	\$3,000,000	75	70	65
680	\$1,500,000	80	75	70
	\$2,000,000	80	75	70
	\$2,500,000	75	70	65

Second Home & Investment Bank Statements, 1099		Maximum LTV / CLTV		
Minimum Credit Score	Maximum Loan Amount	Purchase	Rate/Term Refi	Cash-Out Refi
720 +	\$2,000,000	85	80	75
	\$2,500,000	80	75	75
700	\$2,000,000	85	75	70
	\$2,500,000	75	70	65
680	\$1,500,000	85	80	75
	\$2,000,000	80	75	70
	\$2,500,000	75	70	65
660	\$1,500,000	80	75	75
	\$2,000,000	75	65	65
	\$2,500,000	70	65	65

Second Home & Investment Asset Utilization		Maximum LTV / CLTV		
Minimum Credit Score	Maximum Loan Amount	Purchase	Rate/Term Refi	Cash-Out Refi
720 +	\$2,000,000	85	80	75
	\$2,500,000	80	75	75
700	\$2,000,000	85	75	70
	\$2,500,000	75	70	65
680	\$1,500,000	85	80	75
	\$2,000,000	80	75	70
	\$2,500,000	75	70	65
640	\$1,500,000	80	75	75
	\$2,000,000	75	65	65

	\$2,500,000	70	65	65
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Second Home & Investment P&L, Written Verification of Employment		Maximum LTV / CLTV		
Minimum Credit Score	Maximum Loan Amount	Purchase	Rate/Term Refi	Cash-Out Refi
720 +	\$1,000,000	80	75	70
	\$2,500,000	80	75	70
700	\$2,000,000	80	75	70
	\$2,500,000	75	70	65
680	\$1,500,000	80	75	70
	\$2,000,000	80	75	70
	\$2,500,000	75	70	65

Prime Ascent Alternative Documentation Program Parameters		
Eligible Transactions	<ul style="list-style-type: none"> 30-Yr Fixed 30-Yr Fixed Interest Only 15-Yr Fixed 5 / 6 ARM 5 / 6 ARM Interest Only 7 / 6 ARM 7 / 6 ARM Interest Only 10 / 6 ARM 10 / 6 ARM Interest Only 	
Octane Program Codes	Octane Product Codes	
	NCPA30AD	Non-Agency Prime Ascent 30 Year Fixed - Alt Doc - Verus

	NCPANOO30AD	Non-Agency Prime Ascent Investment 30 Year Fixed - Alt Doc - Verus
	NCPA30ADIO	Non-Agency Prime Ascent 30 Year Fixed Interest Only - Alt Doc - Verus
	NCPANOO30ADIO	Non-Agency Prime Ascent Investment 30 Year Fixed - Alt Doc - Verus Interest Only
	NCPA30AU	Non-Agency Prime Ascent - Asset Utilization - 30 Year Fixed - Verus
	NCPANOO30AU	Non-Agency Prime Ascent Investment - Asset Utilization - 30 Year Fixed - Verus
	NCPA30AUADIO	Non-Agency Prime Ascent - Asset Utilization - 30 Year Fixed Interest Only - Verus
	NCPANOO30AUADIO	Non-Agency Prime Ascent Investment - Asset Utilization - 30 Year Fixed - Verus Interest Only
	NCPA15AD	Non-Agency Prime Ascent 15 Year Fixed - Alt Doc - Verus
	NCPANOO15AD	Non-Agency Prime Ascent Investment 15 Year Fixed - Alt Doc - Verus
	NCPA15AU	Non-Agency Prime Ascent - Asset Utilization - 15 Year Fixed - Verus
	NCPANOO15AU	Non-Agency Prime Ascent Investment - Asset Utilization - 15 Year Fixed - Verus
	NCPA5/6AD	Non-Agency Prime Ascent 5/6 ARM - Alt Doc - Verus
	NCPANOO5/6AD	Non-Agency Prime Ascent Investment 5/6 ARM - Alt Doc - Verus
	NCPA5/6ADIO	Non-Agency Prime Ascent 5/6 ARM Interest Only - Alt Doc - Verus
	NCPANOO5/6ADIO	Non-Agency Prime Ascent Investment 5/6 ARM - Alt Doc - Verus Interest Only
	NCPA5/6AU	Non-Agency Prime Ascent - Asset Utilization - 5/6 ARM - Verus
	NCPANOO5/6AU	Non-Agency Prime Ascent Investment - Asset Utilization - 5/6 ARM - Verus

	NCPA5/6AUADIO	Non-Agency Prime Ascent - Asset Utilization - 5/6 ARM Interest Only - Verus
	NCPANOO5/6AUADIO	Non-Agency Prime Ascent Investment - Asset Utilization - 5/6 ARM - Verus Interest Only
	NCPA7/6AD	Non-Agency Prime Ascent 7/6 ARM - Alt Doc - Verus
	NCPANOO7/6AD	Non-Agency Prime Ascent Investment 7/6 ARM - Alt Doc - Verus
	NCPA7/6ADIO	Non-Agency Prime Ascent 7/6 ARM Interest Only - Alt Doc - Verus
	NCPANOO7/6ADIO	Non-Agency Prime Ascent Investment 7/6 ARM - Alt Doc - Verus Interest Only
	NCPA7/6AU	Non-Agency Prime Ascent - Asset Utilization - 7/6 ARM - Verus
	NCPANOO7/6AU	Non-Agency Prime Ascent Investment - Asset Utilization - 7/6 ARM - Verus
	NCPA7/6AUADIO	Non-Agency Prime Ascent - Asset Utilization - 7/6 ARM Interest Only - Verus
	NCPANOO7/6AUADIO	Non-Agency Prime Ascent Investment - Asset Utilization - 7/6 ARM - Verus Interest Only
	NCPA10/6AD	Non-Agency Prime Ascent 10/6 ARM - Alt Doc - Verus
	NCPANOO10/6AD	Non-Agency Prime Ascent Investment 10/6 ARM - Alt Doc - Verus
	NCPA10/6ADIO	Non-Agency Prime Ascent 10/6 ARM Interest Only - Alt Doc - Verus
	NCPANOO10/6ADIO	Non-Agency Prime Ascent Investment 10/6 ARM - Alt Doc - Verus Interest Only
	NCPA10/6AU	Non-Agency Prime Ascent - Asset Utilization - 10/6 ARM - Verus
	NCPANOO10/6AU	Non-Agency Prime Ascent Investment - Asset Utilization - 10/6 ARM - Verus
	NCPA10/6AUADIO	Non-Agency Prime Ascent - Asset Utilization - 10/6 ARM Interest Only - Verus

	<div>NCPANOO10/6AUADIO</div> <div>Non-Agency Prime Ascent Investment - Asset Utilization - 10/6 ARM - Verus Interest Only</div>
Loan Purpose	<ul style="list-style-type: none"> • Purchase • Rate/Term Refinance • Cash Out Refinance <ul style="list-style-type: none"> ◦ No maximum cash out restrictions
Acreage	<ul style="list-style-type: none"> • Maximum acreage up to 20 acres, not meeting the rural definition • Property cannot be rural or zoned rural • 10 or more acres limited to max LTV/CLTV 80%
Appraisals	<ul style="list-style-type: none"> • Two appraisals required when any of the following conditions exist: <ul style="list-style-type: none"> ◦ Loan amounts > \$2,000,000, ◦ The transaction is a flip as defined in the Property Flipping section of this guide, ◦ As required under the Appraisal Review guidelines below. • When a second appraisal is provided, the “appraised value” will be the lower of the two appraisals.
Appraisal - Declining Market	<p>If the appraisal report identifies the property in a declining market:</p> <ul style="list-style-type: none"> • Maximum LTV/CLTV is limited to 85% for purchase and 80% for rate/term and cash-out refinance transactions • Maximum loan amount is limited to \$2,000,000
Appraisal Review	<p>An appraisal review product is required on every loan unless a second appraisal is obtained. Four (4) options are available:</p> <ul style="list-style-type: none"> • A Collateral Underwriter (CU) or Loan Collateral Advisor (LCA) with an eligible score of 2.5 or less. The file must include a copy of the Submission Summary Report (SSR). Only one score is required, but if both scores (CU & LCA) are provided, both are required to be 2.5 or less; or • AVM from Clear Capital dated within 90 days of the Note date, or • Collateral Desktop Analysis (CDA) from Clear Capital, or • A second appraisal. <p>If the CU/LCA score exceeds 2.5, the file must include either an AVM from Clear Capital, a CDA from Clear Capital, or a second appraisal.</p> <p>The AVM must show an acceptable FSD score range of 0.00 to 0.13 and the AVM value must be within 10% of the appraised value.</p> <ul style="list-style-type: none"> • If the AVM reflects a value more than 10% below the appraised value or cannot provide a value, the file must include an acceptable CDA from Clear Capital or a second appraisal.

	<p>If the CDA Desk Review reflects a value more than 10% below the appraised value or cannot provide a validation, the next option would be a second appraisal.</p> <p>A second appraisal must support the original appraised value, else the lower of the two appraisals must be used in the LTV/CLTV calculation.</p> <p>Any appraisal review product or second appraisal may not be from the same appraiser or appraisal company as the original report.</p>
Asset Documentation	<p>Minimum of 30 days asset verification required</p> <ul style="list-style-type: none"> Any large deposit must be sourced
Document Age	<ul style="list-style-type: none"> 90 day validity date for the following: <ul style="list-style-type: none"> Income verification Mortgage / rental verification Asset documents/bank statements Credit report 120 day validity for the Title Commitment <ul style="list-style-type: none"> A 24-month title history is required showing transfer dates, price, and buyer and seller names Appraisals must be dated within 365 days of the Note date, but a recertification of value (1004D) would be required if an appraisal will be more than 120 days old on the date of the Note.
DTI Requirements	<ul style="list-style-type: none"> Standard maximum 50% Condominium LTV 90% - 45% maximum DTI Borrowers living rent-free max DTI is 43%; see full guidelines for details First-time homebuyers maximum: See below Asset Utilization Documentation maximum 43%
Escrow Accounts	<p>Escrows for hazard insurance, property taxes and flood (if applicable) are required</p> <ul style="list-style-type: none"> See Escrows - Impound Accounts for full details along with waiver requirements
First-Time Home Buyers	<p>Eligible with the following restrictions:</p> <ul style="list-style-type: none"> Primary residence only DTI may not exceed 45% Minimum six (6) months of reserves 12-month rental history is required reflection 0x30 First-time homebuyers without a documented 12-month rental history are eligible subject to: <ul style="list-style-type: none"> DTI may not exceed 43% LTV may not exceed 80% Written Verification of Employment program maximum LTV 70% and no gift funds are allowed

Gift Funds	<ul style="list-style-type: none"> Eligible after minimum down payment has been made by the borrower from their own funds: <ul style="list-style-type: none"> Primary Residence: 5% down payment is required before gift funds can be applied Second Home:: 5% down payment is required before gift funds can be applied Investment: 10% down payment is required before gift funds can be applied.
Derogatory Event Seasoning	BK/FC/SS/ DIL: >= 48 months
Housing Payment History	0x30x12
Income Requirements - Personal Bank Statements	<ul style="list-style-type: none"> 24 or 12 months of Personal bank statements and 2 months of business bank statements required Qualifying income is determined by the total eligible deposits from the 24 or 12 months of personal bank statements divided by the number of statements The business bank statements must reflect business activity and transfers to the personal account. Pricing adjustments apply to 12-month documentation option
Income Requirements - Business Bank Statements	<ul style="list-style-type: none"> 24 or 12 months of business bank statements required Qualifying income is determined by one of the following analysis methods: <ul style="list-style-type: none"> Fixed Expense Ratio (50%), or Expense ratio provided by a 3rd party (CPA or EA); minimum ratio of 10%, or 3rd party prepared Profit & Loss Statement (CPA or EA) Pricing adjustments apply to 12-month documentation option
Income Requirements - IRS Form 1099	<ul style="list-style-type: none"> 2 years or 1 year of 1099 statements required Fixed Expense Ratio of 10% YTD Documentation to support continued receipt from same source Pricing adjustments apply to 1 year documentation option
Income Requirements - Profit & Loss	<ul style="list-style-type: none"> 24 or 12-month CPA / EA / CTEC / Tax Attorney prepared Profit & Loss Statement required CPA / EA / CTEC/ Tax Attorney must attest they have completed or filed the borrower's most recent business tax return Maximum LTV Requirements <ul style="list-style-type: none"> Purchase = 80% <ul style="list-style-type: none"> 85% LTV available with a minimum credit score of 720 and \$1,000,000 maximum loan amount All Refinances = 75%

Income Requirements - Written Verification of Employment	<ul style="list-style-type: none"> FNMA Form 1005 required Two (2) most recent months of personal bank statements reflecting deposit(s) from employer on each of the statements Maximum LTV Requirements <ul style="list-style-type: none"> Purchase = 80% <ul style="list-style-type: none"> 85% LTV available with a minimum credit score of 720 and \$1,000,000 maximum loan amount All Refinances = 75% First-time home buyer maximum LTV 70% and no gift funds allowed
Income Requirements - Asset Utilization	Eligible assets are divided by 60 to determine a monthly income stream <ul style="list-style-type: none"> Min Credit Score: 640
Interest Only	Eligible <ul style="list-style-type: none"> 30-year total loan term with qualification based upon 20-year amortizing payment
Loan Amounts	<ul style="list-style-type: none"> Minimum: \$150,000 Maximum: \$3,000,000
Occupancy	<ul style="list-style-type: none"> Primary Second Home Investment
Prepayment Penalty - Investment Property Only	<ul style="list-style-type: none"> Prepayment period of up to 5 years Penalties not allowed in AK, KS, MI, MN, NM, OH and RI Penalties not allowed on loans vested to individuals in IL and NJ Penalties not allowed on loan amounts less than \$312,159 in PA Only declining prepayment penalty structures allowed in MS
Property Type	<ul style="list-style-type: none"> Attached/Detached SFR: No restrictions 2-4 Units: Max LTV/CLTV 85% Condominium Max LTV/CLTV <ul style="list-style-type: none"> Primary Purchase Bank Statement Alt Doc 90% <ul style="list-style-type: none"> Maximum DTI 45% All other transactions 85% Condo Hotel <ul style="list-style-type: none"> Max LTV/CLTV 85% Maximum loan amount \$2,500,000 Occupancy allowed: Primary, Second Home and Investment Rural: Not eligible Florida Condominiums <ul style="list-style-type: none"> A structural inspection is required for projects: <ul style="list-style-type: none"> Greater than 5 stories; and

	<ul style="list-style-type: none">■ Over 30 years old (or 25 years old if within 3 miles of the coast)○ Projects with an unacceptable or no inspection are not eligible										
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Occupancy	Maximum LTV	Minimum Residual Income									
Primary	90%	\$2,500									
Second Home	80%	\$2,500									
State Restrictions	<p>State Overlays for CT, IL, NJ, and NY</p> <ul style="list-style-type: none">● Maximum LTV/CLTV limited to 85% for purchase and 80% for rate/term and cash-out refinance transactions● Maximum loan amount is limited to \$2,000,000 <p>Ineligible locations: Puerto Rico, Guam and the US Virgin Islands</p>										
Tradelines	<ul style="list-style-type: none">● If the primary borrower has three (3) credit scores, the minimum tradeline requirement is waived										

	<ul style="list-style-type: none"> When the primary borrower has less than three credit scores, each borrower must meet the following minimum tradeline requirements. <ul style="list-style-type: none"> At least three (3) tradelines reporting for a minimum of 12 months, with activity in the last 12 months, or At least two (2) tradelines reporting for a minimum of 24 months, with activity in the last 12 months. Borrowers who do not meet one of the above tradeline requirements, but have a minimum of two credit scores, can alternatively satisfy the tradeline requirements found here: Tradelines
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Credit Ascent - Standard Documentation - COMING SOON

Primary Residence		Maximum LTV / CLTV		
Minimum Credit Score	Maximum Loan Amount	Purchase	Rate/Term Refi	Cash-Out Refi
700 +	\$1,000,000	85	80	80
	\$1,500,000	85	80	80
	\$2,000,000	80	75	75
	\$3,000,000	70	65	65
680	\$1,000,000	85	80	75
	\$1,500,000	80	75	75
	\$2,000,000	80	70	70
	\$3,000,000	70	65	65
660	\$1,000,000	80	80	75
	\$1,500,000	80	75	75
	\$2,000,000	70	65	65
640	\$1,000,000	80	75	70
	\$1,500,000	70	65	65
	\$2,000,000	65	NA	NA

620	\$1,000,000	70	70	NA
¹ Interest Only: Minimum Credit Score 660				

Second Home & Investment		Maximum LTV / CLTV		
Minimum Credit Score	Maximum Loan Amount	Purchase	Rate/Term Refi	Cash-Out Refi
700 +	\$2,000,000	80	75	75
	\$2,500,000	70	65	65
680	\$1,500,000	80	75	75
	\$2,000,000	80	70	70
	\$2,500,000	70	65	65
660	\$1,500,000	80	75	75
	\$2,000,000	70	65	65
640 ¹	\$1,000,000	80	75	70
	\$1,500,000	70	65	65
	\$2,000,000	65	NA	NA
620 ¹	\$1,000,000	70	70	NA
¹ Interest Only: Minimum Credit Score 660				

COMING SOON

Credit Ascent Standard Documentation Program Parameters	
Eligible Transactions	<ul style="list-style-type: none"> 30-Yr Fixed 30-Yr Fixed Interest Only 15-Yr Fixed 5 / 6 ARM 5 / 6 ARM Interest Only 7 / 6 ARM

	<ul style="list-style-type: none"> 7 / 6 ARM Interest Only 10 / 6 ARM 10 / 6 ARM Interest Only
Octane Programs	Coming Soon
Loan Purpose	<ul style="list-style-type: none"> Purchase Rate/Term Refinance Cash Out Refinance <ul style="list-style-type: none"> No maximum cash out restrictions
Acreage	<ul style="list-style-type: none"> Maximum acreage up to 20 acres, not meeting the rural definition Property cannot be rural or zoned rural 10 or more acres limited to max LTV/CLTV 80%
Appraisals	<ul style="list-style-type: none"> Two appraisals required when any of the following conditions exist: <ul style="list-style-type: none"> Loan amounts > \$2,000,000, The transaction is a flip as defined in the Property Flipping section of this guide, As required under the Appraisal Review guidelines below. When a second appraisal is provided, the “appraised value” will be the lower of the two appraisals.
Appraisal - Declining Market	<p>If the appraisal report identifies the property in a declining market:</p> <ul style="list-style-type: none"> Maximum LTV/CLTV is limited to 80% for purchase and 75% for rate/term and cash-out refinance transactions Maximum loan amount is limited to \$2,000,000
Appraisal Review	<p>An appraisal review product is required on every loan unless a second appraisal is obtained. Four (4) options are available:</p> <ul style="list-style-type: none"> A Collateral Underwriter (CU) or Loan Collateral Advisor (LCA) with an eligible score of 2.5 or less. The file must include a copy of the Submission Summary Report (SSR). Only one score is required, but if both scores (CU & LCA) are provided, both are required to be 2.5 or less; or AVM from Clear Capital dated within 90 days of the Note date, or Collateral Desktop Analysis (CDA) from Clear Capital, or A second appraisal. <p>If the CU/LCA score exceeds 2.5, the file must include either an AVM from Clear Capital, a CDA from Clear Capital, or a second appraisal.</p> <p>The AVM must show an acceptable FSD score range of 0.00 to 0.13 and the AVM value must be within 10% of the appraised value.</p>

	<ul style="list-style-type: none"> If the AVM reflects a value more than 10% below the appraised value or cannot provide a value, the file must include an acceptable CDA from Clear Capital or a second appraisal. <p>If the CDA Desk Review reflects a value more than 10% below the appraised value or cannot provide a validation, the next option would be a second appraisal.</p> <p>A second appraisal must support the original appraised value, else the lower of the two appraisals must be used in the LTV/CLTV calculation.</p> <p>Any appraisal review product or second appraisal may not be from the same appraiser or appraisal company as the original report.</p>
Asset Documentation	<p>Minimum of 30 days asset verification required</p> <ul style="list-style-type: none"> Any large deposit must be sourced
Document Age	<ul style="list-style-type: none"> 90 day validity date for the following: <ul style="list-style-type: none"> Income verification Mortgage / rental verification Asset documents/bank statements Credit report 120 day validity for the Title Commitment <ul style="list-style-type: none"> A 24-month title history is required showing transfer dates, price, and buyer and seller names Appraisals must be dated within 365 days of the Note date, but a recertification of value (1004D) would be required if an appraisal will be more than 120 days old on the date of the Note.
DTI Requirements	<ul style="list-style-type: none"> Standard maximum 50% Borrowers living rent-free max DTI is 43%; see full guidelines for details First-Time Home Buyers maximum: See below
Escrow Accounts	<p>Escrows for hazard insurance, property taxes and flood (if applicable) are required</p> <ul style="list-style-type: none"> See Escrows - Impound Accounts for full details along with waiver requirements
First-Time Homebuyers	<p>Eligible with the following restrictions:</p> <ul style="list-style-type: none"> Primary residence only DTI may not exceed 45% Minimum six (6) months of reserves 12-month rental history is required reflection 0x30 First-time homebuyers without a documented 12-month rental history are eligible, subject to: <ul style="list-style-type: none"> DTI may not exceed 43% LTV may not exceed 80%

Gift Funds	<ul style="list-style-type: none">Eligible after minimum down payment has been made by the borrower from their own funds:<ul style="list-style-type: none">Primary Residence: 5% down payment is required before gift funds can be appliedSecond Home:: 5% down payment is required before gift funds can be appliedInvestment: 10% down payment is required before gift funds can be applied.																
Derogatory Event Seasoning	<table><tr><th>BK/FC/SS/DIL</th><th>>= 36 Mon</th><th>>= 24 Mon</th><th>>= 12 Mon</th></tr><tr><td>Max LTV/CLTV Purchase</td><td>85</td><td>80</td><td>70</td></tr><tr><td>Max LTV/CLTV Refinance</td><td>80</td><td>75</td><td>NA</td></tr><tr><td>Maximum Loan Amount</td><td>\$3,000,000</td><td>\$1,500,000</td><td>\$1,000,000</td></tr></table>	BK/FC/SS/DIL	>= 36 Mon	>= 24 Mon	>= 12 Mon	Max LTV/CLTV Purchase	85	80	70	Max LTV/CLTV Refinance	80	75	NA	Maximum Loan Amount	\$3,000,000	\$1,500,000	\$1,000,000
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Housing Payment History	<table><tr><th>Housing History</th><th>1x30x12</th><th>0x60x12</th><th>0x90x12</th></tr><tr><td>Max LTV/CLTV Purchase</td><td>85</td><td>80</td><td>70</td></tr><tr><td>Max LTV/CLTV Refinance</td><td>80</td><td>75</td><td>NA</td></tr><tr><td>Maximum Loan Amount</td><td>\$3,000,000</td><td>\$1,500,000</td><td>\$1,000,000</td></tr></table> <ul style="list-style-type: none">Housing History Categories:<ul style="list-style-type: none">1x30x12<ul style="list-style-type: none">No more than one 30-day delinquency in the last 12 monthsNo 60- or 90-day delinquencies in the last 12 months0x60x12<ul style="list-style-type: none">Unlimited 30-day lates allowed in the last 12 monthsNo 60- or 90-day delinquencies in the last 12 months0x90x12<ul style="list-style-type: none">Unlimited 30- or 60-day lates in the last 12 monthsNo 90-day delinquencies in the last 12 months	Housing History	1x30x12	0x60x12	0x90x12	Max LTV/CLTV Purchase	85	80	70	Max LTV/CLTV Refinance	80	75	NA	Maximum Loan Amount	\$3,000,000	\$1,500,000	\$1,000,000
Housing History	1x30x12	0x60x12	0x90x12														
Max LTV/CLTV Purchase	85	80	70														
Max LTV/CLTV Refinance	80	75	NA														
Maximum Loan Amount	\$3,000,000	\$1,500,000	\$1,000,000														

	<ul style="list-style-type: none"> First-Time Home Buyer require 12-month rental history reflecting 0x30x12
Income Requirements	<ul style="list-style-type: none"> Wage/Salary: Paystubs, W-2 for 2 years, or 1 year of tax returns Self Employed: 2 years, or 1 Year of personal and Business Tax Returns, YTD P&L, 2-monthly bank statements Verbal VOE required within 10 days of Note Date Pricing adjustments apply to 1 year documentation option
Interest Only	Eligible <ul style="list-style-type: none"> Minimum credit score 660 Maximum LTV 85% 30-year total loan term with qualification based upon 20-year amortizing payment
Loan Amounts	<ul style="list-style-type: none"> Minimum: \$150,000 Maximum: \$3,000,000
Occupancy	<ul style="list-style-type: none"> Primary Second Home Investment
Prepayment Penalty - Investment Property Only	<ul style="list-style-type: none"> Prepayment period of up to 5 years Penalties not allowed in AK, KS, MI, MN, NM, OH and RI Penalties not allowed on loans vested to individuals in IL and NJ Penalties not allowed on loan amounts less than \$312,159 in PA Only declining prepayment penalty structures allowed in MS
Property Type	<ul style="list-style-type: none"> Attached/Detached SFR: No restrictions 2-4 Units & Condo: <ul style="list-style-type: none"> Max LTV/CLTV 85% Purchase Max LTV/CLTV 75% Refinance Condo Hotel Max LTV/CLTV <ul style="list-style-type: none"> Purchase 80% Refinance 75% Occupancy allowed: Primary, Second Home and Investment Maximum loan amount \$2,500,000 Rural: Not eligible Florida Condominiums <ul style="list-style-type: none"> A structural inspection is required for projects: <ul style="list-style-type: none"> Greater than 5 stories; and Over 30 years old, or 25 years old if within 3 miles of the coast Projects with an unacceptable or no inspection are not eligible
Reserve Requirements	

	Required PITIA Reserves										
	LTV < 80%	3 months									
	LTV >= 80%	6 months									
	<ul style="list-style-type: none"> First-Time Homebuyers minimum six (6) months reserves regardless of LTV Cash out may be used to satisfy requirement <ul style="list-style-type: none"> Follow guidance located in Reserves 										
Residual Income	<p>Residual income is the amount of monthly income remaining once a borrower has paid all monthly debt obligations.</p> <p>Residual Income = Gross Monthly Income minus total monthly debt</p> <p>The Minimum Residual Income requirements are calculated using the table below. An additional \$250 is added for the first dependent and \$125 for each additional dependent. A dependent is any person other than the borrower or spouse in the household.</p> <table> <tr> <th>Occupancy</th><th>Maximum LTV</th><th>Minimum Residual Income</th></tr> <tr> <td>Primary</td><td>85%</td><td>\$1,250</td></tr> <tr> <td>Second Home</td><td>80%</td><td>\$2,500</td></tr> </table>		Occupancy	Maximum LTV	Minimum Residual Income	Primary	85%	\$1,250	Second Home	80%	\$2,500
Occupancy	Maximum LTV	Minimum Residual Income									
Primary	85%	\$1,250									
Second Home	80%	\$2,500									
State Restrictions	<p>State Overlays for CT, IL, NJ, and NY</p> <ul style="list-style-type: none"> Maximum LTV/CLTV limited to 80% for purchase and 75% for rate/term and cash-out refinance transactions Maximum loan amount is limited to \$2,000,000 <p>Ineligible locations: Puerto Rico, Guam and the US Virgin Islands</p>										
Tradelines	<ul style="list-style-type: none"> If the primary borrower has three (3) credit scores, the minimum tradeline requirement is waived When the primary borrower has less than three credit scores, each borrower must meet the following minimum tradeline requirements. <ul style="list-style-type: none"> At least three (3) tradelines reporting for a minimum of 12 months, with activity in the last 12 months, or At least two (2) tradelines reporting for a minimum of 24 months, with activity in the last 12 months. Borrowers who do not meet one of the above tradeline requirements, but 										

have a minimum of two credit scores, can alternatively satisfy the tradeline requirements found here: [Tradelines](#)

Credit Ascent - Alternative Documentation - COMING SOON

Primary Residence Bank Statements, 1099		Maximum LTV / CLTV		
Minimum Credit Score	Maximum Loan Amount	Purchase	Rate/Term Refi	Cash-Out Refi
700 +	\$1,000,000	85	80	80
	\$1,500,000	85	80	80
	\$2,000,000	80	75	75
	\$3,000,000	70	65	65
680	\$1,000,000	85	80	75
	\$1,500,000	80	75	75
	\$2,000,000	80	70	70
	\$3,000,000	70	65	65
660	\$1,000,000	80	80	75
	\$1,500,000	80	75	75
	\$2,000,000	70	65	65
640 ¹	\$1,000,000	80	75	70
	\$1,500,000	70	NA	NA
	\$2,000,000	65	NA	NA
620 ¹	\$1,000,000	70	70	NA
¹ Interest Only: Minimum Credit Score				

Second Home and Investment Bank Statements, 1099		Maximum LTV / CLTV		
Minimum Credit Score	Maximum Loan Amount	Purchase	Rate/Term Refi	Cash-Out Refi
700 +	\$2,000,000	80	75	75
	\$2,500,000	70	65	65
680	\$1,500,000	80	75	75
	\$2,000,000	80	70	70
	\$2,500,000	70	65	65
660	\$1,500,000	80	75	75
	\$2,000,000	70	65	65
640 ¹	\$1,000,000	80	75	70
	\$1,500,000	70	NA	NA
	\$2,000,000	65	NA	NA
620 ¹	\$1,000,000	70	70	NA

¹ Interest Only: Minimum Credit Score 660

COMING SOON

Credit Ascent Alternative Documentation Program Parameters	
Eligible Transactions	<ul style="list-style-type: none"> • 30-Yr Fixed • 30-Yr Fixed Interest Only • 15-Yr Fixed • 5/6 ARM • 5/6 ARM Interest Only • 7/6 ARM • 7/6 ARM Interest Only • 10/6 ARM • 10/6 ARM Interest Only
Octane Programs	Coming Soon

Loan Purpose	<ul style="list-style-type: none"> • Purchase • Rate/Term Refinance • Cash-out Refinance <ul style="list-style-type: none"> ◦ No maximum cash out restrictions
Acreage	<ul style="list-style-type: none"> • Maximum acreage up to 20 acres, not meeting the rural definition • Property cannot be rural or zoned rural • 10 or more acres limited to max LTV/CLTV 80%
Appraisals	<ul style="list-style-type: none"> • Two appraisals required when any of the following conditions exist: <ul style="list-style-type: none"> ◦ Loan amounts > \$2,000,000 ◦ The transaction is a flip as defined in the Property Flipping section of this guide ◦ As required under the Appraisal Review guidelines below. • When a second appraisal is provided, the “appraised value” will be the lower of the two appraisals.
Appraisal - Declining Market	<p>If the appraisal report identifies the property in a declining market:</p> <ul style="list-style-type: none"> • Maximum LTV/CLTV is limited to 80% for purchase and 75% for rate/term and cash-out refinance transactions • Maximum loan amount is limited to \$2,000,000
Appraisal Review	<p>An appraisal review product is required on every loan unless a second appraisal is obtained. Four (4) options are available:</p> <ul style="list-style-type: none"> • A Collateral Underwriter (CU) or Loan Collateral Advisor (LCA) with an eligible score of 2.5 or less. The file must include a copy of the Submission Summary Report (SSR). Only one score is required, but if both scores (CU & LCA) are provided, both are required to be 2.5 or less; or • AVM from Clear Capital dated within 90 days of the Note date, or • Collateral Desktop Analysis (CDA) from Clear Capital, or • A second appraisal. <p>If the CU/LCA score exceeds 2.5, the file must include either an AVM from Clear Capital, a CDA from Clear Capital, or a second appraisal.</p> <p>The AVM must show an acceptable FSD score range of 0.00 to 0.13 and the AVM value must be within 10% of the appraised value.</p> <ul style="list-style-type: none"> • If the AVM reflects a value more than 10% below the appraised value or cannot provide a value, the file must include an acceptable CDA from Clear Capital or a second appraisal. <p>If the CDA Desk Review reflects a value more than 10% below the appraised value or cannot provide a validation, the next option would be a second appraisal.</p>

	<p>A second appraisal must support the original appraised value, else the lower of the two appraisals must be used in the LTV/CLTV calculation.</p> <p>Any appraisal review product or second appraisal may not be from the same appraiser or appraisal company as the original report.</p>
Asset Documentation	<p>Minimum of 30 days of asset verification required</p> <ul style="list-style-type: none"> Any large deposit must be sourced
Document Age	<ul style="list-style-type: none"> 90 day validity date for the following: <ul style="list-style-type: none"> Income verification Mortgage/rental verification Asset documents/bank statements Credit report 120 day validity for the Title Commitment <ul style="list-style-type: none"> A 24-month title history is required showing transfer dates, price, and buyer and seller names. Appraisals must be dated within 365 days of the Note date, but a recertification of value (1004D) would be required if an appraisal will be more than 120 days old on the date of the Note.
DTI Requirements	<ul style="list-style-type: none"> Standard maximum 50% Borrowers living rent-free max DTI is 43%; see full guidelines for details First-Time Home Buyer maximum: See below
Escrow Accounts	<p>Escrows for hazard insurance, property taxes and flood (if applicable) are required</p> <ul style="list-style-type: none"> See Escrows - Impound Accounts for full details along with waiver requirements
First-Time Homebuyers	<p>Eligible with the following restrictions:</p> <ul style="list-style-type: none"> Primary residence only DTI may not exceed 45% Minimum six (6) months of reserves 12-month rental history is required reflection 0x30 First-time homebuyers without a documented 12-month rental history are eligible subject to: <ul style="list-style-type: none"> DTI may not exceed 43% LTV may not exceed 80% Written Verification of Employment program maximum LTV 70% and no gift funds are allowed
Gift Funds	<ul style="list-style-type: none"> Eligible after minimum down payment has been made by the borrower from their own funds: <ul style="list-style-type: none"> Primary Residence: 5% down payment is required before gift funds

	<div>can be applied</div> <div><div><div></div><div>Second Home: 5% down payment is required before gift funds can be applied</div></div><div><div></div><div>Investment: 10% down payment is required before gift funds can be applied</div></div></div>																
<div>Derogatory Event Seasoning</div>	<table><tr><th>BK/FC/SS/DIL</th><th>>= 36 Mon</th><th>>= 24 Mon</th><th>>= 12 Mon</th></tr><tr><td>Max LTV/CLTV Purchase</td><td>85</td><td>80</td><td>70</td></tr><tr><td>Max LTV/CLTV Refinance</td><td>80</td><td>75</td><td>NA</td></tr><tr><td>Max Loan Amount</td><td>\$3,000,000</td><td>\$1,500,000</td><td>\$1,000,000</td></tr></table>	BK/FC/SS/DIL	>= 36 Mon	>= 24 Mon	>= 12 Mon	Max LTV/CLTV Purchase	85	80	70	Max LTV/CLTV Refinance	80	75	NA	Max Loan Amount	\$3,000,000	\$1,500,000	\$1,000,000
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<div>Housing Payment History</div>	<table><tr><th>Housing History</th><th>1x30x12</th><th>0x60x12</th><th>0x90x12</th></tr><tr><td>Max LTV/CLTV Purchase</td><td>85</td><td>80</td><td>70</td></tr><tr><td>Max LTV/CLTV Refinance</td><td>80</td><td>75</td><td>NA</td></tr><tr><td>Max Loan Amount</td><td>\$3,000,000</td><td>\$1,500,000</td><td>\$1,000,000</td></tr></table> <div><div><div></div><div>Housing History Categories:</div></div><div><div><div></div><div>1x30x12</div><div><div><div></div><div>No more than one 30-day delinquency in the last 12 months</div></div><div><div></div><div>No 60- or 90-day delinquencies in the last 12 months</div></div></div><div><div></div><div>0x60x12</div><div><div><div></div><div>Unlimited 30-day lates allowed in the last 12 months</div></div><div><div></div><div>No 60- or 90-day delinquencies in the last 12 months</div></div></div><div><div></div><div>0x90x12</div><div><div><div></div><div>Unlimited 30- or 60-day lates in the last 12 months</div></div><div><div></div><div>No 90-day delinquencies in the last 12 months</div></div></div></div><div><div></div><div>First-Time Homebuyers require 12-month rental history reflecting 0x30x12</div></div></div></div></div></div>	Housing History	1x30x12	0x60x12	0x90x12	Max LTV/CLTV Purchase	85	80	70	Max LTV/CLTV Refinance	80	75	NA	Max Loan Amount	\$3,000,000	\$1,500,000	\$1,000,000
Housing History	1x30x12	0x60x12	0x90x12														
Max LTV/CLTV Purchase	85	80	70														
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Max Loan Amount	\$3,000,000	\$1,500,000	\$1,000,000														
<div>Income Requirements - Personal Bank Statements</div>	<div><div></div><div>24 or 12 months of Personal bank statements and 2 months of business bank statements required</div></div> <div><div></div><div>Qualifying income is determined by the total eligible deposits from the 24 or 12 months of personal bank statements divided by the number of statements</div></div> <div><div></div><div>The business bank statements must reflect business activity and transfers to</div></div>																

	<p>the personal account</p> <ul style="list-style-type: none"> Pricing adjustments apply to 12-month documentation option
Income Requirements - Business Bank Statements	<ul style="list-style-type: none"> 24 or 12 months of business bank statements required Qualifying income is determined by one of the following analysis methods: <ul style="list-style-type: none"> Fixed Expense Ratio (50%), or Expense ratio provided by a 3rd party (CPA or EA); minimum ratio of 10%, or 3rd party prepared Profit & Loss Statement (CPA or EA). Pricing adjustments apply to 12-month documentation option
Income Requirements - IRS Form 1099	<ul style="list-style-type: none"> 2 years or 1 year of 1099 statements Fixed Expense Ratio of 10% YTD Documentation to support continued receipt from same source Pricing adjustments apply to 1 year documentation option
Income Requirements - Profit & Loss	<ul style="list-style-type: none"> 24 or 12-month CPA / EA prepared Profit & Loss Statement required CPA / EA / CTEC must attest they have reviewed, or prepared the borrower's most recent tax return Minimum Credit Score: 660 Maximum LTV Requirements <ul style="list-style-type: none"> Purchase = 80% All Refinances = 75% Maximum Loan Amount: \$1,500,000
Income Requirements - Written Verification of Employment	<ul style="list-style-type: none"> FNMA Form 1005 required Two (2) most recent months of personal bank statements reflecting deposit(s) from employer on each of the statements Minimum Credit Score: 660 Maximum LTV Requirements <ul style="list-style-type: none"> Purchase = 80% All Refinances = 75% Maximum Loan Amount: \$1,500,000 First-time homebuyer maximum LTV 70% and no gift funds are allowed
Interest Only	<p>Eligible</p> <ul style="list-style-type: none"> Minimum credit score 660 Maximum LTV 85% 30-year total loan term with qualification based upon 20-year amortizing payment
Loan Amounts	<ul style="list-style-type: none"> Minimum: \$150,000 Maximum: \$3,000,000

Occupancy	<ul style="list-style-type: none"> Primary Second Home Investment 						
Property Type	<ul style="list-style-type: none"> Attached/Detached SFR: No restrictions 2-4 Units & Condo: <ul style="list-style-type: none"> Max LTV/CLTV Purchase 85% Max LTV/CLTV Refinance 75% Condo Hotel Max LTV/CLTV <ul style="list-style-type: none"> Purchase 80% Refinance 75% Maximum loan amount \$2,500,000 Eligible occupancy type: Primary, Second Home and Investment Rural: Not eligible Florida Condominiums <ul style="list-style-type: none"> A structural inspection is required for projects: <ul style="list-style-type: none"> Greater than 5 stories; and Over 30 years old, or 25 years old if within 3 miles of the coast Projects with an unacceptable or no inspection are not eligible 						
Prepayment Penalty - Investment Property Only	<ul style="list-style-type: none"> Prepayment period of up to 5 years Penalties not allowed in AK, KS, MI, MN, NM, OH, and RI Penalties not allowed on loans vested to individuals in IL and NJ Penalties not allowed on loan amounts less than \$312,159 in PA Only declining prepayment penalty structures allowed in MS 						
Reserve Requirements	<table border="1"> <thead> <tr> <th colspan="2">Required PITIA Reserves</th> </tr> </thead> <tbody> <tr> <td>LTV < 80%</td> <td>3 months</td> </tr> <tr> <td>LTV >= 80%</td> <td>6 months</td> </tr> </tbody> </table> <ul style="list-style-type: none"> First-Time Home Buyers minimum six (6) months reserves, regardless of LTV Cash out may be used to satisfy requirement <ul style="list-style-type: none"> Follow guidance located in Reserves 	Required PITIA Reserves		LTV < 80%	3 months	LTV >= 80%	6 months
Required PITIA Reserves							
LTV < 80%	3 months						
LTV >= 80%	6 months						
Residual Income	<p>Residual income is the amount of monthly income remaining once a borrower has paid all monthly debt obligations.</p> <p>Residual Income = Gross Monthly Income minus total monthly debt</p> <p>The Minimum Residual Income requirements are calculated using the table below. An</p>						

	<p>additional \$250 is added for the first dependent and \$125 for each additional dependent. A dependent is any person other than the borrower or spouse in the household.</p> <table><tr><th>Occupancy</th><th>Maximum LTV</th><th>Minimum Residual Income</th></tr><tr><td>Primary</td><td>85%</td><td>\$1,250</td></tr><tr><td>Second Home</td><td>80%</td><td>\$2,500</td></tr></table>	Occupancy	Maximum LTV	Minimum Residual Income	Primary	85%	\$1,250	Second Home	80%	\$2,500
Occupancy	Maximum LTV	Minimum Residual Income								
Primary	85%	\$1,250								
Second Home	80%	\$2,500								
State Restrictions	<p>State Overlays for CT, IL, NJ, and NY</p> <ul style="list-style-type: none">Maximum LTV/CLTV limited to 80% for purchase and 75% for rate/term and cash-out refinance transactionsMaximum loan amount is limited to \$2,000,00 <p>Ineligible locations: Puerto Rico, Guam, and the US Virgin Islands</p>									
Tradelines	<ul style="list-style-type: none">If the primary borrower has three (3) credit scores, the minimum tradeline requirement is waivedWhen the primary borrower has less than three credit scores, each borrower must meet the following minimum tradeline requirements.<ul style="list-style-type: none">At least three (3) tradelines reporting for a minimum of 12 months, with activity in the last 12 months, orAt least two (2) tradelines reporting for a minimum of 24 months, with activity in the last 12 months.Borrowers who do not meet one of the above tradeline requirements, but have a minimum of two credit scores, can alternatively satisfy the tradeline requirements found here: Tradelines									

Foreign National - Investment Property

Debt Service Coverage Ratio (DSCR): 1-4 Unit Investment Property				
≥ 1.00		Maximum LTV/CLTV		
Minimum Credit Score	Maximum Loan Amount	Purchase	Rate/Term Refi	Cash-Out Refi
680+	\$1,000,000	75	65	65
	\$1,500,000	70	60	60
Foreign Credit	\$1,000,000	75	65	65
	\$1,500,000	70	60	60
< 1.00		Maximum LTV/CLTV		
680+	\$1,000,000	65	60	60
	\$1,500,000	65	NA	NA
Foreign Credit	\$1,000,000	65	60	60
	\$1,500,000	65	NA	NA

Foreign National Program Parameters	
Eligible Transactions	<ul style="list-style-type: none"> • 30-Yr Fixed • 30-Yr Fixed Interest Only • 15-Yr Fixed • 5/6 ARM • 5/6 ARM Interest Only • 7/6 ARM • 7/6 ARM Interest Only • 10/6 ARM • 10/6 ARM Interest Only
Octane Programs	<div>Octane Product Codes</div>

	NCFNDSCR30	Non-Agency Foreign National - DSCR - 30 Year Fixed - Verus
	NCFNDSCR30IO	Non-Agency Foreign National - DSCR - 30 Year Fixed Interest Only - Verus
	NCFNDSCR15	Non-Agency Foreign National - DSCR - 15 Year Fixed - Verus
	NCFNDSCR5/6	Non-Agency Foreign National - DSCR - 5/6 ARM - Verus
	NCFNDSCR5/6IO	Non-Agency Foreign National - DSCR - 5/6 ARM Interest Only - Verus
	NCFNDSCR7/6	Non-Agency Foreign National - DSCR - 7/6 ARM - Verus
	NCFNDSCR7/6IO	Non-Agency Foreign National - DSCR - 7/6 ARM Interest Only - Verus
	NCFNDSCR10/6	Non-Agency Foreign National - DSCR - 10/6 ARM - Verus
	NCFNDSCR10/6IO	Non-Agency Foreign National - DSCR - 10/6 ARM Interest Only - Verus
Loan Purpose	<ul style="list-style-type: none"> • Purchase • Rate/Term Refinance • Cash-out Refinance <ul style="list-style-type: none"> ◦ Max Cash Out <ul style="list-style-type: none"> ■ LTV > 50%: \$300,000 ■ LTV <= 50%: \$500,000 	
Acreage	DSCR maximum 2 acres	
Appraisals	<ul style="list-style-type: none"> • Two appraisals required when any of the following conditions exist: <ul style="list-style-type: none"> ◦ The transaction is a flip as defined in the Property Flipping section of this guide, ◦ As required under the Appraisal Review guidelines below. • When a second appraisal is provided, the “appraised value” will be the lower of the two appraisals. 	
Appraisal - Declining Market	Declining markets do not require an LTV adjustment on this program	
Appraisal Review	<p>An appraisal review product is required on every loan unless a second appraisal is obtained. Four (4) options are available:</p> <ul style="list-style-type: none"> • A Collateral Underwriter (CU) or Loan Collateral Advisor (LCA) with an eligible score of 2.5 or less. The file must include a copy of the Submission Summary 	

	<p>Report (SSR). Only one score is required, but if both scores (CU & LCA) are provided, both are required to be 2.5 or less; or</p> <ul style="list-style-type: none"> • AVM from Clear Capital dated within 90 days of the Note date, or • Collateral Desktop Analysis (CDA) from Clear Capital, or • A second appraisal. <p>If the CU/LCA score exceeds 2.5, the file must include either an AVM from Clear Capital, a CDA from Clear Capital, or a second appraisal.</p> <p>The AVM must show an acceptable FSD score range of 0.00 to 0.13 and the AVM value must be within 10% of the appraised value.</p> <ul style="list-style-type: none"> • If the AVM reflects a value more than 10% below the appraised value or cannot provide a value, the file must include an acceptable CDA from Clear Capital or a second appraisal. <p>If the CDA Desk Review reflects a value more than 10% below the appraised value or cannot provide a validation, the next option would be a second appraisal.</p> <p>A second appraisal must support the original appraised value, else the lower of the two appraisals must be used in the LTV/CLTV calculation.</p> <p>Any appraisal review product or second appraisal may not be from the same appraiser or appraisal company as the original report.</p>
Asset Documentation	<p>Minimum of 30 days asset verification required</p> <ul style="list-style-type: none"> • Any large deposit must be sourced
Document Age	<ul style="list-style-type: none"> • 90 day validity date for the following: <ul style="list-style-type: none"> ◦ Income verification ◦ Mortgage/rental verification ◦ Asset documents/bank statements ◦ Credit report • 120 day validity for the Title Commitment <ul style="list-style-type: none"> ◦ A 24-month title history is required showing transfer dates, price, and buyer and seller names • Appraisals must be dated within 365 days of the Note date, but a recertification of value (1004D) would be required if an appraisal will be more than 120 days old on the date of the Note.
DTI Requirements	<ul style="list-style-type: none"> • Qualification is determined solely based on the debt service coverage ratio (DSCR) of the subject property only, as defined by rents divided by proposed PITIA. • Example: Rents of \$1000 and PITIA of \$800. $DSCR = 1,000/800=1.25$
Eligibility Restrictions	<ul style="list-style-type: none"> • U.S. Citizens and individuals from OFAC-sanctioned countries are not eligible • Florida Purchases: Loans secured by property located in the state of Florida

	<p>made to foreign principals, persons, and entities are to include one of the following Affidavits published by the Florida Land Title Association:</p> <ul style="list-style-type: none"> ○ Conveyances to Foreign Entities - By Individual Buyer ○ Conveyances to Foreign Entities - By Entity Buyer
Escrow Accounts	<p>Escrows for hazard insurance, property taxes and flood (if applicable) are required</p> <ul style="list-style-type: none"> ● See Escrows - Impound Accounts for full details along with waiver requirements
First Time Investor	Allowed
Gift Funds	Not eligible
Derogatory Event Seasoning	<ul style="list-style-type: none"> ● BK/FC/SS/ DIL/Mod: > 36 months ● Forbearance, Modifications, and Deferrals are considered credit events and not included in the housing payment history
Housing Payment History	0x30x12, if documented
Income Requirements	<p>Long-Term Rental Documentation and DSCR Calculation</p> <ul style="list-style-type: none"> ● Purchase Transactions <ul style="list-style-type: none"> ○ 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 ○ A vacant or unleashed property is allowed without an LTV restriction ● Refinance Transactions <ul style="list-style-type: none"> ○ Required documentation includes: <ul style="list-style-type: none"> ■ FNMA Form 1007 or 1025 reflecting long term market rents, and a current lease agreement ■ If the lease has converted to month-to-month, then provide most recent two (2) months proof of receipt to evidence continuance of the lease ○ Monthly Gross Rents are determined by using the actual lease amount or estimated market rent from 1007/1025 as follows: <ul style="list-style-type: none"> ■ If using the lower of the actual lease or estimated market rent, nothing further is required. ■ If using a higher monthly 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

	<p>market rent exceeds the lease amount by more than 120%, the estimated market rent is capped at 120%.</p> <ul style="list-style-type: none"> ○ A vacant or unleashed property is allowed, and an LTV reduction is not required. <ul style="list-style-type: none"> ● DSCR Calculation <ul style="list-style-type: none"> ○ Debt Service Coverage Ratio is the Monthly Gross Rents divided by the PITIA of the subject property. ○ Gross rents divided by PITIA + DSCR <p>Short-Term Rental Income - Purchase and Refinance Transactions</p> <ul style="list-style-type: none"> ● LTV is lesser of 70% for a purchase and 65% for a refinance, or the LTV based upon the DSCR/FICO/Loan balance (excludes Condo Hotel projects). ● DSCR Calculation <ul style="list-style-type: none"> ○ Monthly gross rents based upon a 12-month average to account for seasonality is required ○ Gross rents reduced by 20% to reflect extraordinary costs (i.e. advertising, furnishing, cleaning) associated with operating short-term rental property compared to non-short term property. If the rental documentation referenced below 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. ○ $(\text{Gross Rents} \times .80) \text{ divided by PITIA} = \text{DSCR}$ ● When short-term rental income is documented using multiple sources, the lowest source of monthly income is to be utilized for calculating DSCR. ● Any of the following methods may be used to determine gross monthly rental income: <ul style="list-style-type: none"> ○ A 1007 or 1025 Comparable Rent Schedule prepared by the appraiser reflecting long-term or short-term market rents, or ○ A 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 rental income will exclude all vendor or management fees, or ○ The most recent 12-month bank statements from the borrower evidencing short-term rental deposits. Borrowers must provide rental records for the subject property to support monthly deposits; or ○ AIRDNA Rentalizer and Overview reports. See full guidelines for more details.
Interest Only	<p>Eligible</p> <ul style="list-style-type: none"> ● 30-year total loan term with qualification based upon 20-year amortizing

	payment
Investor Experience	First time investor is eligible
Loan Amounts	<ul style="list-style-type: none"> Minimum: \$150,000 Maximum: \$1,500,000
Occupancy	Investment property only
Prepayment Penalty - Investment Property Only	<ul style="list-style-type: none"> Prepayment period of up to 5 years Penalties not allowed in AK, KS, MI, MN, NM, OH, and RI Penalties not allowed on loans vested to individuals in IL and NJ Penalties not allowed on loan amounts less than \$312,159 in PA Only declining prepayment penalty structures allowed in MS
Property Type	<ul style="list-style-type: none"> Attached/Detached SFR: No restrictions 2-4 Units & Condo Max LTV/CLTV <ul style="list-style-type: none"> Purchase 70% Refinance 65% Condo Hotel Max LTV/CLTV <ul style="list-style-type: none"> Purchase 70% Refinance 65% Rural: Not eligible Un-leased Properties <ul style="list-style-type: none"> Refinance: 5% LTV reduction if vacant Florida Condominiums <ul style="list-style-type: none"> A structural inspection is required for projects: <ul style="list-style-type: none"> Greater than 5 stories; and Over 30 years old, or 25 years old if within 3 miles of the coast Projects with an unacceptable or no inspection are not eligible
Reserve Requirements	<ul style="list-style-type: none"> 12 months PITIA reserves required <ul style="list-style-type: none"> Reserves may be reduced to six (6) months with a 5% LTV reduction Cash out may be used to satisfy requirement <ul style="list-style-type: none"> Follow guidance located in Reserves
State Restrictions	<ul style="list-style-type: none"> Maximum eligible LTVs do not require a market adjustment for this program. Ineligible locations: Puerto Rico, Guam, and the US Virgin Islands
Tradelines	<ul style="list-style-type: none"> Tradelines are not required for borrowers with no U.S. credit If the borrower has U.S. credit, the following is required: <ul style="list-style-type: none"> For each borrower who has three (3) credit scores, the minimum tradeline requirement is waived (all borrowers must be evaluated individually) Each borrower with less than three (3) credit scores must meet the

	<p>following:</p> <ul style="list-style-type: none"> ■ At least three (3) tradelines reporting for a minimum of 12 months, with activity in the last 12 months, or ■ At least two (2) tradelines reporting for a minimum of 24 months, with activity in the last 12 months. ○ Borrowers who do not meet one of the above tradeline requirements, but have a minimum of two credit scores, can alternatively satisfy the tradeline requirements found here: Tradelines
Un-leased Properties	<ul style="list-style-type: none"> ● Refinance <ul style="list-style-type: none"> ○ 5% LTV reduction if appraisal reflects any unit vacant

Investor Solutions (DSCR) - Investment Property

1-4 Unit Investment Property				
>= 1.00		Maximum LTV/CLTV		
Minimum Credit Score	Maximum Loan Amount	Purchase	Rate/Term Refi	Cash-Out Refi
700+	\$1,000,000	80	75	75
	\$1,500,000	80	75	75
	\$2,000,000	75	70	70
	\$3,000,000	70	65	65
660	\$1,000,000	75	75	70
	\$1,500,000	75	70	70
	\$2,000,000	70	65	65
	\$2,500,000	70	65	65
	\$3,000,000	65	NA	NA
640 ¹	\$1,000,000	75	70	NA
	\$1,500,000	65	65	NA
	\$2,000,000	65	NA	NA
	\$3,000,000	60	NA	NA

¹ Interest Only: Minimum Credit Score 660

< 1.00		Maximum LTV/CLTV		
Minimum Credit Score	Maximum Loan Amount	Purchase	Rate/Term Refi	Cash-Out Refi
700	\$1,000,000	75	70	70
	\$1,500,000	75	70	70
	\$2,000,000	70	65	65
	\$2,500,000	65	NA	NA
	\$3,000,000	60	NA	NA
680	\$1,000,000	70	65	NA
	\$1,500,000	70	65	NA
	\$2,000,000	65	60	NA
	\$3,000,000	60	NA	NA
660	\$1,000,000	65	NA	NA

Investor Solutions Program Parameters

Eligible Transactions	<ul style="list-style-type: none"> 30-Yr Fixed 30-Yr Fixed Interest Only 15-Yr Fixed 5/6 ARM 5/6 ARM Interest Only 7/6 ARM 7/6 ARM Interest Only 10/6 ARM 10/6 ARM Interest Only 				
Octane Programs	<table> <tr> <th colspan="2">Octane Product Codes</th></tr> <tr> <td>NCDSCR30</td><td>Non-Agency Investor Solutions - DSCR-30 Year Fixed-Verus</td></tr> </table>	Octane Product Codes		NCDSCR30	Non-Agency Investor Solutions - DSCR-30 Year Fixed-Verus
Octane Product Codes					
NCDSCR30	Non-Agency Investor Solutions - DSCR-30 Year Fixed-Verus				

	NCDSCR30IO	Non-Agency Investor Solutions - DSCR-30 Year Fixed Interest Only -Verus
	NCDSCR15	Non-Agency Investor Solutions - DSCR-15 Year Fixed-Verus
	NCDSCR5/6	Non-Agency Investor Solutions - DSCR - 5/6 ARM - Verus
	NCDSCR5/6IO	Non-Agency Investor Solutions - DSCR - 5/6 ARM Interest Only - Verus
	NCDSCR7/6	Non-Agency Investor Solutions - DSCR - 7/6 ARM - Verus
	NCDSCR7/6IO	Non-Agency Investor Solutions - DSCR - 7/6 ARM Interest Only - Verus
	NCDSCR10/6	Non-Agency Investor Solutions - DSCR - 10/6 ARM - Verus
	NCDSCR10/6IO	Non-Agency Investor Solutions - DSCR - 10/6 ARM Interest Only - Verus
Loan Purpose	<ul style="list-style-type: none"> • Purchase • Rate/Term Refinance • Cash-out Refinance <ul style="list-style-type: none"> ◦ Max Cash Out <ul style="list-style-type: none"> ■ LTV >= 65%: \$500,000 ■ LTV < 65%: \$1,000,000 ■ Total equity withdrawn cannot exceed the above limits <ul style="list-style-type: none"> • Not applicable to Delayed Financing transactions 	
Acreage	<ul style="list-style-type: none"> • Property up to 2 acres that do not meet definition of rural: Eligible 	
Appraisals	<ul style="list-style-type: none"> • Two appraisals required when any of the following conditions exist: <ul style="list-style-type: none"> ◦ Loan amounts > \$2,000,000, ◦ The transaction is a flip as defined in the Property Flipping section of this guide, ◦ As required under the Appraisal Review guidelines below. • When a second appraisal is provided, the “appraised value” will be the lower of the two appraisals. 	
Appraisal - Declining Market	<p>If the appraisal report identifies the property in a declining market:</p> <ul style="list-style-type: none"> • Maximum LTV/CLTV is limited to 75% for purchase and 70% for rate/term and cash-out refinance transactions • Maximum loan amount is limited to \$2,000,000 	

Appraisal Review	<p>An appraisal review product is required on every loan unless a second appraisal is obtained. Four (4) options are available:</p> <ul style="list-style-type: none"> • A Collateral Underwriter (CU) or Loan Collateral Advisor (LCA) with an eligible score of 2.5 or less. The file must include a copy of the Submission Summary Report (SSR). Only one score is required, but if both scores (CU & LCA) are provided, both are required to be 2.5 or less; or • AVM from Clear Capital dated within 90 days of the Note date, or • Collateral Desktop Analysis (CDA) from Clear Capital, or • A second appraisal. <p>If the CU/LCA score exceeds 2.5, the file must include either an AVM from Clear Capital, a CDA from Clear Capital, or a second appraisal.</p> <p>The AVM must show an acceptable FSD score range of 0.00 to 0.13 and the AVM value must be within 10% of the appraised value.</p> <ul style="list-style-type: none"> • If the AVM reflects a value more than 10% below the appraised value or cannot provide a value, the file must include an acceptable CDA from Clear Capital or a second appraisal. <p>If the CDA Desk Review reflects a value more than 10% below the appraised value or cannot provide a validation, the next option would be a second appraisal.</p> <p>A second appraisal must support the original appraised value, else the lower of the two appraisals must be used in the LTV/CLTV calculation.</p> <p>Any appraisal review product or second appraisal may not be from the same appraiser or appraisal company as the original report.</p>
Asset Documentation	<p>Minimum of 30 days asset verification required</p>
Document Age	<ul style="list-style-type: none"> • 90 day validity date for the following: <ul style="list-style-type: none"> ○ Mortgage/rental verification ○ Asset documents/bank statements ○ Credit report • 120 day validity for the Title Commitment <ul style="list-style-type: none"> ○ A 24-month title history is required showing transfer dates, price, and buyer and seller names • Appraisals must be dated within 365 days of the Note date, but a recertification of value (1004D) would be required if an appraisal will be more than 120 days old on the date of the Note.
DTI Requirements	<ul style="list-style-type: none"> • Qualification is determined solely based on the debt service coverage ratio (DSCR) of the subject property only, as defined by rents divided by proposed PITIA. • Example: Rents of \$1000 and PITIA of \$800. $DSCR = 1,000/800=1.25$

Escrow Accounts	<p>Escrows for hazard insurance, property taxes and flood (if applicable) are required</p> <ul style="list-style-type: none"> See Escrows - Impound Accounts for full details along with waiver requirements
Gift Funds	Eligible after minimum down payment by borrower of 10% from own funds
Derogatory Event Seasoning	BK/FC/SS/ DIL: >= 48 months
Housing Payment History	0x30x12
Income Requirements	<p>Long-Term Rental Documentation and DSCR Calculation</p> <ul style="list-style-type: none"> Purchase Transactions <ul style="list-style-type: none"> 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 A vacant or unleashed property is allowed without an LTV restriction Refinance Transactions <ul style="list-style-type: none"> Required documentation: <ul style="list-style-type: none"> FNMA Form 1007 or 1025 reflecting long term market rents, and a current lease agreement If the lease has converted to month-to-month, then provide most recent two (2) months proof of receipt to evidence continuance of the lease. If unable to provide evidence of receipt, the unit will be treated as vacant and subject to the following: <ul style="list-style-type: none"> 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 the 1007/1025 as follows: <ul style="list-style-type: none"> If using the lower of the actual lease amount or estimated market rent, nothing further is required. If using a higher monthly 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%. A vacant or unleashed property is allowed, subject to the following: <ul style="list-style-type: none"> LTV/CLTV limits - lesser of 70%, or the LTV/CLTV based upon the DSCR/FICO/Loan balance matrix DSCR Calculation <ul style="list-style-type: none"> Debt Service Coverage Ratio is the Monthly Gross Rents divided by the

	<p>PITIA of the subject property.</p> <ul style="list-style-type: none"> Gross rents divided by PITIA + DSCR <p>Short-Term Rental Income - Purchase and Refinance Transactions</p> <ul style="list-style-type: none"> LTV is lesser of 75% for a purchase and 70% for a refinance, or the LTV based upon the DSCR/FICO/Loan balance (excludes Condo Hotel projects) DSCR Calculation <ul style="list-style-type: none"> Monthly gross rents based upon a 12-month average to account for seasonality is required Gross rents reduced by 20% to reflect extraordinary costs (i.e. advertising, furnishing, cleaning) associated with operating short-term rental property compared to non-short term property. If the rental documentation referenced below 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. $(\text{Gross Rents} \times .80) \text{ divided by PITIA} = \text{DSCR}$ When short-term rental income is documented using multiple sources, the lowest source of monthly income is to be utilized for calculating DSCR. Any of the following methods may be used to determine gross monthly rental income: <ul style="list-style-type: none"> A 1007 or 1025 Comparable Rent Schedule prepared by the appraiser reflecting long-term or short-term market rents, or A 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 rental income will exclude all vendor or management fees, or The most recent 12-month bank statements from the borrower evidencing short-term rental deposits. Borrowers must provide rental records for the subject property to support monthly deposits; or AIRDNA Rentalizer and Overview reports. See full guidelines for more details.
Investor Experience	<p>Experienced Investor</p> <ul style="list-style-type: none"> Borrower must have a history of owning and managing commercial or non-owner occupied residential real estate for at least 1 year in the last 3 years <p>First-Time Investor</p> <ul style="list-style-type: none"> First-time investors are eligible subject to the following restrictions: <ul style="list-style-type: none"> Minimum credit score 680

	<ul style="list-style-type: none"> ○ If reported, no mortgage late payments during the past 36 months ○ Any Credit or Housing Event Seasoning must be ≥ 36 months ○ Owned a primary residence for at least 1 year ○ Cash-out is ineligible ● First Time Home Buyer: Not eligible
Interest Only	Eligible <ul style="list-style-type: none"> ● Minimum credit score 680 ● Maximum LTV <ul style="list-style-type: none"> ○ 75% Purchase ○ 75% Rate/Term ○ 70% Cash Out ● 30-year total loan term with qualification based upon 20-year amortizing payment
Loan Amounts	<ul style="list-style-type: none"> ● Minimum: \$100,000 <ul style="list-style-type: none"> ○ Loan amount $< \\$150,000$ <ul style="list-style-type: none"> ■ Max LTV/CLTV Purchase 70% ■ Max LTV/CLTV Any Refinance 65% ■ Minimum DSCR 1.25 ● Maximum: \$3,000,000
Occupancy	Investment
Property Type	<ul style="list-style-type: none"> ● Attached/Detached SFR: No restrictions ● 2-4 Units & Condo: <ul style="list-style-type: none"> ○ Purchase and Rate/Term Refi Max LTV/CLTV 75% ○ Cash Out Refi Max LTV/CLTV 70% ● Condo Hotel Max LTV/CLTV: <ul style="list-style-type: none"> ○ Purchase 75% ○ Refinance 65% ● Rural: Not eligible ● Florida Condominiums <ul style="list-style-type: none"> ○ A structural inspection is required for projects: <ul style="list-style-type: none"> ■ Greater than 5 stories; and ■ Over 30 years old, or 25 years old if within 3 miles of the coast ○ Projects with an unacceptable or no inspection are not eligible
Prepayment Penalty	<ul style="list-style-type: none"> ● Prepayment period of up to 5 years ● Penalties not allowed in n AK, KS, MI, MN, NM, OH and RI ● Penalties not allowed on loans vested to individuals in IL and NJ ● Penalties not allowed on loan amounts less than \$312,159 in PA ● Only declining prepayment penalty structures allowed in MS

Reserve Requirements	<ul style="list-style-type: none"> Loan Amount <= \$1.5 million: 2 months PITIA required Loan Amount > \$1.5 million: 6 months PITIA required Loan amount > \$2.5 million: 12 months PITIA required Cash out may be used to satisfy requirement <ul style="list-style-type: none"> Follow guidance located in Reserves
State Restrictions	<p>State Overlays for CT, IL, NJ, and NY</p> <ul style="list-style-type: none"> Maximum LTV/CLTV limited to 75% for purchase and 70% for rate/term and cash-out refinance transactions Maximum loan amount is limited to \$2,000,000 <p>Ineligible locations: Puerto Rico, Guam and the US Virgin Islands</p>
Tradelines	<ul style="list-style-type: none"> For each borrower who has three (3) credit scores, the minimum tradeline requirement is waived (all borrowers must be evaluated individually) Each borrower with less than three (3) credit scores must meet the following minimum tradeline requirements. <ul style="list-style-type: none"> At least three (3) tradelines reporting for a minimum of 12 months, with activity in the last 12 months, or At least two (2) tradelines reporting for a minimum of 24 months, with activity in the last 12 months. Borrowers who do not meet one of the above tradeline requirements, but have a minimum of two credit scores, can alternatively satisfy the tradeline requirements found here: Tradelines
Un-leased Properties	<ul style="list-style-type: none"> Refinance <ul style="list-style-type: none"> Long-term rental: A vacant or unleased property is allowed subject to LTV of 70% Pricing is based upon the DSCR from the gross rents on the 1007. Not applicable for short-term rentals. See Short Term Rental Income Section for more details

~~State / CBSA Overlay Table – as of 2.26.24~~

Verus has removed the State / CBSA overlay table and has incorporated any state eligibility restrictions inside of the LTV matrices.

State and Federal High-Cost Loans

Verus does not purchase loans that are subject to the Home Ownership and Equity Protection Act of 1994 (HOEPA), also known as “federal high cost” mortgages.

Further, Verus does not purchase mortgage loans that meet the definition of “high cost”, “high risk”, “covered”, “subprime”, or any similar designation under state or local law.

New York Subprime Definition

Subprime home loan means a home loan in which the initial interest rate or the fully-indexed rate, whichever is higher, exceeds by more than one and three-quarters percentage points for a first-lien loan, or by more than three and three-quarters percentage points for a subordinate-lien loan, the average commitment rate for loans in the northeast region with a comparable duration to the duration of such home loan, as published by the Federal Home Loan Mortgage Corporation (herein “Freddie Mac”) in its weekly Primary Mortgage Market Survey (PMMS) posted in the week prior to the week in which the lender provides the Loan Estimate.

Resource Material

Please reference [Resource | Verus Mortgage Capital Correspondent Products](#) for additional information surrounding the origination, processing, and underwriting of this product suite.

ARM Terms

Qualifying Rate

The qualifying rate is the higher of the fully indexed rate or the Note rate, with the exception of Investor Solutions DSCR that uses the Note rate for qualifying on all ARM products.

Qualifying Payment

The qualifying payment is based on the amortization term. For interest-only loans, this is the remaining term after expiration of the interest-only period (i.e. 20 years). Single asset DSCR loans secured by 1-4 unit properties can be qualified using the interest-only payment.

Index

The Index is the 30-day average SOFR (Secured Overnight Financing Rate).

Caps

5/6 ARM

- Initial adjustment cap 2%
- Subsequent adjustment cap 1%
- Lifetime adjustment cap 5%

7/6 ARM

- Initial adjustment cap 5%
- Subsequent adjustment cap 1%

- Lifetime adjustment cap 5%

10/6 ARM

- Initial adjustment cap 5%
- Subsequent adjustment cap 1%
- Lifetime adjustment cap 5%

Adjustment Reset Period

The adjustment reset period after the initial fixed period is 6 months.

Lookback Period

45 days

Margin

Refer to Lock Desk

Floor

The interest rate floor is the margin.

Assumability

Not eligible

Interest-Only Programs

The qualifying payment is based on the amortization term. For interest-only loans, this is the remaining term after expiration of the interest-only period (i.e. 20 years). Single asset DSCR loans secured by 1-4 unit properties can be qualified using the interest-only payment.

State and CBSA-Specific Eligibility Restrictions

Verus has removed the State / CBSA overlay table and has incorporated any state eligibility restrictions inside of the LTV matrices.

Solar Panel Requirements

The ownership and debt financing structures commonly found with solar panels are key to determining whether the panels are third-party owned, personal property of the homeowner, or a fixture to the real estate. Common ownership or financing structures include:

- Borrower-owned panels,
- Leasing agreements,
- Separately financed solar panels (where the panels serve as collateral for debt distinct from any existing mortgage), or
- Power purchase agreements.

Properties with solar panels are eligible for purchase. If the borrower is, or will be, the owner of the solar panels (meaning the panels were a cash purchase, were included in the home purchase price, were otherwise financed and repaid in full, or are secured by the existing first mortgage), standard requirements apply (for example, appraisal, insurance, and title).

A determination for ownership and any financing structure of the subject property's solar panels must be made to properly underwrite the loan and maintain first lien position of the mortgage. When financing is involved, an evaluation of the borrower's credit report for solar-related debt and obtaining related documentation for the loan is required. A review of the title report is required to determine if the related debt is reflected in the land records associated with the subject property. If insufficient documentation is available and the ownership status of the panels is unclear, no value for the panels may be attributed to the property value on the appraisal unless a UCC "personal property" search is obtained that confirms the solar panels are not claimed as collateral by any non-mortgage lender.

A Uniform Commercial Code (UCC) financing statement that covers personal property and is not intended as a "fixture filing" must be filed in the office identified in the relevant state's adopted version of the UCC.

The appraiser must also ensure accurate information about the ownership structure of the solar panels is noted and the appraisal appropriately addresses any impact to the property's value. Separately financed solar panels must not contribute to the value of the property unless the related documents indicate the panels cannot be repossessed in the event of default on the associated financing. Any contributory value for owned or financed solar panels must be noted in the Improvements Section of the Appraisal Report.

Solar Panel(s) Owned

Solar panels purchased through financing may or may not include the real estate as collateral.

Financed and Collateralized (UCC on title)

The solar panels are collateral for the separate debt used to purchase the panels, but they are a fixture to the real estate because a UCC fixture filing* has been filed for the panels in the real estate records (on title report).

Note: A Notice of Independent Solar Energy Producer Contract on title is not to be treated as a UCC fixture filing*.

As a lender, we must:

- Obtain and review the credit report, title report, appraisal, and/or UCC fixture filing*, related promissory note, and related security agreement that reflects the terms of the secured loan;
- Include the debt liability in the DTI ratio calculation;
- Provided that the panels cannot be repossessed for default on the financing terms, instruct the appraiser to consider the solar panels in the value of the property (based on standard appraisal requirements); and
- Include the solar panels financing balance in the LTV/CLTV ratio calculation (if unable to obtain, utilize original balance). The UCC fixture filing* must be subordinated with one of the following:
 - Subordination Agreement
 - UCC Termination
 - Debt obligation is to be included in debt-to-income ratio and LTV/CLTV unless proof is provided verifying the debt has been paid down to zero (UCC termination does not automatically verify the debt is paid off).
- CLTA Endorsement 1 50-06 is not eligible to be used in lieu of a Subordination Agreement or UCC Termination.

*A fixture filing is a UCC-1 financing statement authorized and made in accordance with the UCC adopted in the state in which the related real property is located. It covers property that is, or will be, affixed to improvements to such real property. It contains both a description of the collateral that is or is to be affixed to that such property, and a description of such property. It is filed in the same office that mortgages are recorded under the law of the state in which the real property is located. Filing in the land records provides notice to third parties, including title insurance companies, of the existence and perfection of a security interest in the fixture. If properly filed, the security interest in the described fixture has priority over the lien of a subsequently recorded mortgage.

Financed and Collateralized (UCC not on title)

The solar panels are reported to be collateral for separate (non-mortgage) debt used to purchase the panels, but do not appear on the title report.

Note: A Notice of Independent Solar Energy Producer Contract on title is not to be treated as a UCC fixture filing.

As a lender, we must:

- Obtain and review documentation sufficient to confirm the terms of the secured loan (such as copies of the credit report, title report, and any UCC financing statements, related promissory note, or related security agreement);
- Include the debt obligation in the DTI ratio calculation;
- Instruct the appraiser not to provide contributory value of the solar panels towards the appraised value because the panels are collateral for another debt;
- Do not include the panels in the LTV ratio calculation; and

- If a previously filed UCC was temporarily removed from title through a UCC termination, evidence must be provided that the UCC was paid in full, otherwise the financed balance must be included in LTV/CLTV.

PACE (Property Assessed Clean Energy)

PACE allows homeowners to finance energy improvements through an assessment in their annual property tax bills.

- Properties with solar panels and other energy efficient items financed with a PACE loan are not eligible if the PACE loan is not paid in full prior to or at closing.
 - PACE loans, in some cases, are also referred to as HERO loans
 - Any property tax statement that reflects PACE, HERO, or equivalent will require proof of payoff
 - If loan proceeds are used to pay off the PACE loan, the transaction will be considered cash out.

Properties with Solar Panels that are Leased or Covered by a Power Purchase Agreement

If the solar panels are leased from or owned by a third party under a power purchase agreement or other similar lease arrangement, the following requirements apply (whether to the original agreement or as subsequently amended).

- Copies of the lease or power purchase agreement must be obtained and reviewed
- The monthly lease payment must be included in the DTI ratio calculation unless the lease is structured to:
 - Provide delivery of a specific amount of energy at a fixed payment during a given period, and
 - Have a production guarantee that compensates the borrower on a prorated basis in the event the solar panels fail to meet the energy output required for in the lease for that period.
- Payments under power purchase agreements where the payment is calculated solely based on the energy produced may be excluded from the DTI ratio.
- The value of the solar panels cannot be included in the appraised value of the property.
- The value of the solar panels must not be included in the LTV ratio calculation, even if a precautionary UCC filing is recorded because the documented lease or power purchase agreement status takes priority.
 - A “precautionary” UCC filing is one that lessors often file to put third parties on notice of their claimed ownership interest in the property described in it.
 - When the only property described in the UCC filing as collateral is the solar equipment covered by the lease or power purchase agreement and not the home or underlying land, such a precautionary UCC filing is acceptable (and a minor impediment to title) as long as the loan is underwritten in accordance with this topic.
- The property must maintain access to an alternate source of electric power that meets community standards.

- The lease or power purchase agreement must indicate that:
 - Any damage that occurs as a result of installation, malfunction, manufacturing defect, or the removal of the solar panels is the responsibility of the owner of the equipment and the owner must be obligated to repair the damage and return the improvements to their original or prior condition (for example, sound and watertight conditions that are architecturally consistent with the home);
 - The owner of the solar panels agrees not to be named loss payee (or named insured) on the property owner's property insurance policy covering the residential structure on which the panels are attached. As an alternative to this requirement, the lender may verify that the owner of the solar panels is not a named loss payee (or named insured) on the property owner's property insurance policy; and
 - In the event of foreclosure, the lender or assignee has the discretion to:
 - Terminate the lease/agreement and required the third-party owner to remove the equipment;
 - Become, without payment of any transfer or similar fee, the beneficiary of the borrower's lease/agreement with the third party; or
 - Enter into a new lease/agreement with the third party, under terms no less favorable than the prior owner.

Private Mortgage Insurance

PMI is not required on any loan program

Borrower Eligibility

U.S. Citizen

Eligible without guideline restrictions

Permanent Resident Alien

Definition: An alien admitted to the United States as a lawful permanent resident and are legally accorded the privilege of residing permanently in the U.S.

Eligible without guideline restrictions but must provide acceptable evidence of permanent residency to include the following:

- Alien Registration Receipt Card I-155 (Resident Alien Card), or
- Alien Registration Receipt Card I-155 that does not have an expiration date on the back, or
- Alien Registration Receipt Card I-155 (Conditional Resident Alien Card) that has an expiration date on the back, and is accompanied by a copy of the filed INS Form I-751 (petition to remove conditions), or

- Non-expired foreign passport that contains a non-expired stamp (valid for a minimum of three years) reading “Processed for I-551 Temporary Evidence of Lawful Admission for Permanent Residence. Valid until [mm-dd-yy]. Employment Authorized.”

Non-Permanent Resident Alien

Definition: An individual admitted to the United States as a lawful temporary resident and is legally accorded the privilege of residing temporarily in the United States

Validation that the borrower has employment authorization is required. This may be documented with either an EAD or a VISA permitting employment.

Borrower Eligibility Requirements

- Residing in U.S. for at least 2 years; and
- Must have been employed in the U.S. for at least 2 years as evidenced on the loan application; and
- Must have a valid Social Security Number(s); and
- Must have established U.S. credit (per product requirements).

Employment Status Documentation

- Employment Authorization Documents - provide one of the following:
 - A valid current Employment Authorization Document (EAD) Form I-766 is required for U.S. employment if the borrower is not sponsored by a current employer.
 - If the EAD will expire within six (6) months of the loan application date, it is acceptable to obtain a letter from the employer documenting the borrower's continued employment and continued EAD renewal. The employer on the loan application must be the same as on the unexpired EAD. The EAD documentation is acceptable up to 540 days if an automatic extension has been granted.
 - Form I-765 Application for Employment Authorization. The form must reflect approval status in the Action Block (upper right-hand corner of the form).
 - Form I-797, I-797A, I-797B, or I-797C conveying approval status. Petitioner to match employer name on application.
- If EAD is not provided, employment authorization may be evidenced by certain VISA types. The following VISA types are acceptable:
 - E-1, E-2, E-3, G-1 through G-5, H-1B, L-1A, L-1B, O-1, R-1
 - Other VISA types permitting employment may be considered. See the U.S. Dept of State Website at [Directory of Visa Categories](#) along with [Chapter 2 | Documentation Standards | Lending Guide](#)
- Asylum - Individuals granted asylum are eligible. Documentation includes one of the following:
 - Form I-766 Employment Authorization referencing C08, or
 - Form I-94, Arrival/Departure Record
 - After being granted asylum in the United States, DHS issues a Form I-94, Arrival/Departure Record, to asylees.

- I-94 will contain a stamp or notation, such as “asylum granted indefinitely” or the appropriate provision of law (8 CFR 274a.12(a)(5) or INA 208) to show their employment authorization.
- The asylee does not need to present a foreign passport with this Form I-94.
- An asylee can also present an electronic Form I-94 with an admission class of “AY”.
- Deferred Action for Childhood Arrivals (DACA) - provide one of the following:
 - Form I-766 Employment Authorization Document (EAD) referencing code C33, or
 - Form I-797 conveying approval status for Case Type I765-Application for Employment Authorization referencing code C33, or
 - Form I-765 Application for Employment Authorization. The form must reflect approval status in the Action Block (upper right-hand corner of the form).

Guideline restrictions include the following:

- Standard or Alt Documentation limited to 24 months only. Maximum LTV / CLTV limited to 80%
- DSCR Documentation (Investment Only): Maximum LTV/CLTV 75%
- Non-occupant co-borrowers are not allowed,
- Gift funds are not allowed.

Foreign National

A Foreign National is a non-resident alien who is not authorized to live or work in the United States. A Foreign National may periodically visit the U.S. for various reasons including vacation and/or business. To be eligible, the borrower must live and work in another country and be a legal resident of that same country. They may not purchase property intended for use as a primary residence.

Foreign National borrowers are eligible under the following matrices:

- Foreign National (DSCR - Investment properties)

Foreign Nationals are not eligible under the following matrices:

- Prime Ascent Plus
- Prime Ascent
- Credit Ascent

Foreign National is limited to the following occupancy:

- Non-owner occupied investment
- Foreign National borrowers may not occupy the subject property as their primary residence.

Any borrower(s) identified on OFAC sanction list are ineligible.

Foreign Residency

A foreign national borrower must evidence their primary residence as follows:

- Primary residence in a foreign country
 - The loan application must include the borrower's full legal name, phone number, address including flat, floor, unit or house number, street name, city, province/state along with a postal code
- Primary residence in the U.S.
 - The loan application must include the borrower's address for their primary residence
 - Provide evidence of ownership (e.g., Property Profile Report, Fraud Report, Settlement Statement, Closing Disclosure)
 - ITIN borrowers who do not own a primary residence in the U.S. are ineligible
 - Housing history must meet program requirements
- ~~● Borrower to provide a third-party document with an address that matches the primary residence on the application, e.g., lease agreement, utility bill, or financial statement.~~
- ~~● The Borrower Contact Consent Form is required.~~

Automatic Payment Authorization (ACH)

An Automatic Payment Authorization (ACH) Form is required for all foreign national borrowers. Funds must be from a United States bank. The executed (ACH) enrollment form must be included in the closed loan submission package. The ACH enrollment form must include the bank routing number, account number, and account type. Borrowers may select a date within the grace period stated on the Note.

Foreign National Program Specific Documentation Requirements

- The following are required as evidence the borrower is in the U.S. legally:
 - Copy of the borrowers valid and unexpired passport (including photograph)
 - ITIN borrowers to provide the following:
 - Copy of unexpired government photo ID (e.g., driver's license, passport), and
 - ITIN card or letter from IRS assigning the ITIN number to the borrower
- For DSCR transactions, if a non-U.S. citizen is borrowing with a U.S. citizen, foreign national documentation requirements do not apply.
- OFAC SDN screening: See [Individuals](#) for criteria.
- OFAC Sanctioned Countries: See [Foreign Countries](#) for criteria.
- Verus requires all Florida loans submitted for purchase made to foreign principals, persons, and entities include the applicable Buyer's Affidavit
- Individuals with Diplomatic immunity are ineligible. Immunity status is listed on the reverse side of the U.S. issued ID card or at [Historical Diplomatic List](#).
- 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. The following link to determine if the country is part of the Hague Convention: [Apostille Requirements](#)

- Model Apostille forms can be found on the following link: [Apostille Section](#)
- Power of Attorney (POA) is not allowed

Qualifying U.S. Credit

- For foreign national borrowers with a valid Social Security number or ITIN, a credit report should be obtained. Follow the Credit section of this guide.
 - In all cases, credit report must be included in the file evidencing the borrower's score or score is not available
 - ITIN borrowers who do not own a primary residence in the U.S. are ineligible
- Restrictions when qualifying with U.S. credit:
 - Minimum Credit Score: 680
 - Investment property only

Housing History - Foreign National

A housing history is required for the following:

- Primary residence if the borrower resides in the U.S.
- Subject property refinance transactions (including cash out)

Foreign National Income

- DSCR Income Documentation Type - Investor Cash Flow (Debt Service Coverage) - Investment Property
- See Foreign National matrix for eligibility

Foreign National Assets

Reserves

Six (6) months of reserves are required.

Assets Held in Foreign Accounts

Assets held in foreign accounts may be used as a source of funds to close and to meet applicable reserve requirements. One of the following options may be utilized:

- Transferred to a U.S. domiciled account in the borrower's name at least ten (10) days prior to closing, unless funds are held in a foreign bank with U.S. branches insured by the FDIC; or
- Verified funds for closing to be wired directly to the closing agent.
 - Wire transfer to include bank name, account holder name, and account number.
 - The bank used as source of wire transfer must match the bank holding the assets verified in the loan file.
- Documenting Assets Held in Foreign Accounts

- Assets must be verified in U.S. dollar equivalency at the current exchange rate via either www.ex.com or the Wall Street Journal conversion table
- A copy of the most recent statement of that account must be provided
- See the Asset Documentation section of this guide for eligible sources and types of assets.
- Reserves may remain in a foreign bank account.

Gift Funds

Gift funds are not allowed on the Foreign National program

Non-Occupant Co-Borrowers

Non-occupant co-borrowers are credit applicants on a principal residence transaction who do not occupy the subject property and are eligible with some restrictions:

- Primary purchase transactions only
- Standard Documentation only for both the occupant and non-occupant borrower(s)
- Borrower(s) and co-borrower(s) must complete and sign a Non-Occupant Co-Borrower Certification.
- Occupying borrower(s) must have a DTI ratio of 60% or less. This excludes the income / debts of the non-occupant co-borrower(s).
 - Overall DTI for all borrowers must adhere to requirements per the program matrix
- The non-occupant co-borrower must be included on title to the subject property

First-Time Home Buyers

An individual is to be considered a first-time homebuyer who:

- Is purchasing the subject property; and
- Had no ownership interest (sole or joint) in a residential property during the three-year period preceding the application date of the purchase of the subject.

In addition, an individual who is a displaced homemaker or single parent also will be considered a first-time homebuyer if he or she had no ownership interest in a principal residence (other than joint ownership interest with a spouse) during the preceding three-year time period.

The following requirements apply to a first-time homebuyer transaction:

- Primary residence only,
- DTI may not exceed 45%,
- Minimum six (6) months reserves,
- 12-month rental history is required, reflecting 0x30 payment history.
 - First time home buyers with less than 12-month rental history:
 - DTI may not exceed 43%
 - LTV may not exceed 80%
 - Any available portion of a 12-month housing history must be paid as agreed.

Ineligible Borrowers

- Irrevocable Trust
- Land Trust
- Blind Trust
- Borrowers with diplomatic immunity or otherwise excluded from U.S. jurisdiction
- Persons from OFAC sanctioned countries and persons sanctioned by OFAC
- Not-for-profit entity
- ITIN borrowers who are not Foreign Nationals
- 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.

Title Vesting and Ownership

Ownership must be in fee simple title

Eligible forms of vesting are:

- Individuals,
- Joint tenants,
- Tenants in common,
- Inter vivos revocable trust

Ineligible forms of vesting are:

- Land trusts
- IRAs
- Blind trusts
- Irrevocable trust
- Not-for-profit entity
- Limited Liability Company (LLC)

Inter Vivos Revocable Trust

Title vesting in an inter vivos revocable trust is permitted when the requirements set forth in this section are followed. The Fannie Mae requirements should be followed to the extent this section is silent.

An inter vivos revocable trust is a trust that:

- An individual creates during their lifetime;
- Becomes effective during its creator's lifetime; and
- Can be changed or canceled by its creator at any time, for any reason, during that individual's lifetime.

Trust eligibility is not affected if the trust documents contain a provision that the trust will, in the future, become irrevocable upon the death of one of the settlors/trustees.

Trust and Trustee Requirements

The trust must be established by one or more natural persons, solely or jointly. The primary beneficiary of the trust must be the individual(s) establishing the trust. If the trust is established jointly, there may be more than one primary beneficiary as long as the income or assets of at least one of the individuals establishing the trust will be used to qualify for the mortgage.

The trustee must include either:

- The individual establishing the trust (or at least one of the individuals, if two (2) or more)
- An institutional trustee that customarily performs trust functions in, and is authorized to act as trustee under the laws of, the applicable state.

The trustee must have the power to hold the title, and mortgage the property for the purpose of securing a loan to the individual(s) who are the borrower(s) under the mortgage or note. One or more of the trustees establishing the trust must use personal income or assets to qualify for the mortgage.

The following documentation is required:

- Fully executed and notarized Certificate of Trust
 - Or as applicable under state law
- If the trust was created under the laws of Louisiana
 - Trust Extract
- If allowed by state law, alternative trust documentation may be acceptable.
- Trust documents are to verify the following:
 - Trust is revocable
 - Borrower is the trustee and settler of the trust
 - Borrower is the primary beneficiary of the trust, when disclosed
 - Trustee is:
 - Duly qualified under applicable law to serve as trustee
 - Fully authorized under the trust documents and applicable law to pledge or otherwise encumber the trust assets.

Power of Attorney

A Power of Attorney is acceptable when all of the following are met:

- It must be specific to the transaction;
- It is recorded with the Mortgage/Deed of Trust;
- It contains an expiration date;
- It is used to execute only the final loan documents; and
- The borrower who executed the POA signed the initial 1003, and
- An interested party to the transaction (such as seller, broker, loan officer, realtor, etc.) may not act as Power of Attorney.

- Not eligible for cash-out transactions.
- Not eligible with Foreign National borrowers.

Borrower Statement of Occupancy

The borrower must acknowledge the intended purpose of the subject property (Primary, Second Home, Investment) by completing and signing the appropriate sections of the Occupancy Certification.

Borrower Statement of Business Purpose (DSCR - Investment Property)

All DSCR transactions require the borrower to acknowledge the loan is a business purpose loan by completing and signing the appropriate sections of the Borrower Certification of Business Purpose. Verus reserves the right to decline any loan that may indicate the property is not intended exclusively for investment purposes.

Common red flags include, but are not limited to:

- Subject property value significantly exceeds the value of the borrower's primary residence,
- The borrower is a first-time homebuyer and currently living rent-free or renting his/her primary residence,
- Subject property could reasonably function as a second home,
- Borrower documents show subject property as current residence.

Transaction Types

Eligible Transactions

Purchase

- Proceeds from the transaction are used to finance the acquisition of the subject property
- LTV/CLTV is based upon the lesser of the sales price or appraised value
- Assignment of contract of finder's fees reflected on the purchase contract are not eligible to be included in the sales price or associated with the LTV/CLTV calculation.
- **Arm's Length For-Sale-By-Owner (FSBO) transactions allowed**
 - **If Non-Arm's Length, following guidelines in the following section [Non-Arm's Length Transaction](#)**
- **Ensure the transaction is compliant with the Higher Priced Mortgage Loan appraisal rule.**
- The loan file must include a fully executed agreement (purchase contract) of sale and counteroffer (if applicable) reflecting the following:
 - The purchase contract cannot be expired,
 - Borrower as the purchaser of the property,
 - Seller as the vested owner on title,
 - Correct sales price,
 - Amount of down payment,
 - Closing dates,

- Concessions and seller contributions.

Rate/Term Refinance

- Proceeds from the transaction are used to:
 - Pay off an existing first mortgage loan and any subordinate loan used to acquire the property,
 - Pay off any subordinate loan not used in the acquisition of the subject property, provided one of the following apply:
 - Closed-end loan, at least 12 months of seasoning has occurred,
 - HELOC, at least 12 months of seasoning has occurred and total draws over the past 12 months are less than \$2,000.
 - For business purpose transactions, any draw over the life of the loan may not have been used for personal use.
 - Business purpose transactions will require a draw history schedule, along with an attestation from the borrower that none of the advances were used for personal/consumer use.
 - Buy out a co-owner pursuant to an agreement,
 - Pay off an installment land contract executed more than 12 months from the loan application date.
- Other considerations:
 - Cash back in an amount not to exceed the lesser of 2% of the new loan amount or \$5,000 can be included in the transaction,
 - If the subject property was acquired greater than six (6) months, **as measured from the property acquisition date to the new Note date**, the appraised value will be used to determine the LTV/CLTC.
 - If the property was acquired less than or equal to six (6) months, **as measured from the property acquisition date to the new Note date**, the lesser of the current appraised value or previous purchase price plus documented improvements (if any) will be used to determine the LTV/CLTV. The purchase settlement statement and any invoices for materials/labor will be required.
 - Refinance of a previous loan that provided cash out, **as measured from the previous note date to the new Note date**, and is seasoned less than 12 months, will be considered a cash out refinance.
 - The transaction must be treated as cash-out when the subject property is encumbered by one of the following:
 - Blanket/Cross-Collateralized loan, or
 - Loan that allows for Paid in Kind (PIK) interest

Cash-Out Refinance

- A refinance that does not meet the definition of a rate/term transaction is considered cash-out
- See Loan/LTV matrices for maximum cash-out amounts and restrictions

- Cash-Out Seasoning is defined as the length of time the subject property has been owned by the borrower, as measured by the property acquisition date to the date of the new Note.
 - Minimum borrower seasoning requirement of six (6) months is required
 - Less than six (6) months seasoning is allowed with one of the following circumstances:
 - Borrower acquired the subject property through an inheritance, or
 - Subject property was legally awarded the property through divorce, separation, or dissolution of a domestic partnership
- Property Value Determination
 - For properties owned 12 months or longer
 - LTV/CLTV is based upon the appraised value
 - For properties owned greater than 6 months but less than 12 months
 - LTV/CLTV is limited to the lower of the current appraised value or the property's purchase price plus documented improvements.
 - For properties owned less than 6 months, see Delayed Financing for eligibility
- A mortgage secured by a property currently owned free and clear is considered cash-out
- The payoff of delinquent real estate taxes (60 days or more past due) is considered cash-out
- Cash-out proceeds are eligible to satisfy the reserve requirements
- A letter explaining the use of loan proceeds is required for all transactions
 - For all investment property transactions, any loan proceeds used to pay off personal debt creates a consumer transaction and the loan is subject to ATR and TRID. This includes any past draws, regardless of timing, on a HELOC secured by the subject property.
 - Business purpose transactions will require a draw history schedule, along with an attestation from the borrower that none of the advances were used for personal/consumer use).
- Loans not eligible for cash-out:
 - Primary Residence or Second Home properties listed for sale in the past six (6) months,
 - Investment properties listed for sale in the past six (6) months, unless a three (3) year prepay penalty, per the requirements in the Prepayment Penalty section are met.
 - There has been a prior cash-out transaction within the past six (6) months,
 - Payoff of a Land Contract/Contract for Deed.
 - Investment Property transactions (DSCR) when proceeds from the loan transaction are used for consumer purpose, i.e., payoff personal debt, personal tax lien(s), personal judgments, personal collection, or lines of credit secured by the subject property.
 - Loans with Power of Attorney

Delayed Financing

- Delayed Financing is eligible when a property was purchased by a borrower for cash within 180 days of the loan application
 - The original purchase transaction must have been an arms-length transaction
 - The source of funds for the purchase transaction are documented (such as bank statements, personal loan documents, or a HELOC on another property)

- The maximum LTV/CLTV ratio for the transaction is based upon the lower of the current appraised value or the property's purchase price plus documented improvements
- The preliminary title search or report must confirm that there are no existing liens on the subject property
- The transaction is considered cash-out and cash-out pricing adjusters apply. Cash-in-hand limits do not apply except for Foreign Nationals.
 - Foreign Nationals are subject to max cash-in-hand limits per the Foreign National matrix.
- The new loan amount can be no more than the actual documented amount of the borrower's initial investment subject to the maximum LTV/CLTV for cash out transactions

Listing Seasoning

For Cash-Out refinances only:

- Primary / Second Homes
 - Properties previously listed for sale must be seasoned at least six (6) months from the listing contract expiration date to the loan application date.
 - The LTV/CLTV will be based on the lesser of the lowest list price or appraised value
- Investment Properties
 - A listing expiration of less than six (6) months is only permitted if our subject transaction will include a **prepayment penalty of three (3) years**. If a property is listed for sale, the listing must be canceled prior to the note date.
 - The LTV/CLTV will be based on the lesser of the lowest list price or appraised value.

Non-Arm's Length and Interested Party Transactions

Non-Arm's Length Transaction

- A non-arm's length transaction occurs when the borrower has a relationship or business affiliation with the subject property builder, developer, or seller. Examples include family sales, property in an estate, employer/employee sales, and flip transactions.
- When the property seller is a corporation, partnership, or any other business entity, it must be ensured that the borrower is not an owner of the business entity selling the property.
- A non-arm's length transaction is not intended to bail out a family member who has had difficulties making their mortgage payment. A thorough review of the title report in these cases is required, as well as the payment history pattern (verification of the seller's mortgage through a transaction history or Verification of Mortgage).

Eligible Non-Arm's Length and Interested Party Transactions

- Renter(s) purchasing from the landlord
 - 12 months of canceled checks to prove timely payments are required
 - A verification of rent (VOR) is not acceptable

- Purchase between family members
 - Gift of Equity requires a gift letter, and the equity gift credit is to be shown on the CD
 - Must provide a 12-month mortgage history on the existing mortgage securing the subject property confirming the family sale is not a bailout.
- Restrictions
 - Borrower to provide a canceled check verifying the earnest money deposit
 - Maximum LTV/CLTV of 80%
 - ~~May not be a For-Sale-By-Owner (FSBO)~~
 - Employer to employee sales or transfers are not allowed
 - Property trades between buyer and seller are not allowed
 - Commission earned by buyer / borrower can be used for down payment, closing costs or monthly PITIA reserves.

Interested Party Contributions (Seller Concessions)

Owner Occupied & Second Home

- Maximum contribution
 - 6% for LTVs <= 80%
 - 4% for LTV > 80%

Non-Owner Occupied (Investment)

- May not exceed 3%

All interested party contributions must be properly disclosed in the sales contract, appraisal, loan estimate and closing disclosure and be compliant with applicable federal, state and local law.

Interested party contributions include funds contributed by the property seller, builder, real estate agent/broker, mortgage lender or their affiliates, or any other party with an interest in the real estate transaction. A borrower participating in the transaction (i.e., borrowers acting as their own agent) may contribute funds (i.e., commission) up to the maximum contribution limits referenced above.

Interested party contributions may only be used for closing costs and prepaid expenses (Financing Concessions) and may never be applied to any portion of the down payment or contributed to the borrower's financial reserve requirements. If an Interested Party Contribution is present, both the appraised value and sales price must be reduced by the concession amount that exceeds the limits referenced above.

Escrows - Impound Accounts

Escrow accounts must be established by the servicer to hold funds allocated for the payment of a borrower's property taxes and insurance as they are received each month in accordance with the borrower's mortgage documents and until such time as they are disbursed to pay the related bills.

Escrow Waivers

- HPML loans require an escrow account for property taxes and hazard insurance. Escrow waivers are not allowed
- Escrow funds/impound accounts can be waived, with the exception of Flood Insurance Premium, for non-HPML loans or exempt business purpose loans when the following requirements are met:
 - LTV less than 80%,
 - Minimum decision credit score of 720,
 - Minimum 12-month reserves,
 - Pricing adjustment may apply.
- Flood insurance escrow account
 - Escrow account for flood insurance premiums is required for all loans located in a flood zone
 - Flood insurance escrow may be waived for business purpose loans

Secondary Financing

Secondary financing must be from an institutional lending institution.

- Private-party secondary financing is not allowed

Existing secondary financing must be subordinated and recorded or refinanced. HELOC CLTV must be calculated at the maximum available line amount unless the borrower can provide documentation showing the line of credit is past its draw period.

Interest Credit

Loans closed/disbursed within the first five (5) days of the month may reflect an interest credit to the borrower.

Principal Curtailment

The maximum amount of the curtailment cannot exceed the lesser of \$2,500 or 2% of the original loan amount.

Prepayment Penalty

Investment Property Only

Where permitted by applicable laws and regulations on an investment property, a prepayment charge may be assessed in the period between one (1) and five (5) years following the execution date of the Note. The following defines the different prepayment structures:

- Six (6) months of interest - The prepayment charge will be equal to six (6) months of interest on the amount of the prepayment that exceeds 20% of the original principal balance. The charge applies to loans that pay off due to sale or refinance, or curtailments that exceed 20% of the

original principal balance in a given 12-month time period. **Note: The six (6) month interest option is currently the only option available for Correspondent lending.**

- A fixed percentage of no less than 3% - The prepayment charge will be equal to a fixed percentage and applied to any curtailment or the entire outstanding principal balance during the prepay period. The charge applies to loans that pay off due to sale or refinance.
- Declining structures that do not exceed 5% and do not drop below 3% in the first 3 years. For example: (5%/4%/3%/3%/3%) or (5%/4%/3%/2%/1%) – The prepayment charge will be equal to the percentage in effect and applied to any curtailment or the entire outstanding principal balance during the prepay period. The charge applies to loans that pay off due to sale or refinance.

The prepayment penalty can be disclosed within the body of the Note or in a separate rider.

The following state restrictions apply:

- Prepayment penalties are not allowed in AK, KS, MI, MN, NM, ~~OH~~ and RI
- Prepayment penalties are not allowed on loans vested to individuals in IL and NJ
- Pennsylvania - Prepayment penalties are not allowed on loan balances less than an adjusted value as determined by the Dept of Banking & Securities. For the calendar year 2024 the base figure amount is \$312,159
- Only declining prepayment penalty structures are allowed in MS

Credit Reports

The required credit report should provide merged credit data from the three major credit repositories: Experian, TransUnion, and Equifax. Either a three-bureau merged report, or a Residential Mortgage Credit Report is required.

- The credit report used to evaluate a loan may not reflect a security freeze. If the borrower(s) unfreeze credit after the date of the original credit report, a new tri-merged report must be obtained to reflect current and updated information from all repositories.

Loan Quality Initiative Report

A Loan Quality Initiative Report is required **no more than 30 calendar days** prior to loan closing or any time after closing. Any new debt must be included in determining the DTI ratio.

Business purpose DSCR transactions are excluded from this requirement.

Fraud Report

Data integrity is crucial to mitigate fraud risk. All parties to the transaction must be included in the fraud analysis performed by an automated fraud and data check vendor.

Requirements:

- Transaction participants must be included in the fraud report as follows: Borrowers/Guarantors, Property Sellers, ~~Brokers, Loan Officers, Appraisers, Real Estate Agents~~, Settlement Agents
 - Only member(s)/manager(s) of an entity providing a guaranty are required to be included in the fraud report
- A copy of the findings report from the vendor must be provided in the loan file with all “high” alerts, or “red flags” addressed and/or cleared.
 - The “high” alerts or “red flags” can be cleared directly through the vendor solution or with a signed attestation. The attestation must address each “high” alert, or “red flag” noted in the report.

OFAC Search

The Office of Foreign Assets Control (OFAC) of the US Department of Treasury administers and enforces economic and trade sanctions based on US foreign policy and national security goals against individuals and foreign countries. A clear OFAC search for individuals and foreign countries is required.

Individuals

Individuals identified on OFAC's SDN list are not eligible. All individuals involved in the transaction must be screened through exclusionary lists and must be cleared through OFAC's SDN list, regardless of citizenship status.

Requirements:

- A search of Specially Designated Nationals & Blocked Persons list must be completed via the US Department of Treasury: <http://sanctionssearch.ofac.treas.gov>.
- Individuals to be included in the OFAC search: Borrowers/Guarantors, Property Sellers, ~~Brokers, Loan Officers, Appraisers, Real Estate Agents~~, Settlement Agents.
- When the borrower is an entity, Guarantor(s) and all member(s)/manager(s) of the entity must be included in the OFAC search.

Foreign Countries

Borrower(s)/Guarantor(s) from OFAC sanctioned countries are not eligible. The Borrower(s)/Guarantor(s) are defined as individuals signing the loan application.

Requirements:

- Borrowers/Guarantors who are Foreign Nationals must be screened against the OFAC sanctioned countries list. Search to be completed via the US Department of Treasury Office of Foreign Asset Control:
<http://www.treasury.gov/resource-center/santions/Programs/Pages/Programs.aspx>.
 - Not applicable for Non-Permanent Resident Aliens and Permanent Resident Aliens
- If the borrower is an entity, member(s)/manager(s) who are not Guarantors do not have to be screened against the OFAC sanctioned country list.

Credit Inquiries

Any credit inquiries listed on the credit report within 90 days of the report date must be explained. If new credit was extended, borrowers must provide documentation on the current balance and payment. If no credit was extended, the borrower must state the purpose of the inquiry.

DSCR is excluded from addressing credit inquiries.

Housing History

For all non-DSCR transactions, a housing payment mortgage history is required for all Real Estate Owned evidencing the payment activity for the most recent 12-months. DSCR transactions require a 12-month housing payment history for primary residence and subject property (if refinance). See Housing History - DSCR for Housing History requirements.

- All required payment history will be used for program eligibility
- Housing payments must be paid current as of 45 days of the loan application date
- Any Real Estate Owned free and clear requires a Property Profile Report or similar document
 - Property taxes, hazard insurance, and homeowner's association dues (if applicable) are to be verified and included in the DTI
- Borrower(s) who sold a primary residence within the past six (6) months, currently reside rent-free, and purchasing a new primary residence are allowed.
 - A 12-month mortgage history is required on the previous primary residence
- **Less than a 12-month history or residing rent-free are allowed** with the following restrictions:
 - DTI may not exceed 43%
 - LTV may not exceed 80%
 - Any available portion of a 12-month housing history must be paid as agreed
- If the borrower is renting their current residence, a most recent rental history is required reflecting paid as agreed.
- **If income is being used from a non-subject REO, a housing history is required**
 - Applies to properties vested to an individual or entity
 - Mortgage liability must be factored in to the net rental income used for qualification

Mortgage Verification

Mortgage(s) on Credit Report

The lender must review the credit report to determine the payment status of all reported mortgage accounts for the previous 12 months. Rolling late payments are not considered a single event. Each occurrence of a contractual delinquency is considered individually for loan eligibility.

If a completed 12-month mortgage history is not reported on the credit report, one of the following additional documents is required in addition to the documentation noted in Mortgage(s) Not Reporting on Credit Report:

- Credit supplement,
- Request for Verification of Mortgage Form completed by the creditor,
- A loan payment history from the servicer or third-party verification service,
- Borrower's proof of payment (e.g., canceled check, ACH payment, bank transfer, etc.)

For DSCR transactions, any mortgage appearing on the credit report will be included in the housing history eligibility.

Mortgage(s) Not Reporting on Credit Report

The lender must document a mortgage history not reporting on the credit report with ALL of the following:

- Request for Verification of Mortgage Form completed by the creditor
 - A 12-month mortgage history is required for Prime Ascent Plus, Prime Ascent and Credit Ascent for all properties
- Evidence of monthly payments made by the borrower for the most recent 6 months
 - Canceled checks, ACH payment, bank transfer, etc.
 - Payments made in cash are not eligible.
- ~~Copy of Note with terms of the loan~~
 - ~~Notes with a balloon feature with an expired maturity date exceeding 30 days require an extension to avoid being counted as delinquent.~~
- If subject transaction is a refinance, mortgage payoff statement is required from the creditor
 - Payoff statements that reflect late fees, deferred balance, or delinquent interest greater than 30 days are subject to housing history and/or credit event criteria. Transaction is also to be considered cash out.

For DSCR transactions, mortgages not appearing on the credit report, other than the primary residence or subject property, can be excluded from determining housing history eligibility.

Forbearance, Modification, or Deferrals

Forbearance, loan modifications, or deferrals (including COVID-19 related events) are no longer considered a credit event (except under Foreign National program), and now are considered under housing payment history.

- Greater than 12 months from Note date
 - Forbearance, loan modifications, or deferrals (including COVID-19 related events) completed or reinstated greater than 12 months from the Note date of the subject transaction and having a 0x30x12 Housing History are allowed under all programs including Prime Ascent.
- Within 12 months of Note date

- Forbearance, loan modifications, or deferrals (including COVID-19 related events) completed or reinstated within 12 months of the Note date of the subject transaction are not eligible under Prime Ascent Plus, Prime Ascent, or Investor Solutions - DSCR.
 - Foreign National guidelines should also be reviewed for specific housing history requirements.
- Forbearance, loan modifications, or deferrals (including COVID-19 related events) completed or reinstated within 12 months of the Note date of the subject transaction will be treated as a 0x90x12 under Credit Ascent Housing History for eligibility and pricing.

Balloon Notes with Maturity Default

Notes with a balloon feature with an expired maturity date exceeding 30 days require an extension to avoid being counted as delinquent (e.g., delinquent 31 days is 1x30 days late, delinquent 61 days is 1x60 days late, etc.)

Rental Verification

A 12-month rental history is required for all Verus programs when the borrower is renting their current primary residence. The following documents are required:

- A verification of rent (VOR)
 - A third-party VOR is required for any file when the borrower is currently renting
 - Any VOR completed by a private party or any non-institutional landlord must be supported by alternative documentation showing the most recent 6-month history (canceled checks, rental statements including payment history, etc.).

Departure Residence

- If the borrower's current principal residence is pending sale but the transaction will not close prior to the subject transaction, the current PITIA and proposed PITIA must be used in qualifying the borrower.
- However, the current PITIA may be excluded provided the credit file is documented with the following:
 - The executed sales contract for the current residence, and
 - Confirmation that any financing contingencies have been cleared.
- If the borrower plans to convert their departure residence to a rental property, the current PITIA and proposed PITIA must be used in qualifying the borrower. The current PITIA may be offset using 75% of the lower of actual or market rent. The rental income must be documented with all the following:
 - Market Rent Analysis - Single Family Comparable Rent Schedule (Fannie Mae Form 1007), and
 - Copy of current lease, and
 - Evidence of proof of receipt of security deposit and first month's rent.

Consumer Credit

Installment Debt

Installment debt is a monthly obligation with fixed payments and terms. Payments on installments must be included in the borrower's debt-to-income (DTI) ratio.

Payments can be excluded if there are 10 or fewer monthly payments remaining to pay the debt in full. If the payment is substantial and exceeds 5% of the borrower's qualifying income, the overall transaction should be reviewed to ensure the remaining payments will not impact the borrower's ability to handle the new mortgage payment.

Installment debt paid in full or prior to closing can be excluded from the DTI ratio. Supporting documentation, such as a credit supplement or direct verification from the creditor, must be obtained as evidence the debt has been paid in full.

Lease Payments

Lease payments must be considered as recurring monthly debt obligations and included in the DTI calculation. This is regardless of the number of months remaining on the lease because the expiration of a lease agreement for rental housing or an automobile typically leads to either a new lease agreement, the buyout of the existing lease, or the purchase of a new vehicle or house.

Student Loans

If a monthly student loan payment is provided on the credit report, that amount may be used in the qualifying DTI calculation.

If the credit report does not reflect the correct monthly payment, additional documentation from the student loan provider must be provided to show the accurate payment (i.e. the most recent student loan statement). This accurate payment may be used to qualify the borrower.

If the credit report does not provide a monthly payment for the student loan, or if the credit report shows \$0 as the monthly payment, additional analysis is required to determine the qualifying monthly payment.

For deferred loans or loans in forbearance, the payment may be calculated as follows:

- A payment equal to 1% of the outstanding balance (even if this amount is lower than the actual fully amortizing payment), or
- A fully amortizing payment using the documented loan repayment terms.

Deferred Installment Debt

Deferred installment debts must be included as part of the borrower's recurring monthly debt obligations. For deferred installment debts other than student loans, if the borrower's credit report does not indicate the monthly amount that will be payable at the end of the deferment period, copies of the borrower's payment letters or forbearance agreements must be obtained so that a monthly payment amount can be determined and used in the DTI calculation.

Revolving Debt

Revolving debt is open-ended debt in which the principal balance may vary from month to month. The minimum required payment, as stated on the credit report or current account statement, should be used to calculate the DTI ratio. If no payment is stated on the credit report, the greater of \$10 or 5% of the current balance should be included in the DTI ratio.

Revolving accounts can be paid off prior to or at closing in order to exclude the payment from the debt ratio. Supporting documentation, such as a credit supplement or direct verification from the creditor, must be obtained as evidence the debt has been paid in full.

Any non-mortgage account can be no more than 30 days delinquent at the time of application, except for DSCR transactions. Any delinquent account must either be brought current or paid off at closing, except for DSCR transactions.

All mortgage accounts must be current at application and remain paid as agreed through closing.

Equity Lines of Credit Secured by Real Estate

Equity lines of credit secured by real estate should be included in the housing expense. If the credit report does not show a minimum payment amount, 5% of the outstanding balance must be used in the DTI ratio calculation.

Authorized User Accounts

Authorized use accounts can be excluded from the debt-to-income ratio.

Open 30-Day Charge Accounts

For open 30-day charge accounts that do not reflect a monthly payment on the credit report, or 30-day accounts that reflect a monthly payment that is identical to the account balance, must verify borrower funds to cover the account balance. The verified funds must be in addition to any funds required for closing costs and reserves.

Solar Panels

Installment debt from financed or leased payments associated with solar panels are to be included in the debt-to-income ratio. See [Solar Panel Requirements](#) for additional criteria.

Timeshares

Timeshare obligations will be treated as consumer installment loans.

Business Debt

A business debt is a financial obligation of a business but may also be the responsibility of the business owner, making that person also liable for the debt. If the debt is reflected on the borrower's personal credit report, the borrower is personally liable for the debt, and it must be included in the DTI ratio.

When a self-employed borrower claims that a monthly obligation that appears on the personal credit report is being paid by the borrower's business, must confirm that the obligation was actually paid out of the company funds to exclude the debt.

Any of the following supporting documentation can be included to exclude business debt:

- Most recent six (6) months of canceled checks drawn against the business account, or
- Tax returns reflecting the business expense deduction, or
- Business bank account statement showing assets remaining after funds to close and reserve requirements are deducted, with a balance greater than or equal to the balance of the debt.

If the debt is less than six (6) months old, the payment must be included in the DTI ratio.

Contingent Liability on Co-Signed Obligations (Debt Paid by Others)

Contingent liability applies, and the debt must be included in the underwriting analysis, if an individual applying for a mortgage is a cosigner / co-obligor on:

- Car loan
- Student loan
- Mortgage
- Any other obligation

If a borrower is a cosigner / co-obligor on an obligation but proof is obtained to show that the borrower is not the party who is repaying the debt, it may be excluded from the DTI calculation. In order to exclude the debt, must obtain the most recent 12 months canceled checks (or bank statements) from the other party making the payments that document a 12-month payment history with no delinquent payments

Court-Ordered Assignment of Debt

When a borrower has outstanding debt that was assigned to another party by court order (such as under a divorce decree or separation agreement) and the creditor does not release the borrower from liability, the borrower has a contingent liability. The seller is not required to count this contingent liability as part of the borrower's recurring monthly debt obligations.

An evaluation of the payment history for the assigned debt after the effective date of the assignment is not required. The payment history prior to the assignment date cannot be disregarded.

Loans Secured by Financial Assets

When a borrower uses his or her financial assets - life insurance policies, 401(k) accounts, individual retirement accounts, certificates of deposit, stocks, bonds, etc. - as security for a loan, the borrower has a contingent liability.

The underwriter is not required to include this contingent liability as part of the borrower's recurring monthly debt obligations provided a copy of the applicable loan instrument shows the borrower's financial asset as collateral for the loan. If the borrower intends to use the same asset to satisfy financial reserve requirements, the lender must reduce the value of the asset (the account balance in most cases) by the proceeds from the secured loan and any related fees to determine whether the borrower has sufficient reserves.

Payment on any debt secured by virtual currency is an exception to the above policy and must be included when calculating the debt-to-income ratio.

Consumer Credit Charge-Offs and Collections

Delinquent credit, such as charge-offs of non-mortgage accounts and collections, have the potential to affect loan position or diminish borrower equity.

- Individual collection and non-mortgage charge-off accounts equal to or greater than \$250, and accounts that total more than \$2,000, must be paid in full prior to or at closing. See below for exceptions.
- Medical collections may remain open ~~with a max cumulative balance of \$10,000.~~
- A second mortgage or junior lien that has been charged off is subject to foreclosure seasoning periods for grade determination, based on the charge-off date.
- Collections and charge-offs that have expired under the state statute of limitations on debts may be excluded from the DTI calculation. Evidence of expiration must be documented.
- For DSCR transactions, charge-offs and collections can be ignored unless they impact the subject property title.

Charge-offs and collections not excluded by the above bullet points must be paid or may stay open if using one or a combination of both of the following:

- Payments for open charge-offs or collections are included in the DTI (subject to program DTI restrictions). If a payment amount is not known, 5% of the balance may be used as the payment.
- Reserves are sufficient to cover the balance of the charge-offs or collections and meet reserve requirements for the loan.

Consumer Credit Counseling Services

Borrower enrollment in Consumer Credit Counseling Services (CCCS) is allowed when a minimum of 12 months have elapsed on the plan, and evidence of timely payments for the most recent 12 months is provided. The CCCS Administrator must also provide a letter allowing the borrower to seek financing on a new home while enrolled in the plan.

A monthly CCCS plan payment must be included in the DTI calculation.

Judgment or Liens

All open judgments, garnishments, and all outstanding liens must be paid off prior to or at loan closing.

Income Tax Liens

All tax liens (federal, state, and local) must be paid off prior to or at loan closing unless the requirements listed below are met:

- The loan file must contain a copy of the approved IRS Installment Loan Agreement with the terms of repayment, including the monthly payment amount and total amount due. Only one plan is allowed.
- A minimum of two (2) payments has been made under the plan with all payments made on time and the account is current. Acceptable evidence includes the most recent payment reminder from the IRS, reflecting the last payment amount and date and next payment amount owed and due date.
- The maximum payment required under the plan is included in the DTI calculation.
- The balance of the lien, or repayment plan, must be included when determining the maximum CLTV for the program.
- Refinance transactions require a subordination agreement from the taxing authority for liens against the subject property.

Disputed Accounts

- Revolving account: Refer to [Revolving Debt](#) section
- Installment account: Refer to [Installment Debt](#) section
- Mortgage account: Housing history restrictions apply
- Collection/charge-off account: Refer to [Consumer Credit Charge-Offs and Collections](#) section

Bankruptcy History

Recent bankruptcies are not allowed. All bankruptcies must be settled a minimum of twelve (12) months. Specific programs may have longer periods - see Product Matrices for details.

Evidence of bankruptcy resolution is required. The length of time is measured from the discharge / dismissal date to the subject transaction Note date.

Foreclosure Seasoning

Foreclosures must be completed a minimum of twelve (12) months. Specific programs may have longer periods - see Product Matrices for details.

The length of time is measured from the settlement date to the subject transaction Note date.

In the case of a foreclosure which was included in a bankruptcy, the seasoning timeline will start from the earlier of the date of discharge of bankruptcy and the foreclosure completion date.

Short Sale / Deed-In-Lieu Seasoning

Short Sales and Deeds-in-Lieu of Foreclosures must be completed a minimum of twelve (12) months. Specific programs may have longer periods - see Product Matrices for details.

In the case of a short sale / deed-in-lieu which was included in a bankruptcy, the seasoning timeline will start from the earlier of the date of the discharge of bankruptcy and the short sale / deed-in-lieu completion date.

Forbearance, Modification, or Deferrals

Forbearance, loan modifications, or deferrals (including COVID-19 related events) are no longer considered a credit event (except under Foreign National program), and now are considered under housing payment history.

- Greater than 12 months from Note date
 - Forbearance, loan modifications, or deferrals (including COVID-19 related events) **completed or reinstated greater than 12 months from the Note date of the subject transaction may be eligible subject to housing history requirements for the selected program.**
- Within 12 months of Note date
 - Forbearance, loan modifications, or deferrals (including COVID-19 related events) completed or reinstated within 12 months of the Note date of the subject transaction are not eligible under Prime Ascent Plus, Prime Ascent, or Investor Solutions - DSCR.

- Forbearance, loan modifications, or deferrals (including DOVID-19 related events) completed or reinstated within 12 months of the Note date of the subject transaction will be treated as a 0x90x12 under Credit Ascent Housing History for eligibility and pricing.
- Refer to Investor Solutions - DSCR and Foreign National Investment matrix for applicable Housing History and Credit Event Seasoning restrictions related to these programs.

Credit Score

Loan eligibility is based upon the representative credit score / Decision Credit score. A valid score requires at least one (1) borrower to have a minimum of two (2) credit scores. To determine a borrower(s) credit score, use the lower of the two (2) or middle of the three (3) credit scores.

For a file with one borrower, that borrower's score is the Decision Score.

For files with multiple borrowers:

- Standard and Alt Documentation: The borrower with the higher monthly income is considered the primary borrower and their credit score can be used as the Decision Credit score. When both borrowers are self-employed and jointly own the business, use the lowest score amongst the borrowers as the Decision Score.
- DSCR Documentation: Determine a decision credit score for each borrower/guarantor (lower of two or middle of three), use the highest decision credit score amongst all borrowers/guarantors to determine loan eligibility.
- Asset Utilization: Use lowest score amongst all borrowers who will be on the loan as the Decision Credit score.

Tradelines

Standard Tradelines

Prime Ascent Plus / Prime Ascent / Credit Ascent: If the primary borrower has three (3) credit scores, the minimum tradeline requirement is waived.

For loans when the primary borrower has less than three (3) credit scores, each borrower must meet the minimum tradeline requirements, unless the co-borrower is the spouse of the borrower. In that case, only one spouse is required to meet the minimum tradelines outlined below.

Investor Solutions - DSCR: For each borrower who has three (3) credit scores, the minimum tradeline requirement is waived (all borrowers must be evaluated individually). Each borrower with less than three (3) credit scores must meet the minimum tradeline requirements outlined below.

Foreign National DSCR With U.S. Credit: For each borrower who has three (3) credit scores, the minimum tradeline requirement is waived (all borrowers must be evaluated individually). Each borrower with less than three (3) credit scores must meet the minimum tradeline requirements outlined below.

The **minimum tradeline requirements** are as follows:

- At least three (3) tradelines reporting for a minimum of 12 months, with activity in the last 12 months, or
- At least two (2) tradelines reporting for a minimum of 24 months, with activity in the last 12 months.

Borrower who do not meet one of the above tradeline requirements, but have a minimum of two credit scores, can alternatively satisfy the tradeline requirement by meeting all of the below requirements:

- No fewer than eight (8) tradelines are reporting, one (1) of which must be a mortgage or a rental history, and
- At least one (1) tradeline has been open and reporting for a minimum of twelve (12) months, and
- The borrower has an established credit history for at least eight (8) years, and
- Tradelines with recent serious adverse history are not acceptable, and
- Student loans can be counted in credit depth as long as they are in repayment and not being deferred.

The following are not acceptable to be counted as tradelines:

- “Non-traditional” credit as defined by Fannie Mae
- Self-reported tradeline
- Any liabilities in deferment status
- Accounts discharged through bankruptcy
- Authorized user accounts
- Charge-offs
- Collection accounts
- Foreclosures
- Deed-in-lieu of foreclosure
- Short sales and pre-foreclosure sales

Obligations Not Appearing on Credit Report

Housing and Mortgage-Related Obligations

Housing and mortgage-related obligations include property taxes, insurance premiums, and similar charges that are required by the creditor (i.e. mortgage insurance), HOA dues, ground rent, and leasehold payments.

All properties owned by the borrower must be fully documented in this regard on the Schedule of Real Estate Owned section of the 1003 application. These obligations must be verified (subject to the program criteria) using reasonably reliable records such as taxing authority or local government records, homeowner's association billing statements, or information obtained from a valid and legally executed contract.

Current Debt Obligations, Alimony, and Child Support

Obligations that do not appear on the credit report, such as alimony and child support, must be documented through other methods according to Fannie Mae guidelines.

When the borrower is required to pay alimony, child support, or separate maintenance payments under a divorce decree, separation agreement, or any other written legal agreement - and those payments must continue to be made for more than 10 months - the payments must be considered as part of the borrower's recurring monthly debt obligations.

However, voluntary payments do not need to be taken into consideration and an exception is allowed for alimony. For alimony obligations, there is an option to reduce the qualifying income by the amount of the alimony obligation in lieu of including it as a monthly payment in the calculation of the DTI. Documentation confirming the amount of the alimony obligation must be provided.

Foreign National Program Credit Requirements

Qualifying U.S. Credit

- For foreign national borrowers with a valid Social Security number or ITIN, a credit report should be obtained. Follow the Credit section of this guide.
 - In all cases, credit report must be included in the file evidencing the borrower's score or score is not available
 - ITIN borrowers who do not own a primary residence in the U.S. are ineligible
- Restrictions when qualifying with U.S. credit:
 - Minimum Credit Score: 680
 - Investment property only

Housing History - Foreign National

A housing history is required for the following:

- Primary residence if the borrower resides in the U.S.
- Subject property refinance transactions (including cash out)

Assets

THE FOLLOWING GUIDELINES APPLY TO ALL TRANSACTIONS UNLESS OTHERWISE STATED.

Asset Requirements

Acceptable asset documentation is listed below. The borrower must meet the minimum down payment requirements per the program requirements and the assets used must be liquid or able to be liquidated without restrictions.

The documentation requirement for all transactions is a single account statement covering a one (1) month period and dated within 90 days of the loan Note date.

Large deposits must be sourced as follows:

- If personal accounts are used for assets, large deposits defined as any single deposit that represents greater than 100% of the borrower's qualifying monthly income are to be documented for a purchase transaction.
- If business accounts are used for assets, the following applies:
 - Business account used for income
 - Large deposits greater than 100% of monthly business revenue must be documented for a purchase transaction
 - Business account not used for income
 - Large deposits do not need to be sourced
- Large deposits do not need to be sourced on Investor Solutions - DSCR loans

Asset Documentation

The following may be used as asset documentation for down payment, closing costs, and reserves. See applicable Program Matrix for minimum reserve requirements.

- Account statements (e.g., checking, savings, share, or brokerage accounts);
 - Statements must include the following:
 - Name of financial institution
 - Reflect borrower as the account holder (funds held jointly with a non-borrowing spouse are considered 100% of the borrower's funds)
 - Account number
 - Statement date
 - Time period covered by the statement
 - Available balance in U.S. dollar denomination
 - Assets held in foreign accounts must be translated to English and verified in US Dollar equivalency at current exchange rate via either <http://www.xe.com> or the Wall Street Journal conversion table.
- Assets held in a Trust require the following:
 - Obtain written documentation (e.g., bank statements) of the value of the trust account from either the trust manager or the trustee, and
 - Document the conditions under which the borrower has access to the funds.

- Accounts verified using a third-party vendor participating in the Fannie Mae Day 1 Certainty process;
- Verification of Deposit completed by the verifying financial institution (Fannie Mae Form 1006);
- Borrowed funds secured by an asset are an acceptable source of funds for the down payment, closing costs, and reserves, since borrowed funds secured by an asset represent a return of equity. Assets that may be used to secure funds include automobiles, artwork, collectibles, real estate, or financial assets, such as savings accounts, certificates of deposit, stocks, bonds, and 401(k) accounts. When qualifying the borrower, monthly payment must be included in the debt-to-income calculation for non-DSCR transactions. When loans are secured by the borrower's financial assets, monthly payments for the loan do not have to be considered as long-term debt. See Loans Secured by Financial Assets for complete details.

Large deposits on any of the above asset documentation must be sourced. Large deposits are defined as any single deposit that represents more than 50% of the borrower's qualifying monthly income. Large deposits do not need to be sourced on Investor Solutions - DSCR loans.

- Stocks / bonds / mutual funds - 100% of the account(s) may be considered for assets;
- Vested retirement account (e.g., IRA, 401k, Keogh, 403b) - 70% of the vested balance may be considered. For downpayment and closing costs, if funds have not been liquidated, confirm the borrower can access/withdraw funds;
- Business accounts may be eligible;
 - The amount of business assets that may be utilized is limited to the borrower's ownership percentage in the business
- Cash Value of Life Insurance - 100% of the cash surrender value less any loans may be considered
- Non-regulated Financial Assets
 - Crypto Currency - Bitcoin and Ethereum are eligible sources of funds for the down payment, closing costs and reserves. Crypto is not an eligible liquid asset for asset utilization / depletion.
 - Down payment and closing costs: Currency must be liquidated and deposited into an established US bank account
 - Reserves: Loan file must include a statement meeting the requirements under account statements to document ownership of the crypto holdings. Current valuation, within 30-days of the loan Note date, can only be determined from the Coinbase exchange. Sixty percent (60%) of the current valuation will be considered eligible funds to use as reserves.

Unacceptable Asset Sources

- Non-vested or restricted stock accounts
- Cash-on-hand
- Sweat equity
- Gift or Grant funds that must be repaid
- Down payment assistance programs

- Unsecured loans or cash advances
- 529 Savings Plan
- Funds contributed by a non-borrowing spouse unless documented as a gift

Reserves

Reserves are required as outlined in the Loan / LTV matrices.

- Net proceeds from a cash-out transaction may be used to meet reserve requirements
 - In order to utilize cash out proceeds, input an asset for net proceeds in the amount of the cash out. The Smart Document for the asset can be waived.
- Reserve requirements are waived for rate / term refinance transactions (applies to loans under Prime Ascent, Credit Ascent, and Investor Solutions - DSCR) when the transaction results in a reduction to the monthly principal and interest payment of 10% or greater AND the housing history is 1x30x12 or better. Waiver is not eligible for DTI greater than 50%. For an Interest Only loan, the reduction is based on the amortizing payment used for loan qualification.
- Reserves for a loan with an Interest Only feature are based upon the Interest Only payment amount
- For Adjustable Rate Mortgages, the reserves are based upon the initial PITIA, not the qualifying payment
- Proceeds from a 1031 Exchange cannot be used to meet reserve requirements.
- Gift funds may not be used to meet reserve requirements.

Gift Funds

Gift funds are acceptable if ONE of the following applies:

- For owner-occupied properties, a minimum of 5% down payment must be made by the borrower from their own funds.
 - 100% gift funds are allowed for Prime Ascent and Credit Ascent using Standard Doc 12- or 24 month and Alt Doc 12- or 24-month Bank Statement loans only, with a maximum LTV of 80%. Borrowers must meet both reserve and residual income requirements.
- For investment properties, a minimum of 10% of the down payment must be made by the borrower from their own funds.

Eligible Donors and Documentation

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.
- For any gift provided by a non-U.S. citizen, the donor must be screened against the OFAC Specially Designated Nationals (SDN) list.

The donor may not be, or have any affiliation with, the builder, real estate agent, developer, or any other interested party to the transaction.

Documentation Requirements

Gifts must be evidenced by a gift letter signed by the donor. The gift letter must:

- Specify the dollar amount of the gift;
- Include the donor's statement that no repayment is expected; and
- Indicate the donor's name, address, telephone number, and relationship to the borrower.

When a gift from a relative or domestic partner is being pooled with the borrower's funds to make up the required minimum cash down payment, the following items must also be included:

- A certification from the donor stating that he or she has lived with the borrower for the past 12 months and will continue to do so in the new residence.
- Documents that demonstrate a history of borrower and donor shared residency. The donor's address must be the same as the borrower's address. Examples include but are not limited to a copy of a driver's license, a bill, or a bank statement.

Verifying Donor Availability of Funds and Transfer of Gift Funds

The lender must verify that sufficient funds to cover the gift are either in the donor's account or have been transferred to the borrower's account and reflected on the most recent bank statement. Acceptable documentation includes one of the following:

- A copy of the donor's check and the borrower's deposit slip,
- A copy of the donor's withdrawal slip and the borrower's deposit slip,
- A copy of the donor's check to the closing agent, or
- A settlement statement showing receipt of the donor's check.

When the funds are not transferred prior to settlement, the lender must document that the donor gave the closing agent the gift funds in the form of a certified check, a cashier's check, or other official check.

- Gift funds may not be used to meet reserve requirements,
- Gift of Equity is only allowed for primary residence. Must meet all other guidelines for gift funds.

Foreign National Assets

Reserves

Six (6) months of reserves are required.

Assets Held in Foreign Accounts

Assets held in foreign accounts may be used as a source of funds to close and to meet applicable reserve requirements. One of the following options may be utilized:

- Transferred to a U.S. domiciled account in the borrower's name at least ten (10) days prior to closing, unless funds are held in a foreign bank with U.S. branches insured by the FDIC; or
- Verified funds for closing to be wired directly to the closing agent.
 - Wire transfer to include bank name, account holder name, and account number.
 - The bank used as source of wire transfer must match the bank holding the assets verified in the loan file.
- Documenting Assets Held in Foreign Accounts
 - Assets must be verified in U.S. dollar equivalency at the current exchange rate via either www.ex.com or the Wall Street Journal conversion table
 - A copy of the most recent statement of that account must be provided
 - See the Asset Documentation section of this guide for eligible sources and types of assets.
 - Reserves may remain in a foreign bank account.

Gift Funds

Gift funds are not allowed on the Foreign National program

Income

Income Analysis

THE FOLLOWING APPLY TO ALL INCOME DOCUMENTATION OPTIONS UNLESS OTHERWISE STATED IN THE SPECIFIC SECTION OF THE GUIDELINES.

Employment / Income Verification

- A minimum two (2) year employment history is required to be documented on the loan application (1003). When the borrower has less than a two-year history of employment, must document positive factors to offset the shorter employment history, such as education or training.
- Any gaps in employment that span one or more months must be explained
- Salary / Wage Earner - income derived from employment at a business. Compensation may be based upon a salary, hourly wage, bonus, commission or overtime.
- Any borrower with a 25% or greater ownership interest in a business/entity or is paid using IRS form 1099 is considered self-employed.
- The following are common business structures:
 - Sole Proprietorship
 - Limited Liability Company (LLC)
 - Partnerships

- S-Corporation
 - Corporation
- If any borrower is no longer employed in the position disclosed on the Form 1003 at the Verus purchase date, Verus will not purchase the loan.

Earnings Trends

When 24 months of income are analyzed for qualification, year over year income amounts must be compared using the borrower's W-2 forms, signed federal income tax returns, or bank statements. The earnings trends are addressed as follows:

- Stable or increasing: Defined as annual income that is equal to, greater than, or less than 20% below the prior year's income. The income amounts will be averaged.
- Declining but stable: If the 24-month earnings trend shows a decline in borrower income, but the most recent 12-month earning has stabilized and there is no reason to believe the borrower's employment will change, the most recent 12-month average of income should be used.

Debt-to-Income (DTI) Ratio

The debt-to-income ratio is calculated and reviewed for adherence to Verus Program Matrix criteria.

The DTI ratio consists of two components:

- The borrower's monthly debt obligations including the monthly mortgage payment for the subject loan, any simultaneous loans secured by the subject property, monthly mortgage-related obligations (property taxes, hazard/flood/other insurance, HOA fees, etc.), and consumer's current debts, alimony and child support obligations.
- The borrower's current monthly documented income used to qualify for the loan

The qualifying monthly mortgage payment includes the following:

- Fixed rate: Note rate amortized over the total term
 - Interest Only: Note rate amortized over the remaining term after the expiration of the interest only period
- ARMs: Qualifying rate is the higher of the fully indexed rate or note rate
 - Interest Only: Qualifying rate amortized over the remaining term after the expiration of the interest only period

Monthly mortgage-related obligations include real estate taxes, property insurance, any other insurance, and any association dues.

- Calculating Real Estate Tax Payment for the subject property
 - For purchase and construction-related transactions, must use a reasonable estimate of the real estate taxes based on the value of the land and the total of all new and existing improvements.

- State of California exception: Use 1.25% of the purchase price to determine the monthly tax payment
- For refinance transactions, use the current tax assessment.

Residual Income

Residual Income is the amount of monthly income remaining once a borrower has paid all monthly debt obligations. Residual Income = Gross Monthly Income minus total monthly debt.

The Minimum Residual Income requirements are calculated using the table below. \$250 is added for the first dependent and \$125 for each additional dependent. A dependent is any person other than the borrower or spouse in the household.

Occupancy	Maximum LTV	Minimum Residual Income
Prime Ascent Plus - Primary	90%	\$2,500
Prime Ascent Plus - Second	75%	\$2,500
Prime Ascent - Primary	90%	\$2,500
Prime Ascent - Primary - DTI > 50%	80%	\$3,500
Prime Ascent Second	80%	\$2,500
Credit Ascent - Primary	85%	\$1,250
Credit Ascent - Second Home	80%	\$2,500

Documentation Options

Standard and Alt Doc income documentation options are available. In addition to wage / salary income, Standard Documentation includes various other types of income. See below topics for documentation requirements.

If a specific source of income is not referenced, the Fannie Mae guidelines for that income source may be used.

IRS Form 4506-C

A signed copy of the IRS Form 4506-C is required in every standard documentation credit file. See specific income documentation type to determine if transcripts are also required.

If the transcript request is returned with a code 10, or the borrower is a victim of taxpayer identification theft, the following must be provided to validate income:

- A copy of the IRS rejection with a code of “Unable to Process” or “Limitation”,
- Proof of identification theft, as evidenced by one (1) of the following:
 - Proof that the identification theft was reported to and received by the IRS (IRS Form 14039),
 - A copy of the notification from the IRS alerting the taxpayer to possible identification theft.
- In addition to one (1) of the documents above, if applicable, a Tax Transcript showing fraudulent information.
- Record of Account from the IRS - Adjusted Gross Income and Taxable Income should match the borrower’s personal tax return (Form 1040). Validation of prior tax year’s income (the income for the current year must be in line with prior years).

Standard Documentation

The Standard Income Documentation option is available to borrowers who meet the requirements listed below.

Restrictions

- See the Matrices for maximum LTV/CLTV and DTI requirements
- A minimum credit score of 600 is required
- A minimum two (2) year history of receipt of wage/salary or self-employment income is required.

Standard Documentation (24 Months - 12 Month Option COMING SOON)

- Eligibility and pricing differences exist for the 24 or 12-month documentation options. See Loan/LTV matrices and pricing for details.
- A minimum two (2) year employment history is required to be documented on the loan application (1003)
- If the 12-month documentation option is selected, the underwriter will waive the documentation that isn’t required (i.e., additional year W-2)

Wage / Salary Income

- **Note: 12-month option is COMING SOON**
- The borrower’s most recent pay stubs reflecting 30 days of pay and YTD earnings, along with IRS W-2 forms or W-2 transcripts covering the most recent one (1) or two (2) years depending upon documentation option selected; or
- Income verification provided by a FNMA approved 3rd party Vendor (e.g., The Work Number) evidencing income from the most recent 1 or 2 years (as applicable) along with year-to-date earnings.

- FNMA WVOE Form 1005 is not eligible for standard income documentation unless used in conjunction with documents verifying variable income (i.e. pay stubs and W-2 forms).
- When tax returns are required, as in the case of investment property ownership, the most recent one (1) or two (2) years of tax returns should be provided.
 - The definition of “most recent” is the last return scheduled to have been filed with the IRS. Any borrower who applied for a tax return extension must provide a copy of the extension in the credit file along with the prior one (1) or two (2) years of tax returns based upon the documentation method selected.

Self-Employment Income

- **Note: 12-month option is COMING SOON**
- Any borrower with a 25% or greater ownership interest in a business is considered self-employed.
- Tax transcripts for the most recent one (1) or two (2) years are required. In certain cases, tax returns will be required as transcripts will not provide the detail required to establish eligible qualifying income for the borrower.
- OR,
- The most recent one (1) or two (2) years of tax returns (including evidence of filing). If applicable, both personal and business (including all K-1s and schedules), signed and dated by each borrower.
 - Evidence of filing may include one of the following:
 - IRS Form 8879 e-File Signature Authorization for the provider that prepared the return, or
 - Email provided from the software used to prepare the return showing successful submission of the return to the IRS.
 - If evidence of filing is not provided, tax transcripts for personal and corporate returns are required.
- If the borrower pays themselves wage income, a YTD pay stub must be included in the file along with the applicable W-2 statements.
- When analyzing tax returns, the following may be added back to the applicant's income calculation:
 - Depreciation
 - Depletion
 - Business use of home
 - Amortization / casualty loss
 - Ordinary income (loss) from other partnerships
 - Nonrecurring other (income) loss
 - Any expense(s) that can reasonably be documented to be one-time and non-recurring
 - Net operating loss carryforwards from years prior to the tax returns provided
- If the tax return date exceeds 90 days from the note date, a YTD Profit and Loss Statement (P&L), signed and dated by the borrower, up to and including the most recent month preceding the loan application date and two (2) months business checking account statement for the two (2) most recent months reflected on the P&L.
 - The P&L may be either prepared by a 3rd party or prepared by the borrower.

- If a gap exists between the tax return ending date and the start date of the YTD P&L, a gap-year P&L is also required.
- The qualifying income is determined from the tax returns.
 - The P&L is used to determine the stability of that income.
 - The bank statements for the two (2) most recent months must reflect deposits that support the sales from the P&L and the qualifying income from the prior year(s) tax returns.

Employment Status

In all cases, the borrower's current employment status is required. Employment status can be established as follows:

Wage/salary borrowers:

- A YTD pay stub dated within 30 days of the note date, or
- A verbal VOE dated no more than 10 calendar days prior to the note date, or
- A verification via email exchange with the borrower's current employer dated no more than 10 calendar days prior to the note date. Due diligence must be conducted to confirm the email address for the employer is accurate.

Self-Employed borrowers:

- If the most recent tax return in the file is dated within 90-days of the note date, no additional verification is required.
- If the tax return exceeds 90-days of the note date, a YTD Profit & Loss Statement (P&L) dated within 90 days of the note date, along with the two most months of bank statements.

Other Sources of Income

Alimony or Child Support

Alimony or child support income is allowed with third-party documentation evidencing receipt of at least six (6) months. Document the support will also continue for at least three (3) years by one of the following:

- Alimony
 - Copy of final divorce decree or final separation agreement describing the payment terms, or
 - Any other type of written legal agreement or court decree describing the payment terms.
- Child Support
 - Copy of final divorce decree or final separation agreement describing the payment terms, or

- Any other type of written legal agreement or court decree describing the payment terms.
- The full amount of qualifying child support income may be treated as non-taxable and grossed up at 25% without supporting documentation verifying the non-taxable status.

Auto Allowance

The borrower must have received payments for at least two (2) years. Add the full amount of the allowance to monthly income and the full amount of the lease or financing expenditure to the monthly debt obligations.

Capital Gains

Capital Gains income must be averaged over two (2) years and documented with the following:

- Most recent two (2) years of personal tax returns, including an IRS Form 1040, Schedule D,
- Third-party documentation to evidence that additional assets may be sold to support the qualifying income,
- The third-party documentation must evidence the capital gain income will continue for a minimum of three (3) years.

Capital losses do not have to be considered in the qualifying income calculation.

Disability Income - Long Term

Generally, long-term disability will not have a defined expiration date and should be expected to continue. Obtain a copy of the borrower's disability policy or benefits statement to verify the following:

- Eligibility for the benefits,
- Amount and frequency of payments,
- Current proof of receipt,
- And if there is a contractually established termination or modification date.

Employed by a Relative

Income for borrowers who are employed by a relative must be verified using Standard Documentation for two (2) years, including the following:

- Federal income tax returns for the most recent two (2) years,
- W-2s for the most recent two (2) years,
- Pay stubs covering the most recent 30-day period.

Clarification of the potential ownership of family-owned businesses by the borrowers may also be required. A borrower may be an officer of a family-operated business, but not an owner. Verification of a borrower's status should be provided by written confirmation obtained from a CPA or legal counsel.

Employment Offers or Contracts

For borrower(s) starting new employment, the loan file must contain a copy of an executed offer or contract plus the first pay stub. The first pay stub must be dated prior to the Note date.

- The offer or contract cannot be for employment by a family member or interested party to the transaction.

Foreign Income

Foreign income is income earned by a borrower (U.S. Citizen or Perm Resident Alien) who is employed by a foreign corporation or a foreign government and is paid in foreign currency. Borrowers may use foreign income to qualify if they provide copies of the following:

- Signed federal income tax returns or transcripts for the most recent two (2) years that include foreign income,
- Standard documentation requirements based upon the source and type of income,
- Any documents not in English or U.S. currency must be translated.

Foster Care Income

Income received from a state or county sponsored organization for providing temporary care for one or more children may be considered acceptable stable income if the following requirements are met:

- Verify the foster-care income with letters of verification from the organizations providing the income,
- Document that the borrower has received foster care income for a minimum one-year period,
- Qualifying income is based upon the current amount received.

Housing / Parsonage Income

Housing or parsonage income may be considered qualifying income if there is documentation that the income has been received for the most recent 24 months and the allowance is likely to continue for the next three (3) years. The following documentation is required:

- The two (2) most recent years of tax returns,
- Written documentation, such as a Written Verification of Employment provided by the church must be obtained,
- The housing allowance, although not subject to federal income taxes, is subject to self-employment taxes. Gross income on Schedule SE of the borrower's IRS Form 1040 should include the housing allowance paid.

The housing allowance may be added to income but may not be used to offset the monthly housing payment.

Interest / Dividends

Verify the borrower's ownership of the assets on which the interest or dividend income was earned.

- Document a two-year history of the income, as verified by copies of the borrower's federal income tax returns,
- Develop an average of the income received for the most recent two (2) years,
- Subtract any assets used for down payment or closing costs from the borrower's total assets before calculating expected future interest or dividend income.

Non-Taxable Income

If the income is verified to be nontaxable, and the income and its tax-exempt status are likely to continue, we may develop an "adjusted gross income" for the borrower by adding an amount equivalent to 25% of the nontaxable income to the borrower's income.

- Child support income: The full amount of qualifying child support income may be treated as non-taxable and grossed up at 25% without supporting documentation verifying the non-taxable status.
- Social Security income: Income may be grossed up at 15% without documentation verifying the non-taxable status.

Notes Receivable Income

Note receivable income may be used for qualifying income subject to the following:

- Verify that the income can be expected to continue for a minimum of three (3) years from the date of the loan application,
- Obtain a copy of the Note to establish the amount and length of the payment,
- Document regular receipt of income for the most recent 12 months using either canceled checks, bank statements, or federal tax returns,
- Payments on a Note executed within the past 12 months, regardless of the duration, may not be used as stable income.

Social Security

Social Security income for retirement that the borrower is drawing from their own account/work record will not have a defined expiration date and can be expected to continue.

Social Security income based on another person's account/work record or from the borrower's own work record, but for the benefit of another (such as a dependent) may also be used in qualifying, provided a 3-year continuance is documented.

Social Security income may be grossed up, as outlined in the Non-Taxable Income section.

Required Documentation:

- Borrower is drawing Social Security benefits from own account/work record, provide **one** of the following:
 - Most recent SSA Award Letter, or
 - Most recent SSA-1099, or
 - Proof of current receipt, or
 - The most recent signed federal income tax return (or tax transcript) if filed by all borrowers on the loan.
- Borrower is drawing Social Security benefits from another person's account/work record or from their own account/work record for the benefit of another, provide **all** of the following:
 - Most recent SSA Award Letter,
 - Proof of current receipt, and
 - Proof of three-year continuance.
- Survivor Benefits, provide **all** of the following:
 - Most recent SSA Award Letter,
 - Proof of current receipt, and
 - Proof of three-year continuance.
- Supplemental Social Security Income (SSI), provide **all** of the following:
 - Most recent SSA Award Letter, and
 - Proof of current receipt.

Pension, Retirement, Annuity

Document regular and continued receipt of the income types with **one** of the following:

- Statement from the organization providing the income, or
- Retirement award letter or benefit statement, or
- One (1) month financial or bank account statement evidencing the source/deposit, or
- Signed federal income tax returns, or
- IRS W-2 form, or
- IRS 1099 form.

*In addition to the above, if retirement income is paid in the form of a distribution from a 401(k), IRA, or KEOGH retirement account, then provide **all** of the following:*

- Account statement(s) reflecting available balance for withdrawals evidencing three (3) year continuance, and
- Borrowers must have unrestricted access to the accounts.

Rental Income

Rental income may be used for qualifying income subject to the following documentation requirements:

- Rental income from other properties must be documented with the borrower's most recent signed federal income tax return that includes Schedule E.

- Leases are required for properties where rental income is being used to qualify and the property was acquired during or subsequent to the most recent tax filing year or the property was out of service for an extended period.
 - For commercial properties, a copy of the lease or rent roll is required.
- Proposed rental income from the comparable rent schedule, reflecting long term rental rates, may be used for qualifying if there is not a current lease or assignment of lease on purchase of an investment property.
- Properties with expired leases that have converted to month-to-month per the terms of the lease will require bank statements for the lesser of 2 months or the time period after the lease expired.
- A 25% vacancy factor must be applied to the gross rent used for qualifying. Multiply the gross rents from the lease by 75% and subject the PITIA to arrive at the rental income / loss used in qualifying.
- Commercial properties reported on a Schedule E must be documented with a rent roll and evidence that the primary use and zoning of the property is commercial.
- Application of Rental Income
 - Primary Residence (2-4 unit property)
 - The monthly qualifying rental income (as defined above) must be added to the borrower's total monthly income.
 - The income is not netted against the PITIA of the property.
 - The full amount of the mortgage payment PITIA must be included in the borrower's total monthly obligation when calculating the DTI.
 - Investment Property
 - If the monthly qualifying rental income (as defined above) minus the full PITIA is positive, it must be added to the borrower's total monthly income.
 - If the monthly qualifying rental income minus PITIA is negative, the monthly net rental loss must be added to the borrower's total monthly obligations.
 - The full PITIA for the rental property is factored into the amount of the net rental income (or loss); therefore, it should not be counted as a monthly obligation.

Restricted Stock Units

Restricted stock units (RSUs) are issued to an employee through a vesting plan and distribution schedule. RSUs give an employee interest in company stock but have no tangible value until vesting is complete. The RSUs are assigned a fair market value when they vest and are considered ordinary income with a portion of the shares withheld to pay income taxes upon vesting. The employee receives the remaining shares and can sell them at their discretion. Restricted stock options may be used as qualifying income when all of the following requirements are met:

- Income has been consistently received for the prior two (2) years and will continue, and
- RSU income is calculated using the past two (2) year average, and
- If the RSU income is declining, proof of stability must be provided, and the most conservative average used for qualifying, and
- Borrower must be employed at the same company that issued the RSUs, and

- Employer must be a publicly traded entity, and
- Non-vested restricted stock is not an acceptable source of income or reserves, and
- Vested RSUs may not be considered as qualifying income if they are also used for down payment, closing costs and/or reserves.

The following documentation is required for RSU income:

- Evidence that stock is publicly traded,
- The most recent vesting schedule or issuance agreement showing continuance of RSU income,
- Evidence of the payouts of RSUs for the past two (2) years. Acceptable verification includes any of the following:
 - Tax returns for the last two (2) years, reflecting RSU income, or
 - Year-end pay stubs for two (2) years reflecting the RSU payout, or
 - An employer-provided statement paired with a brokerage or bank statement, showing the transfer of shares or funds, that includes the (a) date of the payout, and (b) the number of vested shares and their cash equivalent distributed to the borrower.

Royalty Income

Obtain copies of the following:

- Royalty contract, agreement, or statement confirming amount, frequency, and duration of the income.
- The borrower's most recent signed federal income, IRS Form 1040, including Schedule E.

Confirm that the borrower has received royalty payments for at least 12 months and that the payments will continue for a minimum of three (3) years after the date of our mortgage Note.

Teacher Income

Teachers are paid on a 9-month, 10-month, or 12-month basis. The pay structure should be determined before calculating the monthly income. If unable to determine the pay frequency, documentation such as a copy of their contract or documents from the school district's personnel office may be required.

Tip Income

Tips and gratuity income may be considered if the receipt of such income is typical for the borrower's occupancy. Tip income should be received for at least two (2) years.

- Documentation will be based upon the documentation type selected (12 or 24 months).
- Obtain one (1) or two (2) years of federal income tax returns along with a year-to-date pay stub.
- Income should be averaged over the time-period verified.
- If the tip income is not reported on the pay stubs or tax returns, it may not be included in qualifying income.

Trust Income

Confirm the trust income by obtaining a copy of the trust agreement or the trustee's statement confirming the amount, frequency and duration of payments:

- Trust verification documentation must clearly identify the date the trust was created.
- Trustee statement evidencing borrower is a beneficiary and income will continue for three (3) years.
 - Trust verification documentation to include a letter from the accountant or attorney who has reviewed the trust's documentation when one of the following applies:
 - Trustee's statement or other documents are not available, or
 - Borrower is the trustee.
- Variable trust income: Use and average over the length of time per the doc type selected.
 - When variable trust income has been received for less than 24 months, but not less than 12 months, it may be considered as stable income with compensating factors.
- Fixed trust income: Use the fixed payment as documented.
- If the borrower creates the trust as the trustee, the assets within the trust must be verified with 3rd party documentation (i.e. bank statements).
 - ~~○ In this case, the income will be calculated using asset utilization methodology vs. the variable or fixed trust income calculations noted above.~~
 - ~~○ Qualifying income will be based upon total assets verified with 3rd party documentation divided by 84 months.~~
 - ~~■ Note: If any of the trust assets are also being used for closing or reserves, those assets must be deducted from the total before dividing by 84.~~
- Unless this income is received monthly, documentation of current receipt of the income is not required if the income is on the borrower's most recent tax return.

Unemployment Benefit Income

Income derived from unemployment compensation is generally not allowed due to the limited duration of its receipt. Seasonal unemployment, however, can be considered if the borrower is employed in a field where weather affects the ability to work, and where unemployment compensation is often received (i.e. construction). The income can be used to qualify with a two-year employment history in the same field of work and a two-year history of receipt of unemployment compensation. Income should be averaged over the time-period verified.

VA Benefits

Document the borrower's receipt of Veteran Administration (VA) benefits with one of the following:

- Award letter, or
- Distribution form from the VA.

Verify that the income can be expected to continue for a minimum of three (3) years from the date of the mortgage Note.

Note. Continuance is not required for VA retirement or long-term disability benefits.

Education benefits are not acceptable income because they are offset by education expenses.

Variable - Overtime / Bonus / Commission

Variable income sources are eligible provided the borrower has a minimum 2-year history of receiving such income in the same line of work. Variable income earned for less than one (1) year may not be used for qualifying income.

Variable earnings must be averaged over the most recent one (1) or two (2) years based upon the documentation type, and include the following:

- Most recent year-to-date pay stub reflecting the variable earnings;
- W-2 forms covering the most recent 1-year or 2-year pay period;
- A completed Written Verification of Employment detailing base, overtime, commission, or bonus earnings.

Ineligible Income Sources

- Boarder income
- Educational benefits
- Gamblings winnings
- Cannabis (see below)
- Mortgage Credit Certificate
- Mortgage Differential Payments
- Refunds of federal, state, or local taxes

Guidelines for income derived from cannabis:

- Self-employed income (active or passive) derived from a company involved in cultivation, transportation, retailing, etc. is not allowed regardless of percentage of company ownership.
- Income from borrowers who are wage earners in the industry are allowed.

Alt Doc - Bank Statements

Alternative Documentation using bank statements is an option for Self Employed Borrowers per the Loan Matrices above. Personal or business bank statements are provided by the borrower to meet published guidelines.

Eligibility and pricing differences exist for the 24 or 12-month documentation options and specific product codes must be selected.

The Verus Business Bank Statement calculator is used to calculate the qualifying income.

Restrictions to Personal / Business Bank Statements

- See the Loan Matrices above for maximum LTV and DTI allowed
- Borrowers must be self-employed for at least two (2) years. Employment section of the loan application (1003) must be completed with a minimum of two (2) years of self-employment history.
 - If the nature of the borrower's business cannot be determined from the information on the loan application, a Business Narrative may be provided by the borrower.
- The business being used to source income must be in existence for a minimum of two (2) years as evidenced by one of the following:
 - CPA Letter, or
 - Business License, or
 - Bank statement from 24 or more months prior to note date reflecting activity, or
 - Other reasonable evidence of business activity
- Minimum credit score is 620
- Nonprofit Entity is not eligible
- Income and expense documentation must be prepared or validated by an acceptable 3rd party source with knowledge of the borrower's business.
- Funds / Deposits in a IOLTA (Trust) account is an ineligible source
- Tax returns and 4506-C are not required for the bank statement program
- Alt Doc income may be combined with other income sources that are documented as Standard Doc but not associated with self-employment, such as wage income from spouse or domestic partner.
 - When wage income is combined with Alt Doc, a tax return is not required for the standard full income documentation. If the 4506-C form is provided, Box 8 should be checked to obtain a transcript of W-2 earnings.

Bank Statement Options / Income Analysis

In addition to the factors described in the [Income Analysis](#) section of this guide, the following should also be considered:

- Deposits should be reviewed for consistency
- Deposits from alternative payment processing applications (i.e., Square, Venmo) are eligible
- Inconsistent or large deposits should be sourced or excluded from the analysis. The definition of an inconsistent or large deposit is any deposit exceeding 50% of the average monthly sales of the business.
- Changes in deposit pattern must be explained
- Income documented separately, but included as deposits in the statement under review, must be backed out of deposits.

Personal Bank Statement Review

A personal bank account is held in the individual borrower(s) name. The following documentation requirements and analysis methods apply:

Documentation Requirements

- 24 or 12 months of consecutive PERSONAL bank statements, the most recent statement dated within 90 days of the note date, and
- Most recent two (2) months of BUSINESS bank statements, and
- Verify that the borrower owns minimum 20% of the business by providing one of the following:
 - CPA letter, Tax Preparer letter, operating agreement, or equivalent, reflecting the borrower's ownership percentage.

Calculation Method

- Only transfers or deposits from the business account(s) are eligible deposits. Qualifying income calculated using the sum of the total eligible deposits from the statements reviewed divided by the number of statements. The most recent bank statement must be consistent with the qualifying income.
- If the personal account is jointly owned, and the joint owner is not an owner of the business, deposits that are not readily identifiable as transfers from the business accounts or business deposits must be excluded unless sourced.
- ATM deposits may be included if a consistent pattern of such deposits is present.
- Two (2) months of business bank statements must be reviewed, which must:
 - Evidence activity to support business operations, and
 - Reflect transfers to the personal account.

The Verus Business Bank Statement calculator is used to calculate the qualifying income.

Business and Co-Mingled Bank Statement Review

A **business bank statement** used for ongoing operations of the business must reflect the name of the business as completed on the loan application.

- Verify that the borrower has ownership of at least 25% of the business by providing one of the following:
 - CPA letter, Tax Preparer letter, operating agreement, or equivalent; reflecting the borrower's ownership percentage.
- Net income from the analysis of the bank statements is multiplied by the borrower's ownership percentage to determine the borrower's qualifying income.

A **co-mingled bank statement** is a personal account used by a borrower for both business and personal use. A separate business account is not required.

- Verify that the borrower has 100% ownership of the business by providing one of the following:
 - CPA letter, Tax Preparer letter, operating agreement, or equivalent; reflecting the borrower's ownership percentage.
- The borrower must be the sole owner of the business listed on the loan application

- Borrower and spouse with combined 100% ownership of the account are eligible


Standard Expense Ratio - 50% Factor

Documentation Requirements

- A standard 50% expense factor will be applied to the total of eligible deposits
- 24 or 12 months of consecutive business bank statements, the most recent statement dated within 90 days of the note date
- If the business operates more efficiently or typically has a materially different expense factor (higher or lower than standard expense factor), then an expense factor from a CPA, accountant, IRS Enrolled Agent, tax preparer or P&L may be used to determine qualifying income.

Income Calculation Method

- Total deposits from all bank statements, less any inconsistent deposit(s), multiplied by 50%, multiplied by ownership percentage, divided by the number of bank statements reviewed.
- Deposits x (.50) x (ownership %) / 24 or 12 = qualifying income
 - Example:



VERUS

MORTGAGE CAPITAL

VERUS MORTGAGE CAPITAL BUSINESS BANK STATEMENT WORKSHEET

INCOME ANALYSIS METHOD		Months to Review	Expense Ratio
Fixed Expense Ratio		12 Months	50%

USER INPUTS	AMOUNT	DESCRIPTION

INCOME ANALYSIS	AMOUNT	DESCRIPTION
Total Of Gross Deposits	\$1,200,000.00	Calculated Field
Total Net Deposits	\$1,200,000.00	Calculated Field
Total Expenses		Calculated Field
Net Income		Calculated Field
Total Net Expenses	\$600,000.00	Calculated Field
Monthly Expense Ratio Earnings		Calculated Field
Months Reviewed	12	Calculated Field
Monthly Net Income	\$50,000.00	Calculated Field
Minimum Monthly Net Income	\$50,000.00	Calculated Field
Net Deposits/Gross Receipts		Calculated Field

NSF/BUSINESS QUALIFICATION:	OK
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DEPOSIT QUALIFICATION:	\$50,000.00
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Third Party Prepared Business Expense Statement Letter

Documentation Requirements

- 24 or 12 months of consecutive business bank statements, the most recent statement dated within 90 days of the note date
- Business expense statement letter to include:
 - Name of the business
 - Business expenses as a percentage of the gross annual sales/revenue
 - Prepared or reviewed by a 3rd party with knowledge of the business (e.g., CPA/accountant, IRS Enrolled Agent, or tax preparer)
 - Signed by the 3rd party preparer/reviewer

Income Calculation Method

- Total expenses are calculated by multiplying the total deposits by the expense factor provided (subject to a minimum total expense percentage of 10%), multiplied by ownership

percentage, divided by the number of bank statements.

- Deposits x (expense ratio) x (ownership %) / 24 or 12 = qualifying income
 - Example:

INCOME ANALYSIS METHOD			Months to Review	Expense Ratio
Business Expense Statement Letter			12 Months	50%

USER INPUTS	AMOUNT	DESCRIPTION
Business Expense Percentage	75.00%	Input From Expense Statement

VERUS MORTGAGE CAPITAL BUSINESS BANK STATEMENT WORKSHEET		
INCOME ANALYSIS	AMOUNT	DESCRIPTION
Total Of Gross Deposits	\$1,200,000.00	Calculated Field
Total Net Deposits	\$1,200,000.00	Calculated Field
Total Expenses		Calculated Field
Net Income		Calculated Field
Total Net Expenses	\$900,000.00	Calculated Field
Monthly Expense Ratio Earnings		Calculated Field
Months Reviewed	12	Calculated Field
Monthly Net Income	\$25,000.00	Calculated Field
Minimum Monthly Net Income	\$25,000.00	Calculated Field
Net Deposits/Gross Receipts		Calculated Field
NSF/BUSINESS QUALIFICATION:		OK
DEPOSIT QUALIFICATION:		\$25,000.00

Third Party Prepared Profit & Loss Statement

Documentation Requirements

- 24 or 12 months of consecutive business bank statements, the most recent statement dated within 90 days of the note date
- P&L covering 24 or 12 months (determined by the months of bank statements provided),
- Prepared or reviewed and acknowledged by a CPA / accountant, IRS Enrolled Agent, or licensed tax preparer. Documentation is required to evidence the preparer's business.
- Signed by the 3rd party preparer/reviewer

Income Calculation Method

- P&L Sales / Revenue must be supported by the provided bank statements.
 - Total deposits reflected on the bank statements, minus any inconsistent deposits, must be greater than or no more than 20% below the sales / revenue reflected on the P&L.
 - The bank statements and P&L must cover the same time period.
 - If the deposits support the sales, qualifying income is the lower of:
 - The Net Income indicated on the P&L divided by the number of statements (24 or 12), or
 - Total deposits reported on the bank statements, minus any inconsistent deposits, divided by the number of statements (24 or 12).
- When analyzing the P&L Statement, the following may be added back to the applicant's income calculation:
 - Depreciation
 - Depletion
 - Amortization / casualty loss
- Example:

INCOME ANALYSIS METHOD			Months to Review	Expense Ratio
Third Party P&L Statement			12 Months	50%

USER INPUTS	AMOUNT	DESCRIPTION
Gross Receipts (All Months)	\$1,200,000.00	Input From CPA P&L
Net Total Income (All Months)	\$500,000.00	Input From CPA P&L

INCOME ANALYSIS	AMOUNT	DESCRIPTION
Total Of Gross Deposits	\$1,200,000.00	Calculated Field
Total Net Deposits	\$1,200,000.00	Calculated Field
Total Expenses		Calculated Field
Net Income		Calculated Field
Total Net Expenses		Calculated Field
Monthly Expense Ratio Earnings		Calculated Field
Months Reviewed	12	Calculated Field
Monthly Net Income	\$41,666.67	Calculated Field
Minimum Monthly Net Income	\$41,666.67	Calculated Field
Net Deposits/Gross Receipts	100.00%	Calculated Field

NSF/BUSINESS QUALIFICATION:	OK
DEPOSIT QUALIFICATION:	\$41,666.67

Non-Sufficient Funds

Non-sufficient funds (NSF) ~~or negative balances~~ reflected on the bank statement must be considered. Overdraft protection fees associated with a pre-arranged link to a savings account or line of credit must also be considered unless one of the following exist:

- Overdraft protection from a depository account: Occurrences may be excluded if statements for the linked account confirm that
 - The linked account balance at the time of the transfer exceeded the amount of the overdraft transfer,
 - The linked account's balance did not report as zero or negative at any point during the statement period of the transfer, and
 - The linked account did not itself receive overdraft protection proceeds during the statement period of the transfer.
- Overdraft protection from a line of credit: Occurrences may be excluded if statements for the linked account confirm that
 - The line's credit limit was not exceeded during the statement period of the transfer, and
 - A payment amount which equals or exceeds the sum of all overdraft protection occurrences analyzed in the statement period is made within 30 days after the statement close date.
- Occurrences included in the analysis are subject to the following tolerances:
 - An occurrence is defined as one or more checks returned the same day.
 - If there are one (1) or more occurrences in the most recent three-month time period, up to three (3) occurrences are allowed in the most recent 12-month time period.
 - If there are zero (0) occurrences in the most recent three-month time period, up to five (5) occurrences in the most recent 12-month time period are acceptable.
 - Exception requests for tolerance deviations must include
 - A letter of explanation from the borrower outlining the reason for the occurrences and an explanation of how and when the issue leading to the occurrences was rectified, and

- Additional compensating factors outlined by the underwriter supporting the viability of income.
- The underwriter must consider the financial strength of a self-employed borrower's business.

Rental Income Documentation

Rental income may be included in loan qualification while using Alt Doc Bank Statement income types. To be considered the following documentation must be provided:

- Long Term Rental
 - A copy of the lease(s) for the rental property
 - Must provide two (2) months of proof of the receipt of rental income. The deposits must be to a separate bank account. Any deposits in the business bank statements used in the business income analysis are not eligible.
 - 75% of the verified monthly rental income can be used to offset the PITIA of the rental property
 - If the deposits cannot be validated in a separate account, the full PITIA of the rental unit must be included in the qualifying DTI ratio
 - Proposed rental income from the comparable rent schedule, reflecting long term rental rates, may be used for qualifying if there is not a current lease or assignment of lease on purchase of an investment property.
- Short Term Rental
 - Property leased on a short-term basis utilizing an on-line service, such as Airbnb, gross monthly rents can be determined by using a 12-month look back period to account for seasonality
 - Rents for the look back period must be documented with either 12-monthly statements or an annual statement provided by the on-line service. In the event the borrower owns a single rental property, bank statements with deposits clearly identified / sourced as rental income can be substituted. If two or more rental properties are owned, statements from an online service must be provided to associate rents received with the specific property.
 - 75% of the verified monthly rental income can be used to offset the PITIA of the rental property
 - A screenshot of the online listing must show the property(s) activity marketed as a short-term rental.
- Application of Rental Income
 - Primary Residence
 - The monthly qualifying rental income (as defined above) must be added to the borrower's total monthly income. (The income is not netted against the PITIA of the property)
 - The full amount of the mortgage payment (PITIA) must be included in the borrower's total monthly obligations when calculating the debt-to-income ratio.
 - Investment Property

- If the monthly qualifying rental income (as defined above) minus the full PITIA is positive, it must be added to the borrower's total monthly income.
- If the monthly qualifying rental income minus PITIA is negative, the monthly net rental loss must be added to the borrower's total monthly obligations.
- The full PITIA for the rental property is factored into the amount of the net rental income (or loss); therefore, it should not be counted as a monthly obligation.
- The full monthly payment for the borrower's principal residence (full PITIA or monthly rent) must be counted as a monthly obligation.

Alt Doc - CPA / EA Profit and Loss Statement Only

Permitted for self-employed borrowers with a minimum of 25% ownership of the business. The Profit & Loss Statement (P&L) must be prepared by an individual with knowledge of the business sufficient to review or prepare a P&L Statement. Examples are 3rd party Certified Public Accountant (CPA), an IRS Enrolled Agent (EA), and CTEC registered tax preparer, or a Tax Attorney. PTIN is not allowed.

Requirements for the P&L Method

- See the Loan Matrices above for maximum LTV and DTI allowed
- Borrowers must be self-employed for at least two (2) years. Employment section of the loan application (1003) must be completed with a minimum of two (2) years of self-employment history.
- Required documentation:
 - 12- or 24-month CPA, EA, CTEC, or Tax Attorney prepared P&L Statement representing total business sales and expenses
 - Preparer to provide a signed document with all of the following:
 - Confirmation business has been in existence for a minimum of two (2) years,
 - Indicate borrower's ownership percentage of the business,
 - Confirmation the preparer completed or filed the most recent business tax return
 - If the CPA, EA, CTEC, or Tax Attorney has not completed or filed the borrower's most recent business tax return, the following must be provided:
 - Two (2) months business bank statements for the most recent two (2) months reflected on the P&L statement.
 - Deposits must support 80% of the monthly average sales/revenue reported on the P&L.
 - If most recent 2 months business bank statements do not support 80% of the monthly average sales/revenue, continuous bank statements may be added to the analysis until the tolerance is met.
 - Current/active license or certification for the preparer:
 - State CPA license number as verified by license or screenshot from state licensing authority

- IRS Enrolled Agent (EA) certification from IRS (e.g., screenshot of IRS website) [Enrolled Agent Program](#)
- CTEC certification from California (e.g., screenshot of CTEC website) [CTEC website](#)
- State Attorney license number as verified by license or screenshot from state licensing authority
- Qualifying income:
 - Net income from the P&L Statement divided by the time period covered (12- or 24-months) multiplied by the borrower's ownership percentage
 - Expenses on the P&L must be reasonable for the industry. Verus reserves the right to request additional information.
- The following may be added back to the qualifying income calculation:
 - Depreciation
 - Depletion
 - Amortization/Casualty Loss
- Ineligible sources of income:
 - Not-For-Profit entity
 - Verus reserves the right to request additional documentation when a 3rd party Certified Public Accountant (CPA), IRS Enrolled Agent (EA), CTEC registered tax preparer, or Tax Attorney prepares P&L Statements for multiple borrowers.

Rental Income Documentation

Rental income may be included in loan qualification while using the Alt Doc CPA/EA Profit and Loss Statement income type. To be considered the following documentation must be provided:

- Long Term Rental
 - A copy of the lease(s) for the rental property
 - Must provide two (2) months of proof of the receipt of rental income. The deposits must be to a separate bank account. Any deposits in the business bank statements used in the business income analysis are not eligible.
 - 75% of the verified monthly rental income can be used to offset the PITIA of the rental property
 - If the deposits cannot be validated in a separate account, the full PITIA of the rental unit must be included in the qualifying DTI ratio
 - Proposed rental income from the comparable rent schedule, reflecting long term rental rates, may be used for qualifying if there is not a current lease or assignment of lease on purchase of an investment property.
- Short Term Rental
 - Property leased on a short-term basis utilizing an on-line service, such as Airbnb, gross monthly rents can be determined by using a 12-month look back period to account for seasonality
 - Rents for the look back period must be documented with either 12-monthly statements or an annual statement provided by the on-line service. In the event the borrower owns

a single rental property, bank statements with deposits clearly identified / sourced as rental income can be substituted. If two or more rental properties are owned, statements from an online service must be provided to associate rents received with the specific property.

- 75% of the verified monthly rental income can be used to offset the PITIA of the rental property
- A screenshot of the online listing must show the property(s) activity marketed as a short-term rental.
- Application of Rental Income
 - Primary Residence
 - The monthly qualifying rental income (as defined above) must be added to the borrower's total monthly income. (The income is not netted against the PITIA of the property)
 - The full amount of the mortgage payment (PITIA) must be included in the borrower's total monthly obligations when calculating the debt-to-income ratio.
 - Investment Property
 - If the monthly qualifying rental income (as defined above) minus the full PITIA is positive, it must be added to the borrower's total monthly income.
 - If the monthly qualifying rental income minus PITIA is negative, the monthly net rental loss must be added to the borrower's total monthly obligations.
 - The full PITIA for the rental property is factored into the amount of the net rental income (or loss); therefore, it should not be counted as a monthly obligation.
 - The full monthly payment for the borrower's principal residence (full PITIA or monthly rent) must be counted as a monthly obligation.

Alt Doc - IRS Form 1099

This income type is permitted for individual(s) earning 100% commission or for independent contractors.

- 1-year or 2-years of 1099s or 1099 transcripts are permitted
 - One of the following Business expense analysis methods must be used:
 - A 90% Net Margin (10% Expense Factor), or
 - 3rd party prepared P&L (CPA, EA, accountant, tax preparer).
- A minimum 2-year history of earnings 1099 income is required (e.g., 1099 income) as documented from the Employment section of the loan application.
- Qualifying income is the 12 or 24 monthly average from the total number of 1099's minus the expense factor from the method chosen above.
- YTD earnings must be documented when the 1099 reporting period is greater than 90 days from the note date. YTD earnings must support the ongoing receipt of income shown on the 1099s by:
 - Checks or a single check stub(s) with YTD totals if available, or
 - Bank statements (YTD)

- The YTD earnings from the total of check stubs or the tally of deposits from bank statements must be within 10% or greater than earnings used for qualification.
- The Alt Doc Loan / LTV matrix should be utilized from above.

Rental Income Documentation

Rental income may be included in loan qualification while using the Alt Doc IRS Form 1099 income type. To be considered the following documentation must be provided:

- Long Term Rental
 - A copy of the lease(s) for the rental property
 - Must provide two (2) months of proof of the receipt of rental income. The deposits must be to a separate bank account. Any deposits in the business bank statements used in the business income analysis are not eligible.
 - 75% of the verified monthly rental income can be used to offset the PITIA of the rental property
 - If the deposits cannot be validated in a separate account, the full PITIA of the rental unit must be included in the qualifying DTI ratio
 - Proposed rental income from the comparable rent schedule, reflecting long term rental rates, may be used for qualifying if there is not a current lease or assignment of lease on purchase of an investment property.
- Short Term Rental
 - Property leased on a short-term basis utilizing an on-line service, such as Airbnb, gross monthly rents can be determined by using a 12-month look back period to account for seasonality
 - Rents for the look back period must be documented with either 12-monthly statements or an annual statement provided by the on-line service. In the event the borrower owns a single rental property, bank statements with deposits clearly identified / sourced as rental income can be substituted. If two or more rental properties are owned, statements from an online service must be provided to associate rents received with the specific property.
 - 75% of the verified monthly rental income can be used to offset the PITIA of the rental property
 - A screenshot of the online listing must show the property(s) activity marketed as a short-term rental.
- Application of Rental Income
 - Primary Residence
 - The monthly qualifying rental income (as defined above) must be added to the borrower's total monthly income. (The income is not netted against the PITIA of the property)
 - The full amount of the mortgage payment (PITIA) must be included in the borrower's total monthly obligations when calculating the debt-to-income ratio.

- Investment Property
 - If the monthly qualifying rental income (as defined above) minus the full PITIA is positive, it must be added to the borrower's total monthly income.
 - If the monthly qualifying rental income minus PITIA is negative, the monthly net rental loss must be added to the borrower's total monthly obligations.
 - The full PITIA for the rental property is factored into the amount of the net rental income (or loss); therefore, it should not be counted as a monthly obligation.
 - The full monthly payment for the borrower's principal residence (full PITIA or monthly rent) must be counted as a monthly obligation.

Alt Doc - Written Verification of Employment

A Written Verification of Employment may be utilized when the only source of earnings is wages / salary. The following criteria applies:

- Two-year history with same employer is required
- Completed Fannie Mae Form 1005
 - Third party vendor WVOE requires an approved exception; please submit a Loan Review.
- Minimum credit score:
 - Prime Ascent - 680
- Primary residence only
- 24-month 0x30 housing history required
- Paystubs, tax returns, 4506-C, or W-2s are not required
- Eligible for Prime Ascent only
 - See Loan / LTV matrix for restrictions
- Must be completed by Human Resources, Payroll Department or Officer of the company
- Two (2) months personal bank statements required to support the WVOE. The bank statements must reflect deposits from the employer supporting at least 65% of gross wage/salary reflected on the WVOE.
- First-time home buyer maximum LTV 70%. No gift funds allowed.
- Borrower(s) employed by family members or related individuals are not eligible.
- An internet search of the business is required with documentation to be included in the credit file to support the existence of the business.
- Other sources of income, documented using Alt Doc, are eligible and can be used to determine total household qualifying income.
 - For the borrower utilizing the WVOE, no other active employment income may be utilized.
 - Passive income such as rental income can be included.

Rental Income Documentation

Rental income may be included in loan qualification while using the Alt Doc Written Verification of Employment income type. To be considered the following documentation must be provided:

- Long Term Rental
 - A copy of the lease(s) for the rental property
 - Must provide two (2) months of proof of the receipt of rental income. The deposits must be to a separate bank account. Any deposits in the business bank statements used in the business income analysis are not eligible.
 - 75% of the verified monthly rental income can be used to offset the PITIA of the rental property
 - If the deposits cannot be validated in a separate account, the full PITIA of the rental unit must be included in the qualifying DTI ratio
 - Proposed rental income from the comparable rent schedule, reflecting long term rental rates, may be used for qualifying if there is not a current lease or assignment of lease on purchase of an investment property.
- Short Term Rental
 - Property leased on a short-term basis utilizing an on-line service, such as Airbnb, gross monthly rents can be determined by using a 12-month look back period to account for seasonality
 - Rents for the look back period must be documented with either 12-monthly statements or an annual statement provided by the on-line service. In the event the borrower owns a single rental property, bank statements with deposits clearly identified / sourced as rental income can be substituted. If two or more rental properties are owned, statements from an online service must be provided to associate rents received with the specific property.
 - 75% of the verified monthly rental income can be used to offset the PITIA of the rental property
 - A screenshot of the online listing must show the property(s) activity marketed as a short-term rental.
- Application of Rental Income
 - Primary Residence
 - The monthly qualifying rental income (as defined above) must be added to the borrower's total monthly income. (The income is not netted against the PITIA of the property)
 - The full amount of the mortgage payment (PITIA) must be included in the borrower's total monthly obligations when calculating the debt-to-income ratio.
 - Investment Property
 - If the monthly qualifying rental income (as defined above) minus the full PITIA is positive, it must be added to the borrower's total monthly income.
 - If the monthly qualifying rental income minus PITIA is negative, the monthly net rental loss must be added to the borrower's total monthly obligations.
 - The full PITIA for the rental property is factored into the amount of the net rental income (or loss); therefore, it should not be counted as a monthly obligation.

- The full monthly payment for the borrower's principal residence (full PITIA or monthly rent) must be counted as a monthly obligation.

Alt Doc - Asset Utilization

Asset Utilization may be used as the sole source of income for loan qualification or to supplement other income sources. When used to supplement other income sources, the minimum asset requirements under the qualification method are waived.

Restrictions

- Only available on Prime Ascent Alt Doc
- See Loan / LTV Matrices for max LTV
- Non-occupant co-borrowers are not allowed
- DTI limits:
 - First-time homebuyer (FTHB): 45%
 - Less than 12-month housing history: 43%
- Minimum 640 credit score
- Gift funds are not eligible

Asset Utilization Qualifying Method

Debt Ratio Calculation

- Minimum Eligible Assets required is the lower of \$1,000,000 or 150% of the loan balance
- Qualifying income based upon Total Assets Eligible for Depletion, less down payment, less out of pocket closing costs, less required reserves, divided by 60.
- Maximum DTI 43%

Asset Utilization Income Documentation

- All individuals listed on the asset account(s) must be on the Note and Mortgage / Deed of Trust;
- Assets considered for this program must be verified with most recent three (3) monthly account statements, quarterly statement, or a VOD;
- Assets must be seasoned 90 days;
- Income other than Asset Utilization must be documented in accordance with Standard Documentation.

Assets Eligible for Depletion

Assets must be liquid and available with no penalty. Additional documentation may be requested to validate the origin of the funds. The following assets may be used:

- 100% of Checking, Savings, and Money Market Accounts, and US Treasuries with maturity <1 year;
- 100% of the cash surrender value of life insurance less any loans may be considered for assets;
- 70% of Stocks, Bonds, and Mutual Funds;
- 70% of Retirement Assets: Eligible if the borrower is of retirement age (at least 59 ½);

- 60% of Retirement Assets: Eligible if the borrower is not of retirement age.

Eligible trust assets include:

- Assets held in a revocable trust where the trustee to the trust is the borrower
- Assets in an irrevocable trust where the borrower is the beneficiary and the borrower has immediate access to the assets of the trust
- Based upon the asset held in the trust, the above asset percentages apply.

Assets Ineligible for Depletion

- Equity in real estate;
- Privately traded or restricted/non-vested stocks;
- Any asset which produces income already included in the income calculation;
- Any assets held in the name of a business;
- Assets held in an irrevocable trust where the beneficiary of the trust is not the borrower;
- Assets held in a charitable giving trust, donor advised fund, or similar entity where the intended beneficiary is not the borrower.

Rental Income Documentation

Rental income may be included in loan qualification while using the Alt Doc Asset Utilization income type. To be considered the following documentation must be provided:

- Long Term Rental
 - A copy of the lease(s) for the rental property
 - Must provide two (2) months of proof of the receipt of rental income. The deposits must be to a separate bank account. Any deposits in the business bank statements used in the business income analysis are not eligible.
 - 75% of the verified monthly rental income can be used to offset the PITIA of the rental property
 - If the deposits cannot be validated in a separate account, the full PITIA of the rental unit must be included in the qualifying DTI ratio
 - Proposed rental income from the comparable rent schedule, reflecting long term rental rates, may be used for qualifying if there is not a current lease or assignment of lease on purchase of an investment property.
- Short Term Rental
 - Property leased on a short-term basis utilizing an on-line service, such as Airbnb, gross monthly rents can be determined by using a 12-month look back period to account for seasonality
 - Rents for the look back period must be documented with either 12-monthly statements or an annual statement provided by the on-line service. In the event the borrower owns a single rental property, bank statements with deposits clearly identified / sourced as rental income can be substituted. If two or more rental properties are owned,

statements from an online service must be provided to associate rents received with the specific property.

- 75% of the verified monthly rental income can be used to offset the PITIA of the rental property
- A screenshot of the online listing must show the property(s) activity marketed as a short-term rental.
- Application of Rental Income
 - Primary Residence
 - The monthly qualifying rental income (as defined above) must be added to the borrower's total monthly income. (The income is not netted against the PITIA of the property)
 - The full amount of the mortgage payment (PITIA) must be included in the borrower's total monthly obligations when calculating the debt-to-income ratio.
 - Investment Property
 - If the monthly qualifying rental income (as defined above) minus the full PITIA is positive, it must be added to the borrower's total monthly income.
 - If the monthly qualifying rental income minus PITIA is negative, the monthly net rental loss must be added to the borrower's total monthly obligations.
 - The full PITIA for the rental property is factored into the amount of the net rental income (or loss); therefore, it should not be counted as a monthly obligation.
 - The full monthly payment for the borrower's principal residence (full PITIA or monthly rent) must be counted as a monthly obligation.

Foreign National Income Requirements

- DSCR Income Documentation Type - [Investor Cash Flow \(Debt Service Coverage\) - Investment Property](#)

Investor Cash Flow (Debt Service Coverage) - Investment Property

Debt Service Coverage Ratio transactions are available to experienced investors purchasing or refinancing investment properties for business purposes. The typical borrower is expected to have a history of managing income-producing rental properties or has a significant equity down payment in a purchase transaction.

The borrower is required to sign a Borrower Certification of Business Purpose and an Occupancy Certification form.

DSCR transactions are considered business purpose loans and monthly cash flow is used to determine a DSCR ratio. A DSCR ratio greater than 1.00 reflects a positive monthly cash flow and a DSCR ratio less than 1.00 reflects a negative monthly cash flow but is typically offset by the value of the property securing the loan.

Refer to [Resource | Verus Mortgage Capital Correspondent Products](#) for additional information regarding DSCR Non-Subject Property documentation handling.

Debt Service Coverage Investment (1-4 Family Residential Property)

Borrower Experience

- Experienced Investor
 - An experienced residential investor is a borrower/guarantor having a history of owning and managing non-owner occupied residential real estate for at least one (1) year in the last three (3) years. Ownership of commercial income producing property may also be used as evidence of investor experience.
 - Loans with more than one borrower, only one borrower must meet the definition.
 - Ownership history can be documented by one of the following:
 - Mortgage history on credit report,
 - Property profile report,
 - Other 3rd party documentation (e.g., Fraud Report, Settlement Statement, Closing Disclosure)
- First-Time Investor
 - A borrower that does not meet the Experienced Investor definition, but who currently owns a primary residence for at least one (1) year, is considered a First-Time Investor and is eligible with the following restrictions:
 - Minimum credit score 680
 - No mortgage late payments during the past thirty-six (36) months
 - Note: Forbearance, modifications and deferrals are included in the housing payment history
 - Minimum of 36-months seasoning from any Credit or Housing Event Seasoning
 - Cash-out transaction are not eligible
 - First time homebuyers are not eligible
 - See [Housing History - DSCR for borrower living with a spouse](#)
 - Ownership history can be documented by one of the following:
 - Mortgage history on credit report,
 - Property profile report,
 - Other 3rd party documentation (e.g., Fraud Report, Settlement Statement, Closing Disclosure)

Property Income Analysis

Gross rents are utilized in the DSCR calculation. A 1007 or 1025 Comparable Rent Schedule prepared by the appraiser is required on all DSCR transactions. See the appropriate Long Term or Short Term requirements below for rental income documentation and DSCR calculation.

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
 - A vacant or unleased property is allowed without any LTV restriction
- Refinance Transactions
 - Required documentation includes:
 - FNMA Form 1007 or 1025 reflecting long term market rents, and a lease agreement
 - If the lease has converted to month-to-month, then provide most recent two (2) months proof of receipt to evidence continuance of the lease.
 - If unable to provide evidence of receipt, the unit will be treated as vacant and 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 as follows:
 - If using the lower of the actual lease amount or estimated market rent, nothing further is required.
 - If using a higher monthly 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%.
 - A vacant or unleased property is allowed subject to the following:
 - LTV/CLTV limits: Lesser of 70%, or the LTV/CLTV based upon the DSCR/FICO/Loan balance matrix.
- DSCR Calculation
 - Debt Service Coverage Ratio is the Monthly Gross Rents divided by the PITIA of the subject property.
 - Gross rents divided by PITIA = DSCR

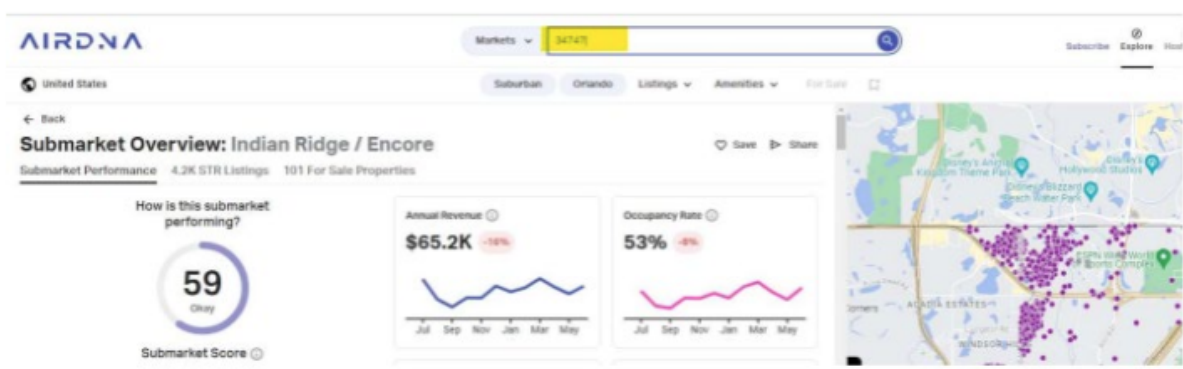
Short Term Rental (e.g., Airbnb, VRBO, Flipkey) Documentation and DSCR Calculation

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 limits:
 - Purchase: Lesser of 75%, or the LTV/CLTV based upon the DSCR/FICO/loan amount matrix
 - Refinance: Lesser of 70%, or the LTV/CLTV based upon the DSCR/FICO/loan amount matrix
 - See matrix for Condo Hotel LTV/CLTV limits
- DSCR Calculation
 - Monthly gross rents based upon a 12-month average to account for seasonality is required
 - Gross rents must be reduced by 20% to reflect extraordinary costs (i.e., advertising, furnishings, cleaning) associated with operating short-term rental property compared to a non-short term property. If the rental documentation referenced below 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.
 - $(\text{Gross Rents} \times .80) \text{ divided by PITIA} = \text{DSCR}$
- When short-term rental income is documented using multiple sources, the lowest source of monthly income is to be utilized for calculating DSCR.
- Purchase Transactions - Any of the following methods may be used to determine gross monthly rental income:
 - A FNMA Form 1007 Comparable Rent Schedule or 1025 Appraisal prepared by the appraiser reflecting long-term or short-term market rents;
 - If long-term rent is utilized, 20% expense factor is not to be applied.
 - AIRDNA Rentalizer and Overview reports that meet the following requirements:
 - Rentalizer (Property Earning Potential)
 - Revenue Calculator report for Property Earning Potential is now available to be downloaded as a PDF report.
 - Only allowed for purchase transaction
 - Gross Rents equal the revenue projection from the Rentalizer Report
 - The gross rents are subject to the application of the 20% extraordinary expense factor
 - Revenue projection equals the average daily rental rate times the occupancy rate
 - Forecast Period must cover 12 months from the Note date
 - ~~The occupancy rate must be > 60%~~
 - Must have three (3) comparable properties, all within the same ZIP code
 - Must be similar in size, room count, amenities, availability, and occupancy
 - Maximum occupancy limited to 2 individuals per bedroom
 - Overview Report
 - Market score or Sub-Market score by zip code
 - Market score or Sub-Market score must be 60 or greater

- When both a Market and Sub-Market score are present, use the lower of the two
 - Both the Market and Sub-Market score must be at the zip code level
- Note: The Market Research report no longer reflects zip code results in the Market/Sub-Market analysis. AirDNA broke down zip codes into sub-markets that vary based on city, town, or neighborhood boundaries.
 - To document the accurate Market/Sub-Market score, it is necessary to capture a screenshot of the Market Research report that includes the zip code search. This will verify the zip code used for the search matches for the subject property.
 - Example:



- Refinance Transactions - Any of the following methods may be used to determine gross monthly rental income:
 - A FNMA Form 1007 Comparable Rent Schedule or 1025 Appraisal prepared by the appraiser reflecting long-term or short-term market rents;
 - If long-term rent is utilized, 20% expense factor is not to be applied.
 - A most recent 12-month rental history statement from the 3rd party rental / management service; or
 - The statement must identify the subject property/unit, rents collected for the previous 12-months, and all vendor management fees. The rental income will exclude all vendor or management fees.
 - The most recent 12-month bank statements from the borrower evidencing short-term rental deposits. Borrowers must provide rental records for the subject property to support monthly deposits.

Debt Service Coverage Ratio (DSCR)

Debt Service Coverage Ratio is the Monthly Gross Income divided by the PITIA (or ITIA for interest only loans) of the subject property. See the program Eligibility Matrix for the required Debt Service Coverage Ratios.

- Calculating Real Estate Tax Payment for subject property
 - For purchase and construction-related transactions, a reasonable estimate of the real estate taxes based on the value of the land and the total of all new existing improvements is required
 - For refinance transactions, use the current tax assessment

Example:

Single Family Purchase Money Transaction

Monthly PITIA = \$650

Estimated Monthly Market Rent from Fannie Mae Form 1007 = \$850

Existing Lease Monthly Rent = Not available

Use Market Rent of \$850 (*Estimated Monthly Market Rent when a lease is not available for a purchase transaction*)

Gross Rents (\$850) / PITIA (\$650) = DSCR 1.30

Housing History - DSCR

Housing history for the DSCR Doc type is limited to verifying the borrower's primary residence and the subject property if a refinance transaction. The requirements under [Housing History](#) should be followed for verification.

- Any mortgage reported on the credit report for any property owned by the borrower needs to be included in the housing history eligibility
- For any non-subject property, non-primary mortgages not reporting to the credit bureau, additional housing history is not required
- For refinance transactions of the subject property, when the existing financing is a Paid In Kind (PIK) loan, a copy of the note must be provided in the credit file to determine required payments. Notes allowing interest to accumulate during the term of the loan are eligible, however, all refinance transactions are treated as cash out.
- First time homebuyers (FTHB) living with a spouse are eligible with the following:
 - Spouse owns the primary residence
 - Provide evidence the spouse is on title, and
 - Proof of 12-month payment history, or evidence the primary residence is owned free & clear

Restrictions

- If the loan amount is < \$150,000, the minimum DSCR is 1.25
- Minimum credit score of 640
- No rural properties - maximum 2 acres
- Gift funds permitted after a minimum 10% borrower contribution
- Neither the borrower(s) nor the borrower's immediate family shall at any time occupy the property.

- Cash-out on an investment property where loan proceeds are used for consumer purposes are not eligible
- When the subject property is encumbered by a blank/cross collateralized loan, the transaction is considered cash-out. A copy of the Note will be required to verify the payoff/release terms.

Borrower Application

- The borrower information and employment section of the loan application should be completed
- No proof of borrower income is required
- The Schedule of Real Estate Owned (RE) needs to be completed with all properties owned by the borrower

Property Eligibility

Appraisals

Appraisal Requirements 1-4 Family Residential

A full interior/exterior appraisal report, including color photographs, is required using one of the appraisal forms applicable to the property type.

Appraiser License and Certification

Supervisory Appraiser

- If a supervisory appraiser is used, the supervisory appraiser does not need to physically inspect the subject property or comparables, but must sign the right side of the report and certify that they
 - Directly supervised the appraiser that prepared the appraisal report, and
 - Reviewed the appraisal report, and
 - Agree with the statements and conclusions of the appraiser, and
 - Agreed to be bound by the certifications as set forth in the appraisal report forms, and
 - Take full responsibility for the appraisal report.
- When an appraisal is completed by a trainee, a supervisory appraiser with a certified level license is required to sign the report.

Appraisal Trainee

- A trainee may perform a significant amount of the appraisal (or the entire appraisal if they are qualified to do so) and must sign the left side of the appraisal certification as the Appraiser if
 - They are working under the supervision of a state-licensed or state-certified appraiser as an employee or sub-contractor, and
 - The right side of the appraiser certification is signed by that supervisory appraiser, and
 - It is acceptable under state law.
- If the jurisdiction does not provide license numbers for trainees, the term Trainee should be entered in the Other field in the Appraiser Certification section.

Appraisal Age

The appraisal should be dated no more than 365 days prior to the Note date.

When an appraisal report will be more than 120 days old on the date of the Note, regardless of whether the property was appraised as proposed or existing construction, the appraiser must inspect the exterior of the property and review current market data to determine whether the property has declined in value since the date of the original appraisal. This inspection and results of the analysis must be reported on the Appraisal Update and/or Completion Report (Form 1004D)

- If the appraiser indicates on the Form 1004D that the property value has declined, then a new appraisal must be completed on the property.
- If the appraiser indicated that the property has not declined, we may proceed with the loan in process without additional fieldwork.

Properties for which the appraisal indicates condition ratings of C5 or C6, or a quality rating of Q6 are not eligible unless the issues causing these ratings are corrected and noted on a 1004D repair inspection.

Second Appraisal

A second appraisal is required when any of the following conditions exist:

- The loan balance exceeds \$2,000,000, or
- The transaction is a flip as defined in the Property Flipping section of these guidelines, or
- As required under the Appraisal Review Products section of these guidelines.

When a second appraisal is provided, the transaction's "Appraised Value" will be the lower of the two appraisals. The second appraisal must be from a different company and appraiser than the first appraisal.

Appraisal Evaluation

The sales comparison approach must be used as the final appraised value.

Neighborhood Analysis

- Neighborhood boundaries should be described using the four (4) cardinal directions, streets, waterways, other geographic features, and natural boundaries that define the separation of one neighborhood from another.
- Neighborhood characteristics should be described with types and sizes of structures, architectural styles, current land uses, site sizes, and street patterns or designs.
- Factors that affect value and marketability should be mentioned in as much detail as possible - e.g., proximity of the property to employment and amenities, public transit, employment stability, market history, and environmental considerations.

Existing Construction

- If the appraiser reports the existence of minor conditions or deferred maintenance items that do not affect the safety, soundness, or structural integrity of the property, the appraiser may complete the appraisal “as is”.
- When there are incomplete items or conditions that do affect the safety, soundness, or structural integrity of the property, the property must be appraised subject to completion of the specific alterations or repairs. These items can include a partially completed addition or renovation, or physical deficiencies that could affect the safety, soundness, or structural integrity of the improvements, including but not limited to, cracks or settlement in the foundation, water seepage, active roof leaks, curled or cupped roof shingles, or inadequate electrical service or plumbing fixtures. In such cases, a certificate of completion must be obtained from the appraiser.
- Permanent and Functioning Heat Source
 - A permanent heat source is required except for properties located in geographic areas where it is typical not to have a heat source and has no adverse effect on marketability.

Accessory Dwelling Units

An accessory unit is typically an additional living area independent of the primary dwelling unit and includes a fully functioning kitchen and bathroom. Some examples may include a living area over a garage and basement units.

Whether a property is defined as a one-unit property with an accessory unit or a two-unit property will be based on the characteristics of the property, which may include but are not limited to, the existence of separate utilities, a unique postal address, and whether the unit is rented. The appraiser is required to provide a description of the accessory unit and analyze any effect it has on the value or marketability of the subject property.

If the property contains an accessory unit, the property is eligible under the following conditions:

- The property is defined as a one-unit property;
- There is only one accessory unit on the property. Multiple accessory units are not permitted.
- The appraisal report demonstrates that the improvements are typical for the market through an analysis of at least one comparable property with the same use.
- Rental income may be used for the accessor unit subject to the following:
 - Appraisal to reflect zoning compliance is legal
 - Permit is not required to establish zoning compliance
 - Appraisal to include at least one comparable with an accessory unit
 - Refinance
 - The market rent for the accessory unit should be documented on FNMA Form 1007 and the file must include a copy of the current lease agreement with two (2) months proof of current receipt
 - Purchase

- Owner-occupied/2nd Home: Income from the accessory unit may not be used as qualifying income
- Non-owner occupied: Use the lower of the market rent on FNMA Form 1007 or actual rent

Outbuildings

Properties with outbuildings must be given special consideration to ensure that the property is residential in nature. Descriptions of the outbuildings should be reported in the Improvements and Sales Comparison Approach sections of the appraisal report form.

Type of Outbuilding	Suitability
Minimal outbuildings, such as small barns or stables, that have relatively insignificant value in relation to the total appraised value of the subject property.	The appraiser must demonstrate, using comparable sales with similar amenities, that the improvements are typical of the residential properties in the subject area for which an active, viable residential market exists.
An atypical minimal building	The property is acceptable provided the appraiser's analysis reflects little or no contributory value for it.
Significant outbuildings, such as silos, large barns, storage areas, or facilities for farm-type animals	The presence of the outbuildings may indicate that the property is agricultural in nature. A determination must be made whether the property is residential in nature, regardless of whether the appraiser assigns value to the outbuildings.

Solar Panels

Solar panels that are leased from or owned by a third party under a power purchase agreement or other similar financing agreement must be considered personal property and not be included in the appraised value of the property.

Transfer of Appraisal

A transferred appraisal report is acceptable provided the report meets the lender's appraisal requirements for independence.

Appraisal Review Requirements

An appraisal review product is required on every loan unless a second appraisal is obtained. **Four (4)** options are available:

- A Collateral Underwriter (CU) or Loan Collateral Advisor (LCA) is acceptable with an eligible score of 2.5 or less. The file must include a copy of the Submission Summary Report (SSR). Only one score is required, but if both scores (CU & LCA) are provided, both are required to be 2.5 or less; or
- **AVM from Clear Capital dated within 90 days of the Note date, or**
- Collateral Desktop Analysis (CDA) from Clear Capital, or
- A second appraisal.

If the CU score exceeds 2.5, the file must include either an AVM from Clear Capital, a CDA from Clear Capital, or a second appraisal.

The AVM must show an acceptable FSD score range of 0.00 to 0.13 and the AVM value must be within 10% of the appraised value.

- **If the AVM reflects a value more than 10% below the appraised value or cannot provide a value, the file must include an acceptable CDA from Clear Capital or a second appraisal.**

If the CDA Desk Review reflects a value more than 10% below the appraised value or cannot provide a validation, the next option would be a second appraisal.

A second appraisal must support the original appraised value, else the lower of the two appraisals must be used in the LTV/CLTV calculation.

Any appraisal review product or second appraisal may not be from the same appraiser or appraisal company as the original report.

Minimum Property Requirements

All properties must:

- Be improved real property,
- Be accessible and available for year-round residential use,
- Contain a full kitchen and a bathroom,
- Represent the highest and best use of the property,
- Not containing any health or safety issues.

Minimum square footage:

- Single family = 700 sq. ft.
- Condominium = 500 sq. ft.
- 2-4 Units = 400 sq. ft. per individual unit

Personal Property

Any personal property transferred with a real property sale must be deemed to have zero transfer value, as indicated by the sales contract and the appraisal. If any value is associated with the personal

property, the sales price and appraised value must be reduced by the personal property value for purposes of calculating the LTV/CLTV.

Escrow Holdbacks

Escrow holdbacks are not allowed. Any repair or maintenance required by the appraiser must be completed prior to closing.

Declining Markets

If the trend of property values is downward, a “declining market” exists. Declining markets are determined by a) ~~property location in a State/CBSA identified by Verus~~, ~~property location in a State identified by Verus in the specific Loan LTV matrices~~, or b) the appraisal report reflects a declining market under housing trends. The program specific LTV/CLTV caps are as follows:

- Prime Ascent Plus
 - 85% LTV Purchase
 - 75% LTV Refinance
- Prime Ascent
 - 85% LTV Purchase
 - 80% LTV Refinance
- Credit Ascent
 - 80% LTV Purchase
 - 75% LTV Refinance
- Investor Solutions - DSCR
 - 75% LTV Purchase
 - 70% LTV Refinance
- Foreign National
 - Maximum LTVs don't require a market adjustment

Property Types

Eligible Properties

- Single Family Detached
- Single Family Attached
- ~~Planned Unit Development (PUD)~~
 - ~~Single Family Detached homes with PUD riders~~
- ~~De minimum Planned Unit Development~~
 - ~~PUD with “de minimus” monthly HOA dues~~
- 2-4 Unit Properties
- Condominium
- Condo Hotels
- Modular home

- Properties of 20 acres or less

Ineligible Properties

- Leasehold 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
- Agricultural properties (including farms, ranches or orchards)
- Manufactured or Mobile homes
- Units subject to timeshare arrangements
- Properties with fractional ownership
- Cooperative share loans
- Boarding houses or bed/breakfast properties, or single room occupancy
- Properties used as healthcare facilities (i.e., assisted living, elder care, recovery/treatment)
- Properties with nonresidential, income-producing structures on premise (e.g., billboards, cell phone towers, commercial workshop)
- Properties with zoning violations or illegal use
- Dome or geodesic homes
- Homes on Native American Land
- Log homes that are not common for the area
- Hawaii properties located in lava zones 1 and/or 2
- Houseboats
- Properties used for the cultivation, distribution, manufacture or sale of marijuana
- Rural property:
 - A property is classified as rural if:
 - The appraiser indicates in the neighborhood section of the report or rural location; or
 - The following two (2) conditions exist:
 - The property is located on a gravel road, and
 - Two of the three comparable properties are more than 5 miles from the subject property.

TILA Higher Priced Mortgage Loans (HPML) Appraisal Rule 1026.35(A)(1) (Property Flips)

- Appraisal requirements / property flip requirements applies to covered HPML transactions
- A property is considered a “flip” if either of the following are true:
 - The price in the borrower’s purchase agreement exceeds the property Seller’s acquisition price by more than 10% if the property Seller acquired the property 90 or fewer days prior to the date of the borrower’s purchase agreement, or
 - The price in the borrower’s purchase agreement exceeds the property Seller’s acquisition price by more than 20% if the property Seller acquired the property 91-180 days prior to the date of the borrower’s purchase agreement.

- The acquisition date is the day the seller becomes the legal owner. The purchase date is the day the borrower and the seller sign the home purchase agreement. Start with the day after the acquisition date and count up to and including the purchase date.
- If the property is a “flip” as defined above, the following additional requirements apply:
 - A second appraisal must be obtained.
 - If the loan is subject to Regulation Z, a copy of the second appraisal must be provided to the borrower in compliance with the federal HPML requirements.
 - The second appraisal must be dated prior to the loan consummation/note date.
 - The property Seller on the purchase contract must be the owner of record.
 - Increases in value should be documented with commentary from the appraiser and recent comparable sales.
 - Sufficient documentation to validate actual cost to construct or renovate (e.g., purchase contracts, plans and specifications, receipts, invoices, lien waivers, etc.) must be provided, if applicable.

Acreage Limitations

A maximum of 20 acres is allowed, unless a DSCR transaction which limits acreage to 2 acres. No truncating allowed by which the appraiser only appraises a portion of the property.

State Eligibility

Nationwide - excluding Puerto Rico, Guam, and the US Virgin Islands

Texas Home Equity Loans 50(a)(6) loans are acceptable that meet compliance with Texas law.

New York CEMA loans

- Consolidation, Extension, and Modification Agreement may be utilized for refinance transactions secured by property located in the State of New York.
- Attorney's experience in reviewing the preparing CEMA documentation should be utilized.

Verus Exposure - Borrower Limitations

Verus' aggregate exposure to a single borrower and/or household shall not exceed \$5,000,000 in current unpaid principal balance (UPB) or ten (10) loans.

Disaster Areas

The following guidelines apply to properties located in FEMA declared disaster areas, as identified by reviewing the FEMA website at www.fema.gov/disasters. In addition, when there is knowledge of an adverse event occurring near and around the subject property location, such as earthquakes, floods, tornadoes, or wildfires, additional due diligence must be used to determine if the disaster guidelines should be followed.

The guidelines for disaster areas should be followed for 120 days from the disaster declaration date as published by FEMA.

Appraisals Completed Prior to Disaster

An exterior inspection of the subject property, performed by the original appraiser if possible, is required.

- The appraiser should provide a statement indicating if the subject property is free from any damage, is in the same condition from the previous inspection, and the marketability and value remain the same.
- An Inspection Report must include new photographs of the subject property and street view.
 - Form 1004D, or
 - Post Disaster Inspection (PDI) Report
- Any damage must be repaired and re-inspected prior to closing.

Appraisals Completed After Disaster Event

- The appraiser must comment on the adverse event and certify that there has been no change in the valuation.
- Any existing damage noted in the original report must be repaired and re-inspected prior to purchase.

Disaster Event Occurs After Closing but Prior to Loan Purchase by End Investor

A loan is ineligible for purchase until an inspection is obtained using one of the following options:

- A Post Disaster Inspection Report from Clear Capital. Any indication of damage reflected on the report will require a re-inspection by the appraiser
 - If a re-inspection is required, the appraiser may utilize FNMA Form 1004D and comment on the event and certify that there has been no change to the value.

Post Disaster Inspection Report (PDI) Requirements

- Inspection must be from a third party vendor
- Exterior color photos of the subject property and street scene
 - Address verification to be included
- Details of the damage, if any, including cost to cure
 - Color photos of damage incurred as a result of the disaster
- If repairs are required, re-inspection of the subject property to evidence repairs were completed in a workmanlike manner
- Any indication of damage reflected in the report will require the damage to be remediated prior to purchase

Condominiums

A condominium project is one in which individual owners hold title to units in the project along with an undivided interest in the real estate that is designated as the common area for the project. The units in the project must be owned in fee simple and the unit owners must have the sole ownership interest in and rights to the use of, the project's facilities, common elements, and limited common elements.

To qualify as an acceptable condominium unit, the project must be common for the area and demonstrate good marketability.

- All loans secured by condominium projects require a completed Homeowners Association (HOA) questionnaire and condominium review except for:
 - Site Condominium
 - 2-4 Unit project provided the following guidelines are met
 - Project is not ineligible
 - Evidence of sufficient hazard, flood, and wall-in insurance coverage if the subject unit has individual coverage. If the insurance covers the entire project, it must be sufficient in the event of a total loss.
 - Homeowner's association dues are to be included in DTI/DSCR, if applicable.
- Special assessment information is to be provided to determine if there is a critical repair. Provide purpose, amount, term, balance, status, and cost per unit.
- Any projects with significant deferred maintenance or have received a directive from a regulatory or inspection agency to mark repairs due to unsafe conditions are not eligible. Significant deferred maintenance includes deficiencies that meet one or more of the following criteria:
 - Full or partial evacuation of the building to complete repairs is required for more than seven days or an unknown period of time,
 - The project has deficiencies, defects, substantial damage, or deferred maintenance that
 - Is severe enough to affect the safety, soundness, structural integrity, or habitability of the improvements; or
 - The improvements need substantial repairs and rehabilitation, including many major components; or
 - Impedes the safe and sound functioning of one or more of the building's major structural or mechanical elements, including but not limited to the foundation, roof, load bearing structures, electrical system, HVAC, or plumbing; or
 - Has critical repairs with one of the following characteristics:
 - Mold, water intrusions or potentially damaging leaks to the project's buildings(s); or
 - Unfunded repairs costing more than \$10,000 per unit undertaken within the next 12 months (does not include repairs made by the unit owner or repairs funded through special assessment).
- Florida Condominiums
 - For loans secured by a condominium unit in the state of Florida, if the project is over 30 years old (or 25 years old if within 3 miles of the coast), a structural inspection is required for projects greater than five (5) stories. The inspection needs to address items

that substantially conform to the definition of a milestone inspection as defined in Florida statute 553.899.

- Inspection must confirm there are no conditions severe enough to affect the safety, soundness, structural integrity, or habitability of the improvements
 - Projects with an unacceptable or no inspection are not eligible.
- Refer to the Loan/LTV matrices for maximum LTV/CLTVs and loan amounts.
 - Additional flexibilities have been provided for Prime Ascent Standard and Bank Statement programs to allow a primary residence purchase up to max LTV/CLTV 90% where applicable
- Verus' project exposure maximum shall be \$5,000,000 or 20% of the total units in the project greater than 4 units, whichever is lower.
- Projects consisting entirely of detached (site) units will not require a project review and are eligible for single-family dwelling LTV/CLTVs. Completion of the Homeowners Association (HOA) questionnaire is not required for site condominiums.
- Project has been created and exists in full compliance with applicable local jurisdiction, State, and all other applicable laws and regulations.
- Subject Unit Minimum Requirements: Minimum 500 square feet, full size kitchen, minimum of one (1) bedroom.
- Commercial space allowed up to 50% of the project.
- No more than 20% of the total units in the project may be 60 days or more past due on the HOA fees.
- For condominium projects consisting of five or more units, single entity ownership is limited to 20% of the project.
- Investor concentration allowed up to 60%. A higher percentage may be considered when the subject transaction is an investment property when a history of a high percentage of rental units in the project can be demonstrated.
- Projects involved in litigation are acceptable provided the lawsuit(s) are not structural in nature which impact the subject unit and do not affect the marketability of the project units and potential damages do not exceed 25% of the HOA reserves or documentation from the insurance carrier or attorney representing the insurance carrier that the insurance carrier has agreed to conduct defense and the HOA insurance policy is sufficient to cover the litigation expense.
- Borrowers must carry HO-6 coverage for replacement of such items as flooring, wall covering, cabinets, fixtures, built-ins, and any improvements made to the unit.
- Must confirm that the project documents do not give a unit owner or any other party priority over the rights of the first mortgagee.

Established Projects

- 90% of the total units in the project must be sold and conveyed to the unit owners.
- 40% of the total units in the project must be owner occupied.
- All phases are complete.
- HOA must be conveyed to the unit owners - no developer or builder-controlled projects allowed.

- All comparable sales may be from within the subject's project if the project is established and consists of 100 or more units. Recent sales of model match units, if available, must be utilized in the appraisal report.

New or Newly Converted Projects

- 50% of the total units in the project or subject's phase must be sold and conveyed to the unit owners AND at least 50% of the units must be owner occupied.
- Project or subject's legal phase along with the other development phases must be complete. All common elements in the project or legal phase must be 100% complete.
- Project may be subject to additional phasing.
- The project developer may be in control of the condominium association provided the Master Agreement allows for the homeowners to take control upon either a predetermined percentage of unit sales or within a defined time frame.

Condominium Hotels

Condotel eligibility includes:

- Projects where the units are individually owned, and the project offers hotel amenities
 - Hotel amenities may include on-site registration, housekeeping services, and other hospitality services
 - A project that offers rentals of units on a daily, weekly, or monthly basis
 - Occupancy Type: Primary, Second Home, Investment
- Investor concentration, within the subject project, may exceed established project criteria, up to 100%
- Maximum LTV/CLTV (may vary by product - see Loan / LTV matrix):
- Maximum Loan Amount
 - Prime Ascent/Credit Ascent: \$2,500,000
 - DSCR: \$1,500,000
- Minimum Loan Amount: \$150,000
- Investor concentration, within the subject project, may exceed established project criteria, up to 100%
- Gross rents (for all income doc types) 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
- Minimum square footage: 500
- Must have a fully functioning kitchen - define as full-size appliances including a refrigerator and stove/oven
- Bedroom required
- Florida Condominiums
 - For loans secured by a condominium unit in the state of Florida, if the project is over 30 years old (or 25 years old if within 3 miles of the coast), a structural inspection is required for projects greater than 5 stories. The inspection needs to address items that

substantially conform to the definition of a milestone inspection as defined in Florida statute 553.899.

- The inspection must confirm there are no conditions severe enough to affect the safety, soundness, structural integrity, or habitability of the improvements.
- Projects with an unacceptable or no inspection are not eligible.

Ineligible Projects

- A project subject to the rules and regulations of the US Securities and Exchange Commission
- Timeshare or projects that restrict the owner's ability to occupy the unit.
- Houseboat projects
- Manufactured home projects
- Assisted living facilities or any project where the unit owner's contract includes a lifetime commitment from the facility to care for the unit owner regardless of future health or housing needs.
- Multi-family units where a single deed conveys ownership of more than one, or all of the units.
- A common-interest apartment
 - A project in which individuals have an undivided interest in a residential apartment building and land and have the right of exclusive occupancy of a specific apartment unit in the building.
 - The project or building is often owned by several owners as tenants-in-common or by a homeowners' association.
- Fragmented or segmented ownership
 - Ownership is limited to a specific period on a recurring basis (i.e. timeshare, quarter share)
- Any project where the developer (or its affiliates) owns the Common and/or Limited Elements and leases the elements back to the HOA.
- Any project that has non-conforming zoning (can't be rebuilt to current density).
- Any project that requires Private Transfer Fees as part of the transaction, and those fees do not benefit the association.
- Any project in need of critical repairs with one of the following characteristics:
 - Mold, water intrusions or potentially damaging leaks to the project's building(s); or
 - Unfunded repairs costing more than \$10,000 per unit undertaken within the next 12 months (does not include repairs made by the unit owner or repairs funded through special assessment).
- Any project with significant deferred maintenance or has received a directive from a regulatory or inspection agency to mark repairs due to unsafe conditions.

Condominium Insurance Requirements

The project must meet all Fannie Mae insurance requirements for property, liability, and fidelity coverage.

Master Insurance Coverage

Master property insurance policies are required for the common elements and residential structures unless the condo project requires individual property insurance policies for each unit.

Master insurance policy must provide for claims to be settled on a replacement cost basis. Property insurance policies that provide for claims to be settled on an actual cash value basis are not acceptable. Policies that limit, depreciate, reduce, or otherwise settle losses at anything other than a replacement cost basis are also unacceptable.

Master liability of at least \$1,000,000 is required per occurrence. **Maximum deductible is 5%.**

Master insurance policy must include the project name and project address for the location of the condo project. Borrower name, unit number, and mortgagee clause are not required to be included in the master insurance policy.

Fidelity of Employee Dishonesty Insurance

For condominium projects consisting of more than 20 units, fidelity insurance coverage equaling at least the sum of three months of assessments on all units in the project is required.

HO-6

Borrowers must carry H06 coverage for replacement of such items as flooring, wall covering, cabinets, fixtures, built-ins, and any improvements made to the unit.

If the master or blanket policy does not provide interior unit coverage (replacement of improvements and betterment coverage to cover any improvements that the borrower may have made) the borrower must obtain an HO-6 Policy or “walls-in” coverage. The HO-6 insurance policy must provide coverage in the amount as established by the HO-6 insurer.

Deductible

The maximum deductible amount must be no greater than 5% of the face amount of the policy.

Flood Insurance

- The condominium homeowners’ owners must obtain an NFIP Residential Condominium Building Association Policy (RCBAP) with the following coverage:
 - Building Coverage must equal the lesser of:
 - 100% of the insurable value (replacement cost) of the building, including amounts to repair or replace the foundation and its supporting structure); or
 - The total number of units in the condominium building multiplied by \$250,000.
 - Contents Coverage must equal the lesser of:
 - 100% of the insurable value of all contents (including machinery and equipment that are not part of the building) that are owned in common by the association members; or

- The maximum amount of contents coverage sold by the NFIP for a condominium building.

Revision History

Date	Version	Description	Approver	Octane Alignment
7.15.24	V13	<p>Effective for locks on or after 7.15.24</p> <ul style="list-style-type: none"> ● Loan LTV Matrices <ul style="list-style-type: none"> ○ Ohio prepayment penalty restriction removed ○ Eliminated CBSA markets; updated state overlay restrictions list to CT, IL, NJ, NY ○ Added Escrow Account section ○ Added Declining Market section ○ Added AVM from Clear Capital as an Appraisal Review option ● CBSA Table has been removed ● Borrower Eligibility > Non-Permanent Resident Alien: Clarified eligible VISA classifications ● Foreign National <ul style="list-style-type: none"> ○ Residency: Added clarification for primary residence in the U.S. and removed requirement for third party document verifying address ○ ITIN borrowers are eligible ○ Added requirement for a credit report to be included in the file evidencing the borrower's credit score, or as evidence of no score available ● Purchase transaction: Arm's Length For-Sale-By-Owner transactions allowed ● Rate/Term Refinance: Changed seasoning definition to acquisition date to subject Note date ● Cash-out Refinance: Clarified seasoning requirements and property value determination ● Escrow Accounts: Required on all loans 	Ellen Clayson	Complete

		<ul style="list-style-type: none"> • FraudReport and OFAC Check: Updated transaction participants to Borrowers/Guarantors, Property Sellers and Settlement Agents • Housing History: Clarified requirements for borrowers living rent free and requirements for non-subject REO • Mortgages Not Reporting on Credit: Clarified requirements and removed requirement for copy of the Note • Balloon Notes with Maturity Default: Added new section and delinquent parameters clarified • Court-Ordered Assignment of Debt: Added new section and clarified guidelines • Forbearance: Clarified requirements when greater than 12 months from Note date • Assets > Large Deposits: New definition as any single deposit that represents greater than 100% of the borrower's qualifying monthly income. Also provided clarity around business large deposits • DTI Section: Added direction for calculation of property taxes • Social Security Income: New section added with documentation guidelines • Trust Income: Documentation must show the date the trust was created, updated trust verification requirements and income calculations • DSCR Short Term Rental > AirDNA: Removed 60% occupancy rate requirement, updated comparable requirements to 3 in the same zip code, updated Market and Sub-Market score requirements. • Added clarification on the Market Research report and how to capture a screenshot of the report to accurately identify the zip code search completed. • DSCR: Added direction for calculation of property taxes and housing history for first time homebuyers living with a spouse that owns a primary residence • Appraisal Review: Added AVM from Clear Capital as an option • Condominium > Master Policy of Insurance: Added maximum deductible of 5% 		
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2.26.24	V12	<p>Effective for locks on or after 2.26.24</p> <ul style="list-style-type: none"> • Prime Ascent Plus: NY Subprime loans ineligible • Prime Ascent: FICO score and LTV changes; Alt Doc WVOE and P&L FICO score, LTV and loan amount changes; Alt Doc P&L added Tax Attorney as an eligible preparer • DSCR: FICO score, LTV and loan amount changes; long-term and short-term guideline changes • Foreign National: Long-term and short term guideline changes • CBSA: Removed areas • Solar Panels: Updated criteria for owned and leased and PACE will require proof of payoff • Non-Permanent Resident Alien clarifications • Foreign National: Added OFAC checks for sanctioned countries • Cash-Out Refinance: Re-defined seasoning as the time difference between the note date of the existing loan and the note date of the subject loan • Listing Seasoning: Clarified that it only applies to cash out refinances • Non-Arm's Length: Removed restriction limiting to full doc only for sale between family members and reduced canceled check requirements from 24 months to 12 months when renters are purchasing from landlord • Fraud Report and OFAC checks: Clarified participants who should be checked on the reports • Revolving Debt: Accounts delinquent 30 days or longer do not need to be brought current for DSCR loan programs • Authorized User Accounts: Added section stating that these obligations should not be considered in the borrower's DTI ratio • Asset Documentation: Funds held jointly with another "individual" are considered 100% of the borrowers funds; added ineligible assets 529 Savings Plan and funds contributed by a non-borrowing spouse unless documented as a gift • Gift Funds: 100% gift funds allowed for Prime Ascent using Standard Doc 12- or 	Ellen Clayson	
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		<p>24-month and Alt Doc 12- or 24-month Bank Statement programs with max 80% LTV; gift letter no longer needs to include the date the gift funds were transferred; gift of equity allowed for primary residence only.</p> <ul style="list-style-type: none"> Standard Doc Wage/Salary Income: FNMA WVOE Form 1005 is now eligible for standard income documentation when used in conjunction with pay stub and W2s for breakdown of overtime, commission or bonus income Employment Offers or Contracts: Cannot be from a family member or interested party Non-Taxable Income: Child support income may be grossed up 25% and Social Security income may be grossed up 15% Alt Doc P&L: If preparer does not complete or file the most recent business tax return, then most recent 2 months business bank statements are required for most recent 2 months on the P&L Ineligible Properties: Added properties with nonresidential, income-producing structures on premises and updated existing criteria for agricultural, healthcare facilities, log homes and rural Condominiums: Verus maximum exposure required for projects greater than 4 units and updated master insurance requirements 		
2.16.24	V11	Revised Prime Ascent Asset Utilization to lower the FICO score to 640 and the asset calculation to 60 months, based on a variance received from Verus	Ellen Clayson	
2.8.24	V10	Added product codes for Investment properties on Prime Ascent Plus and Prime Ascent products. <i>New codes are effective for locks on or after 2.8.24. Standard product codes for an Investment property can be requested from the Lock Desk from 12.8.23 to 2.7.24.</i>	Ellen Clayson	
2.6.24	V9	Added under the Foreign National Program Specific Documentation Requirements that Verus requires all Florida loans submitted for purchase made to foreign principals, persons, and entities include the applicable Buyer's Affidavit	Kristen Bellon	

11.12.23	V8	Rolled out IRS Form 1099, CPA/EA Profit and Loss Statement and Written Verification of Employment alternative documentation levels for Prime Ascent	Ellen Clayson	
10.16.23	V7	<ul style="list-style-type: none"> Florida condominium: removed maximum LTV reduction of 5%; structural inspection required for projects greater than 5 stories and over 30 years old, or 25 years if within 3 miles of the coast Prime Ascent Standard and Bank Statement allows up to maximum LTV/CLTV 90% for condominium primary residence purchase; all other transactions revert to published guideline of max 85% LTV/CLTV Maximum LTV and loan amounts revised for condotel properties Prime Ascent Asset Utilization - lowered minimum FICO to 660 and removed max DTI of 43% State/CBSA list revised Non-permanent resident alien borrower guidelines revised to remove specific VISA types, added requirement of either an EAD or VISA that permits employment and added guidance for asylum borrowers Foreign National - removed VISA requirement - only a passport is required; removed alternative tradeline requirements; added wire transfer option for assets held in a foreign account; dropped reserves from 12 to 6 months; Canadian citizen second home transaction only available on Verus brokered option Non-occupant co-borrower - removed 5% LTV reduction; limited to primary purchase transactions; Standard Documentation required for all borrowers First-time homebuyers max DTI 43% and max 80% LTV if a documented 12-month rental history is not present Subordinate financing is not eligible from a private-party Housing payment history must be paid current as of 45 days of the loan application date Clarification of mortgage verification requirements Added trust accounts to eligible assets 	Ellen Clayson	

		<ul style="list-style-type: none"> Clarified documentation for Income - Standard Documentation Added guidance for Bank Statement Income documentation Updated guidelines for Asset Utilization eligibility for first time homebuyers and income documentation DSCR guidelines revised for refinance transactions and property is unleased; short term rental guidelines clarified Appraisal Evaluation section updated Condominium section updated 		
9.13.23	V6	Updated the AirDNA overview report used for Short-Term Rental Income guideline to show a Numeric Score must reflect a value 60 or higher (previously required a letter grade B or greater)	Kristen Bellon	
9.5.23	V5	Updated Housing Payment History to 0x30x12 for Prime Ascent Standard and Prime Ascent Alternative Documentation programs	Kristen Bellon	
7.27.23	V4	Added Interest Only program codes and guidelines	Ellen Clayson	
7.11.23	V3	<ul style="list-style-type: none"> Updated loan amounts and LTV/CLTV for several programs Updated State/CBSA table - Removed Alaska, Montana, Tennessee, Utah from state list. Added Sevierville, TN and Heber, UT to list of CBSA Added Ohio to ineligible list of states for a prepay penalty Prime Ascent - Standard Doc & Alt Doc: Updated Housing history to 1x30x12 Investor Solutions - DSCR: Reduced minimum DSCR from 1.5 to 1.25 for loan balances under \$150K Investor Solutions - DSCR: Increased max LTV for a non-perm resident to 75%. Added L-1A visa as eligible Removed 5% LTV reduction for First Time Investor under DSCR First Time Home Buyer - Remove minimum credit score of 680 for eligibility (Still required for DSCR and FN) Made additional clarifications throughout document including: 	Kristen Bellon	

		<ul style="list-style-type: none"> ○ Clarified requirement for assets held by a foreign bank with a US branch ○ Removed reference to non-occupant co-borrower under qualifying with US credit ○ Listing Seasoning - Requirements now apply to any refinance transaction (previously only applicable to Cash-out transactions) ○ Collections - Removed \$10,000 cap for medical collections ○ Clarified access to retirement funds only required if funds needed for downpayment and closing costs ○ Other Income - Pension/Retirement/Annuity - Updated 401K/IRA distributions ○ Bank Statement - Restrictions - Clarified requirements to verify existence of business ○ Bank Statement Income - Clarified eligible deposits when using personal bank statements ○ Eligible Assets under Asset Utilization <ul style="list-style-type: none"> ■ Added cash value of life insurance ■ Added US Treasuries with maturity < 1-year to checking/savings/money market ○ DSCR - Long Term Rents <ul style="list-style-type: none"> ■ Clarified if the actual rents exceed the market rent by more than 120%, use the 120% cap amount for eligibility ■ Add clarification that if unable to provide 2-months proof of receipt for a lease that has been converted to month-to-month, the property will be treated as vacant/unleased. Subject to 5% LTV reduction and use market rent from 1007 		
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		<ul style="list-style-type: none"> ○ Short Term Rents <ul style="list-style-type: none"> ■ Clarified when to utilize the 20% extraordinary expense factor versus actual expenses if provided on statements ○ Disaster areas - Clarified a 3rd party PDI is required, the 1004D is only used by an appraiser for re-inspection ○ Clarified Florida condo statute applies to projects of 3-stories or greater 		
5.31.23	V2	Revised numerous guidelines for the Prime Ascent Plus Standard and Alt Doc programs <ul style="list-style-type: none"> ● Maximum LTV increased from 80% to 90% ● Minimum credit score reduced from 700 to 680 ● Housing history look back reduced from 0x30x24 to 0x30x12 ● Minimum loan balance reduced from \$250,000 to \$150,000 for the Prime Ascent Plus Standard ● Revised Reserve requirements based on increase to LTV ● Added guidance for properties in Declining Markets or as listed on the CBSA Overlay chart 	Kristen Bellon	
4.01.23	V1	Revised numerous guidelines effective for locks on or after 4.3.23 <ul style="list-style-type: none"> ● State/CBSA Overlays - simplified the policy by combining with Declining Market policy and changing to a maximum LTV cap by program for properties in an identified area ● Condominium projects located in Florida - added criteria on new legislation requiring structural inspections for older projects ● Foreign National Program - removed second home occupancy and Standard / Asset Utilization documentation types ● Numerous clarifications throughout the guide 	Ellen Clayson	



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